Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8232

PLACING



Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Joint Bookrunners and Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

太平基業證券有限公司
Pacific Foundation Securities Limited

IMPORTANT

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

Classified Group (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	**:**	**140,000,000 Shares comprising 80,000,000 New Shares and 60,000,000 Sale Shares (subject to the Offer Size Adjustment Option)**
Placing Price	**:**	**Not more than HK$0.55 per Placing Share and expected to be not less than HK$0.45 per Placing Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 each**
Stock code	**:**	**8232**

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Joint Bookrunners and Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

太平基業證券有限公司
Pacific Foundation Securities Limited

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

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

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Wednesday, 6 July 2016. The Placing Price will not be more than HK$0.55 per Placing Share and is expected to be not less than HK$0.45 per Placing Share. If our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Placing will not become unconditional and will not proceed. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Placing Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Placing Price will be published on our website at www.classifiedgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus. Prospective investors of the Placing Shares should note that the Joint Bookrunners (for themselves and on behalf of the Underwriters) is entitled to terminate their obligations under the Underwriting Agreement by notice in writing to us given by the Joint Bookrunners (for themselves and on behalf of the other Underwriters), upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, any acts of government, fire, explosion, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong.

30 June 2016

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 Price Determination Date[2]	At or before 5:00 p.m. on Wednesday, 6 July 2016
Announcement of the Placing Price and the level of indication of interest in the Placing to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.classifiedgroup.com.hk[3] on or before	Friday, 8 July 2016
Allotment of Placing Shares on or before	Friday, 8 July 2016
Deposit of share certificates for the Placing Shares into CCASS on or before[4]	Friday, 8 July 2016
Dealings in the Shares on GEM to commence at 9:00 a.m. on	Monday, 11 July 2016

Notes:

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" of this prospectus. If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.classifiedgroup.com.hk.

2. The Price Determination Date is scheduled on Wednesday, 6 July 2016 (or such later date as may be agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Bookrunners (for themselves and on behalf of the Underwriters). If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.

3. None of the websites or any information contained therein form part of this prospectus.

4. The share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or before Friday, 8 July 2016 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be). Our Company will not issue any temporary documents of title.

All share certificates will only become valid certificates of title of the Shares to which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For further details of the structure and conditions of the Placing, you should refer to the section headed "Structure and Conditions of the Placing" in this prospectus.

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

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

Our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.

The contents on the website at www.classifiedgroup.com.hk which is the official website of our Company do not form part of this prospectus.

CONTENTS

Page

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Placing Shares.

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

OVERVIEW

We are a Hong Kong based food and beverage group with a primary focus on offering western cuisine in both casual dining and full service environment. With the exception of a franchised "Classified" brand operation in Indonesia, all of our restaurants are located in Hong Kong. We opened our first Classified restaurant in 2006 and, up to the Latest Practicable Date, we had expanded our "Classified" branded restaurants to a total of 10 locations throughout Hong Kong. In addition to our western casual dining chain under our Classified brand, we also operate two full service restaurants, namely, The Pawn and The Fat Pig. Housed in one of Hong Kong's heritage colonial buildings from the late 19th century, The Pawn offers modern British cuisine designed by a renowned British chef. The Fat Pig is located in a landmark shopping mall in Causeway Bay and started to offer international cuisine and pork-focused British cuisine after the upgrade and completion of the renovation in November 2015. According to the Ipsos Report, in terms of turnover, our estimated market share in western full-service market was approximately 0.7% while our estimated market share in western casual dining market was approximately 1.3% in 2015.

In addition to our restaurants, our Group also owns and operates a food factory that supplies cheeses, bread and other bakery products to our restaurants and other corporate customers. Further information on our restaurants and food factory is set out in the sub-sections headed "Business — Our Restaurants" and "Business — Our Food Factory", respectively, in this prospectus.

Entering into our Group's 10th year anniversary since the establishment of our first Classified restaurant in Hong Kong in 2006, our diversified mix of restaurants with unique characteristics are strategically located in prime areas throughout Hong Kong targeting a diversified customer base. Our "Classified" brand offers casual dining, generally targeting the mass-market consumers, while our "The Pawn" brand offers unique dining environment and quality food, targeting customers with higher demand on food quality and dining environment and our "The Fat Pig" brand targets diners such as families or friends' social gatherings with an affordable price which is higher than "Classified" brand but lower than "The Pawn" brand. To build up our brand awareness, we strive to match our target customers' expectation on dining experience with the food, dining environment and service we offer by continuing to deliver quality food, enjoyable environment, sincere service and operating in a hygienic manner. During the Track Record Period, we received several awards or accolades as recognition of our continuous commitment to providing quality food and service. Further details of our awards and accolades are set forth under the section headed "Business — Awards and Accolades" of this prospectus.

The following table sets out the breakdown of our revenue from our restaurant operations by brands, and our revenue from food factory operations for the years indicated.

	For the year ended 31 December			
	2014		2015	
Total Revenue		% of total revenue		% of total revenue
	HK$'000	*%*	*HK$'000*	*%*
Restaurant operations				
Classified	79,254	52.5	93,041	52.9
The Pawn[(1)]	31,176	20.7	50,257	28.6
SML[(2)]	29,886	19.8	22,083	12.6
	140,316	93.0	165,381	94.1
Food factory operations	10,617	7.0	10,336	5.9
Total	150,933	100.0	175,717	100.0

Notes:

(1) Temporary suspension of operations from July 2014 to October 2014 for renovation.

(2) Temporary suspension of operations from August 2015 to November 2015 for renovation.

In 2015, there were about 764 western full service restaurants and 1,430 western casual dining restaurants in Hong Kong. Both the western full service restaurants market and the western casual dining market are highly competitive and fragmented. In terms of revenue, the top five operators of western full service restaurants and western casual dining restaurants only accounted for approximately 9.0% and 23.4% share of their respective markets in 2015. According to the Ipsos Report, the western full service restaurants industry in Hong Kong is a mature market while western casual dining restaurants industry is a developing market. Restaurants with better reputation, food and services will be more competitive in the markets in which they operate.

As at 31 December 2015, according to the Ipsos Report, our Company owned two western full service restaurants in Hong Kong, which accounted for approximately 0.3% of the total number of western full service restaurants in Hong Kong. Meanwhile, as at 31 December 2015, our Company owned 11 "Classified" branded restaurants (one of which was closed in February 2016), a western casual dining chain in Hong Kong, which accounted for approximately 0.8% of the total number of western casual dining restaurants in Hong Kong.

Suppliers and raw materials

The raw materials and consumables that our Group requires for its operations can be classified as (i) food and baking ingredients; (ii) beverages (alcoholic and non-alcoholic); and (iii) others, such as non-perishable goods. During the Track Record Period, our five largest suppliers consisted of local suppliers that mainly supplied beverages (alcoholic and non-alcoholic), meats, vegetables and condiments. Altaya Wines, being one of our five largest suppliers, and Cubatabaco are both associates of Mr. Pong, our executive Director and a Controlling Shareholder and will continue to supply beverage products and cigars, respectively, to our Group after Listing. Please refer to the section headed "Continuing Connected Transactions" of this prospectus for further details.

For the two years ended 31 December 2015, we sourced from approximately 171 and 114 suppliers, respectively. As at the Latest Practicable Date, we had established approximately five years of business relationship with each of our five largest suppliers for the Track Record Period and approximately five years of business relationship with our largest supplier for the Track Record Period. For the two years ended 31 December 2015, purchases from our five largest suppliers accounted for approximately 38.3% and 33.8% of our total purchases of raw materials and consumables consumed, respectively. During the same years, purchases from our largest supplier accounted for approximately 12.0% and 9.3% of our total purchases of materials and consumables, respectively.

Staff costs

Our Directors believe that the restaurant business is service-oriented and all of our staff members play an integral part in the successful development of our Group's restaurants. Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits payable to all our employees. Staff costs are the largest component of our operating expenses. The average number of our full-time employees increased by 14, or 5.4%, from 257 for the year ended 31 December 2014 to 271 for the year ended 31 December 2015. Our staff costs amounted to HK$57.6 million and HK$62.2 million for the two years ended 31 December 2015, respectively, representing 38.2% and 35.4% of our revenue for such periods, respectively. For details of our Group's employees, please refer to the sub-section headed "Business — Employees" in this prospectus. For analysis of our staff costs and the sensitivity analysis illustrating the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit for the year during the Track Record Period, please refer to section headed "Financial Information — Factors affecting out Group's results of operations and financial condition — Staff costs" of this prospectus.

Property rentals and related expenses

All of our Group's restaurants are operated on leased or licensed properties and licensed areas. As at 31 December 2014 and 2015, the total licenced area of our Group's restaurants was approximately 1,946 sq.m. As at the Latest Practicable Date, we also leased or licensed a total of 20 properties in Hong Kong of which seven were used as our offices and storage and 13 were used as the premises of restaurants or food factory. The lettable area of our leased properties and licensed areas ranged from 2.2 sq.m. to 950.6 sq.m. Our Group's leases have initial lease terms of between one and five years and may have an option to renew for an additional two to four years. Among our valid lease agreements and licence agreements, five of them will expire within 2016. In respect of five leases expiring within 2016, the landlord of one of our restaurant premises have verbally agreed that the lease can be extended to January 2017. The remaining four expiring leases will expire towards the end of 2016 and we will negotiate with the respective landlords when the time is closer to expiry. The property rentals and related expenses were the third largest component of our operating expenses. For the two years ended 31 December 2015, property rentals and related expenses amounted to approximately HK$24.0 million and HK$29.6 million and accounted for approximately 15.9% and 16.8% of our revenue for such periods, respectively. For information on our leased properties, please refer to section headed "Business — Our Property Interests" in this prospectus. For analysis of our property rentals and related expenses, please refer to section headed "Financial Information — Results of operation of our Group — Property rentals and related expenses" in this prospectus.

Licences and approvals

Depending on the nature of business of our Group's operations, there are three principal types of licences that may be required for the operation of our Group's restaurants and food factory in Hong Kong. As at the Latest Practicable Date, our Group had obtained (i) the relevant licences required for all of our restaurants and food factory in Hong Kong; (ii) a liquor licence in respect of each of our restaurants which sells alcoholic beverages for consumption on the premises and (iii) have obtained for the water pollution licences for our restaurants as required. Details of the licences and approvals required by our Group is set out in the section headed "Business — Licences and Approvals" in this prospectus.

Intellectual property rights

As at the Latest Practicable Date, we had registered and applied for the registration of our trademarks relating to our three brands, namely Classified, The Pawn and SML and had entered into a license agreement with Hethel Limited, a company owned by Mr. Tom Aikens for the use of the trademark for The Fat Pig. Please refer to the sub-section headed "B. Further information about the business of our Group — 2. Our intellectual property rights" in Appendix IV to this prospectus for more details of our trademarks and domain names.

SUMMARY OF HISTORICAL FINANCIAL PERFORMANCE

The following table sets out a summary of the audited consolidated financial information of our Group for the two years ended 31 December 2015. For more detailed information, please refer to the Accountants' Report in Appendix I to this prospectus.

SUMMARY

Highlights of consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Revenue	150,933	175,717
Profit before taxation	2,579	4,333
Profit and total comprehensive income for the year	2,587	2,820
Profit (loss) and total comprehensive income (expense) for the year attributable to		
— owners of our Company	2,606	2,936
— non-controlling interests	(19)	(116)
	2,587	2,820

Highlights of consolidated statements of financial position

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Total non-current assets	38,219	43,392
Total current assets	43,862	50,986
Total current liabilities	39,225	48,314
Total liabilities	40,576	50,053
Total assets less current liabilities	42,856	46,064
Net current assets	4,637	2,672
Net assets	41,505	44,325

Highlights of consolidated statements of cash flows

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Operating cash flows before movements in working capital	9,400	13,619
Net cash (used in) from operating activities	(890)	11,122
Net cash used in investing activities	(22,341)	(15,634)
Net cash from financing activities	13,974	5,776
Net (decrease) increase in cash and cash equivalents	(9,257)	1,264

We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from our Controlling Shareholders, bank borrowings and internally generated funds from our operating activities. We had net cash used in operating activities of HK$0.9 million and net cash inflows from operating activities of HK$11.1 million for the two years ended 31 December 2015, respectively. We require cash primarily for general working capital needs and capital expenditures for opening and upgrading of restaurants in Hong Kong. As at 31 December 2015, we had bank balances and cash of approximately HK$17.1 million. Substantially all of our Group's cash and cash equivalents are held in Hong Kong dollars.

Summary of key financial ratios

The following table sets out a summary of key financial ratios of our Group during the Track Record Period. For more detailed information on the calculation basis of these key financial ratios, please refer to the sub-section headed "Financial Information — Key Financial Ratios" of this prospectus.

	As at/for the year ended 31 December	
	2014	**2015**
Profitability ratios		
Net profit margin[(1)] (%)	1.7	1.6
Return on equity[(2)] (%)	6.2	6.5
Return on total assets[(3)] (%)	3.2	3.0
Liquidity ratios		
Current ratio[(4)] (times)	1.1	1.1
Quick ratio[(5)] (times)	1.0	1.0
Capital adequacy ratios		
Gearing ratio[(6)] (%)	48.8	59.7
Interest coverage ratio[(7)] (times)	12.8	10.6

Notes:

(1) Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

(2) Return on equity is calculated by dividing profit for the year attributable to owners of our Company by shareholders' equity at the end of the respective year and multiplying the resulting value by 100%.

(3) Return on total assets is calculated based on the net profit for the year divided by the total assets at the end of the respective year and multiplying the resulting value by 100%.

(4) Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.

(5) Quick ratio is calculated based on the total current assets (excluding inventory) at the end of the year divided by the total current liabilities of the respective year.

(6) Gearing ratio is calculated based on the total debt at the end of the year divided by total equity at the end of the year. Total debt includes payables incurred not in the ordinary course of business (being bank borrowings, obligation under finance lease, amount due to a non-controlling shareholder of a subsidiary and amounts due to related companies of non-trade nature).

(7) Interest coverage ratio is calculated by dividing profit before interest and tax by finance costs.

SUMMARY OF KEY OPERATIONAL PERFORMANCE OF OUR RESTAURANTS

Comparable restaurants sales

We define comparable restaurants as restaurants that were operating throughout the periods under comparison. For example, the comparable restaurants for the two years ended 31 December 2015 are restaurants that were open throughout both the year ended 31 December 2014 and the year ended 31 December 2015.

The table below sets forth the performance of our comparable restaurants over the Track Record Period.

	For the year ended 31 December	
	2014	2015
Operating margin[3]		
Classified[8]	3.0%	4.5%
The Pawn[1]	(6.8)%	7.5%
SML[2]	11.4%	0.3%
Overall operating margin	2.0%	2.6%
Number of comparable restaurants		
Classified[9]	10	11
The Pawn[1]	1	1
SML[2]	1	1
Total	12	13
Daily average revenue per comparable restaurant[4]	*HK$'000*	*HK$'000*
Classified[9]	23	24
The Pawn[1]	117	138
SML[2]	82	80
Overall daily average revenue	35	37
Seat turnover rate of comparable restaurants[5]		
Classified[9]	4.2	4.2
The Pawn[1]	2.2	2.2
SML[2]	2.2	1.9
Overall average seat turnover rate	3.4	3.4
Average spending per customer per meal[6]	*HK$*	*HK$*
Classified[9]	124	130
The Pawn[1]	290	371
SML[2]	223	252
Overall average spending per customer per meal	159	177
Daily average number of customers		
Classified[9]	188	188
The Pawn[1]	402	372
SML[2]	368	316
Overall daily average number of customers	218	211
Percentage increase/(decrease) of comparable restaurants sales during comparable periods		
Classified[7][9]		17.2%
The Pawn[1]		61.2%
SML[2]		(26.1)%
Overall increase		17.8%

Notes:

1. The Pawn was closed for renovation in July 2014 and re-opened in October 2014.
2. SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.
3. Operating margin is calculated by dividing the operating profit for the year by revenue. Operating profit is defined as profit for the year before other income, other losses, finance costs, and income tax credit/expense.
4. Daily average revenue is calculated by dividing the total revenue by the number of operation days of the relevant comparable restaurant during that year.
5. Seat turnover rate is calculated by dividing the number of customer visits by the number of seats and the number of operation days of the relevant comparable restaurant during the year.
6. Average spending per customer per meal is calculated by dividing the total revenue by the number of customer visits of the relevant comparable restaurant during the year.
7. Revenue of HK$968,000 generated from sales of festive food was excluded from the total revenue generated from the Classified Restaurants for the year ended 31 December 2015.
8. Operating margin from sales of festive food was included in the calculation of the operating margin for the Classified Restaurants for the year ended 31 December 2015.
9. CRB only was launched in November 2014 and therefore is not included as a comparable restaurant for the year ended 31 December 2014.

During the Track Record Period, our Group's operating margin increased from 2.0% for the year ended 31 December 2014 to 2.6% for the year ended 31 December 2015. However, for the year ended 31 December 2015, some of our restaurants including CMB, CSP, CNW, CHP (closed in February 2016) and CRB recorded negative operating margins and some of our restaurants including CSK and SML recorded thin operating margins of less than 1.0%. For the analysis of their operating performance, please refer to the sub-section headed "Business — Operational performance of our restaurants" of this prospectus. We propose to implement a proactive strategic plan as detailed below with the intention to invigorate our Group's business operation and growth:

1) we will establish a loyalty program by the fourth quarter of 2016 at all of our restaurants which we believe will incentivise new customers to visit our restaurants and allow existing customers to return and feel valued. Due to its cyclical nature, this effectively becomes self-sustaining whereby the more a customer visits our restaurants, the more rewards he or she can receive, thus inspiring him or her to continue returning. By doing this, we hope this will translate to a higher customers attendance;

2) we have recently hired an experienced sales staff who will focus on generating more private and corporate events through increasing marketing and promotion of our abilities and benefits;

3) in the first half of 2016, we partnered with two well-known online food delivery services companies where we hope to generate new customers who are able to conveniently purchase through these delivery companies and enjoy our food in the comfort of their own home or offices during office hours and/or after long working hours. Thus the kitchen can be fully utilised even during the typical non-peak hours;

4) we will provide more promotional offers, such as happy hours and afternoon tea offers and offering lunches at the Botanical bar at The Pawn, which previously focused on after-work patronage, and introduction of special dinners designed by Mr. Tom Aikens;

5) we intend to establish a central kitchen which can target / offer more profitable outside catering business without the limitation of the restaurants' space (number of tables and seats);

6) we propose to focus on opening more Classified restaurants in locations where we are able to negotiate more competitive rent and take advantage of the depressed property market as we believe tenants currently have a better bargaining power; and

7) we will continue to implement upward price adjustments on our menu offerings as we have done during the Track Record Period and provide additional training to our front line staff to up sell our menu items and cross sell our other restaurant brands to customers.

After the Track Record Period, CHP closed on 29 February 2016 after taking into consideration that (i) CHP generated revenue amounted to approximately HK$0.9 million and approximately HK$0.7 million and incurred operating loss amounted to approximately HK$0.3 million and approximately HK$0.3 million, respectively, during the Track Record Period; (ii) its revenue accounted for only about 0.4% of our Group's total restaurant operating revenue for the year ended 31 December 2015; (iii) it was initially set up for brand promotion in a small service counter of only 13 sq.m. within a furniture store under a license granted by such store; and (iv) its closure would enable us to reallocate resources to other restaurants of our Group.

Our Directors intend to adopt a prudent expansion strategy in opening two new restaurants, a central kitchen as well as carrying out renovation work on our existing restaurants under our future plans during the period from the Latest Practicable Date to 31 December 2018. We currently plan (i) to set up a central kitchen specially for Classified restaurants near our head office and warehouse in the third quarter of 2016; (ii) to open one Classified restaurant during the six months ending 31 December 2016 and to open one Classified restaurant during the six months ending 31 December 2017; and (iii) to carry out the renovation and refurbishment of CEX, CTH and CHV during the six months ending 31 December 2016 and to carry out the renovation and refurbishment of CMB, CCR and CRB during the six months ending 31 December 2017. Details of our business objectives, strategies and implementation plans are set out in the sub-section headed "Business — Our Business Strategies" and section headed "Business Strategies and Use of Proceeds" of this prospectus. The capital expenditure requirement for our Group's implementation plans is expected to amount to approximately HK$26.8 million, of which approximately HK$20.8 million or 77.6% is expected to be financed by the net proceeds from the Placing of the New Shares and the remaining balance of HK$6.0 million for carrying out the renovation and refurbishment of CMB, CCR and CRB is expected to be financed from our internal resources.

Given the recent slowdown in the Hong Kong economy, our Directors believe that our Group is positioned to achieve sustainable growth because:

- the western full-service restaurant market and western casual dining restaurant market, in which our Group operates, are expected to grow steadily at a CAGR of approximately 3.8% and 4.4%, respectively, from 2016 to 2017. As such, our Group can operate in a stable operating environment. Despite the low growth rates of the western casual dining and western full service dining markets in which our Group operates, our Directors believe that with the recent economic slowdown and the pressure on landlords to reduce rental prices in the retail property market in Hong Kong, this may give restaurant operators such as our Group a better bargaining power to negotiate leases with more commercially favourable terms. For further information on the industry in which we operate, please refer to section headed "Industry overview" of this prospectus;

- in our Group's 10-year operating history, we have successfully implemented a steady expansion in growing the number of our restaurants from its first Classified restaurant in 2006 to a total of 12 restaurants in Hong Kong as at the Latest Practicable Date. During the period, our Group was under the same management, being the Co-founders, who have accumulated extensive experiences in the financial industry, the hospitality industry and the wine industry, respectively and who are able to take into account various factors in formulating the business strategies of our Group in order to respond to the change in the economic conditions of Hong Kong;

- in addition to human resources mentioned above, the Placing will enhance our Group's capital resources which can be used for modifying its business to respond to the changing market demands. The estimated net proceeds from the Placing (based on the midpoint of the indicative Placing Price range) amount to approximately HK$22.6 million. Furthermore, as at 30 April 2016, we had HK$7.2 million in cash and cash equivalents available and net amounts due from related companies and directors totaled HK$22.3 million which will be fully settled prior to the Listing. Abundant capital resources ensure our Group's capability to capture market opportunities such as opening new restaurants, enhancing existing restaurant facilities, increasing marketing activities, developing events and catering business;

- we believe the following competitive strengths will position us to achieve sustainable growth: (i) our restaurants are strategically located in prime areas throughout Hong Kong, (ii) we operate a diversified mix of restaurants with unique characteristics and well known and established brands, (iii) we have experienced chefs led by Mr. Tom Aikens and management team with diversified experience, (iv) our thoughtful space design enhances dining experience, (v) we are committed to quality of food, service and hygiene. Please refer to the sub-section headed "Business — Competitive strengths" of this prospectus for more details;

- our Group will implement various strategies with the intention to enhance our operating performance. For details, please refer to the sub-section headed "Business — Operational performance of our restaurants" of this prospectus; and

- our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed "Business — business strategies" in this prospectus. Our Directors will keep abreast of the latest market trends, continue to monitor our Group's business and the market conditions and may make necessary adjustments to our planned capital expenditures for our expansion plans that would be beneficial to our Group and in the best interests of our Company and our Shareholders as a whole.

LISTING EXPENSES AND RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Impact of listing expenses

- Our estimated expenses in relation to the Listing primarily consist of legal and professional fees in relation to the Listing, the underwriting commissions together with SFC transaction levy and Stock Exchange trading fee. Assuming the Placing Price of HK$0.5 per Placing Share, being the mid-point of the Placing Price range stated in this prospectus, the total listing expenses will be approximately HK$20.6 million, of which approximately HK$3.2 million will be borne by the Selling Shareholders. The listing expenses to be borne by the Company are estimated to be approximately HK$17.4 million, of which approximately HK$4.2 million is directly attributable to the issue of New Shares and is expected to be capitalised after the Listing. The remaining amount of approximately HK$13.2 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK$1.0 million and HK$3.5 million were recognised in our Group's consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2015, respectively, and approximately HK$8.7 million is expected to be charged for the year ending 31 December 2016. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

- In view of the above, prospective investors should note that the financial results of our Group for the year ending 31 December 2016 will be materially and adversely affected by non-recurring expenses in relation to the Listing. Prospective investors are specifically warned that given the aforesaid expenses, our Group's consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2016 may show a decline as compared to that for the previous financial year. Our Directors wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognised in equity and our Group's consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2016 is subject to adjustment due to changes in estimates and assumptions.

Recent developments in relation to our business

- CHP (being one of our Classified food counters located at a flagship retail store of a furniture outlet located at Horizon Plaza in Ap Lei Chau with a licensed area of approximately 13 sq.m. and offering light refreshments) closed in February 2016. For the two years ended 31 December 2015, we generated revenue from CHP of approximately HK$918,000 and HK$701,000, representing approximately 0.6% and 0.4% of our revenue, respectively. Further details of CHP are set out in the section headed "Business — Restaurants at licensed areas" in this prospectus.

- The general economic downturn and deterioration in the consumer market in recent months in Hong Kong may have an adverse impact on our Group's business and financial performance as consumers may spend less on dining outside, which may result in a decrease in the number of customer visits or the average spending per customer per meal of our restaurants.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 December 2015 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

SHAREHOLDER INFORMATION

Immediately following completion of the Placing and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares that may be allotted and issued upon exercise of any options to be granted under the Share Option Scheme), EFIL, PGL and WGL will together control approximately 57.0% of the issued share capital of our Company in equal shares. WGL, EFIL and PGL are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively, all of whom are our Co-founders and executive Directors, respectively. Please refer to the section headed "History, Reorganisation and Development" in this prospectus for further details. Certain members of our Group have entered into and are expected to continue after Listing with certain transactions with certain associates of Mr. Pong, one of the Controlling Shareholders. Details of these continuing connected transactions are set out in the section headed "Continuing Connected Transactions" of this prospectus.

RELATIONSHIP AND EXTENT OF COMPETITION BETWEEN JIA GROUP AND OUR GROUP

As at the Latest Practicable Date, Mrs. Lo, the spouse of Mr. Lo, was interested in 89.8% interest in Giant Mind International Limited, which was interested in approximately 65.98% interest in Big Team Ventures Limited ("Big Team"), which holds the companies comprising the Jia Group. So far as our Directors are aware, Jia Group Holdings will, upon completion of a corporate reorganisation of the Jia Group, hold the companies comprising the Jia Group. The Jia Group is engaged in the business of restaurant operations in Hong Kong and Singapore and operated 10 restaurants in Hong Kong and one in Singapore as at the Latest Practicable Date. Both our Group and the Jia Group operate restaurant business. Our Directors consider that the extent of competition between the restaurants of our Group and those of the Jia Group is not an extreme case 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 Jia Group have been developed, managed and operated independently of each other. For further details on the relationship and competition, please see the section headed "Relationship with the Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENT

On 21 November 2014, Mr. Wong, Mr. Lo, Mr. Pong, our Company and the Pre-IPO Investor entered into the Subscription Agreement, pursuant to which the Pre-IPO Investor agreed to subscribe for and our Company agreed to allot and issue 10 Shares, representing 10% of our Company's issued share capital before completion of the Capitalisation Issue and the Placing and 8% of its enlarged issued share capital upon the Listing. Our Directors believe that our Company can benefit from the Pre-IPO Investment as it will broaden our Shareholder base and provide additional working capital for our Group. Further information on the Pre-IPO Investment is set out in the section headed "History, Reorganisation and Development" in this prospectus.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, we did not declare any dividends. Our Company does not currently have a fixed dividend policy. Our Directors are of the view that the amount of any dividends to be declared in the future will depend on, among others, our result of operations, cash flows and financial condition, general business conditions and strategies, our operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong and other factors.

COMPETITIVE STRENGTHS

We believe the following competitive strengths will position us to achieve sustainable growth: (i) our restaurants are strategically located in prime areas throughout Hong Kong; (ii) we operate a diversified mix of restaurants with unique characteristics and well known and established brands; (iii) we have experienced chefs led by Mr. Tom Aikens and management team with diversified experience; and (iv) we are committed to quality of food, service and hygiene. Please refer to the section headed "Business — Competitive strengths of our Group" in this prospectus for more details.

BUSINESS OBJECTIVES AND STRATEGIES

To maintain our competitiveness in the food and beverage industry and to position our Group to capture a larger market share whilst maintaining our existing market share, our Group will endeavour to implement the following strategies for the period after Listing up to 31 December 2018: (i) establishing a new central kitchen for our Classified restaurants; (ii) continue to expand our Classified brand to different locations; (iii) enhance and upgrade existing restaurant facilities; (iv) implement measures to strengthen staff training and to reduce staff turnover; and (v) enhance our marketing and promotion initiatives.

Please refer to the section headed "Business — Business Strategies" in this prospectus for more details.

REASONS FOR THE LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed "Business — Business Strategies" in this prospectus. The net proceeds from the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share in the food and beverage market in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which will provide liquidity in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Our Directors consider that net proceeds from the Placing are crucial for financing our Group's business strategies. Details of our business objectives, strategies and implementation plans are set out in the section headed "Business Strategies and Use of Proceeds" of this prospectus. Our Directors estimate that the net proceeds from the Placing (after deducting estimated expenses payable by our Group in connection with the Listing, but assuming the Offer Size Adjustment Option is not exercised) will be approximately HK$22.6 million based on a Placing Price of HK$0.50 per Placing Share (being the mid-point of the indicative Placing Price range between HK$0.45 and HK$0.55 per Placing Share). We intend that the net proceeds from the Placing will be applied as follows:

	From the Latest Practicable Date to 30 June 2016	For the six months ending 31 December 2016	For the six months ending 30 June 2017	For the six months ending 31 December 2017	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening two new restaurants under "Classified" brand at different locations	—	4,500	—	4,500	9,000
Establishing a new central kitchen for Classified restaurants	—	4,000	—	—	4,000
Enhancement of existing restaurant facilities	—	7,800	—	—	7,800
	—	**16,300**	**—**	**4,500**	**20,800**

The remaining HK$1.8 million will be used as our Group's general working capital.

Please refer to the paragraph headed "Reasons for the Listing and the Placing" and "Business strategies and use of proceeds" in this prospectus.

NON-COMPLIANCE MATTERS

During the Track Record Period, our Group had failed to comply with certain laws and regulations. Such non-compliant incidents include our Group's operations of certain restaurant activities without the relevant licences under (a) the Business Registration Ordinance, (b) the FBR and (c) the WPCO. Please refer to the sub-sections headed "Business — Non-compliance matters" in this prospectus for further information of the above non-compliance incidents. Our Directors are of the view that (i) no provision is necessary to be made in respect of the immaterial non-compliance incidents referred to above and (ii) these incidents of non-compliance, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group's control. Our Group has categorised these risks and uncertainties into: (i) risks relating to the business and industry of our Group; (ii) risks relating to the Placing and our Shares; and (iii) other risk factors. The following highlights some of the risks which are considered to be material by our Directors:

- our Group's profitability may be adversely affected by the failure to find commercially attractive locations and/or renew existing leases of the leased properties at terms acceptable to us;
- our sales and profit may be adversely affected from temporary closure of our operations for restaurant renovations to accommodate the changes in customer tastes and preferences, spending patterns and demographic trends;
- we will rely on our central kitchen to supply some of our semi-processed or processed food ingredients used in our restaurants and any disruption of operation at our central kitchen could adversely affect our business and operations;
- the future growth of our Group relies on our 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 sales and profit may be adversely affected by failure to retain the licensed personnel of the liquor licence for our restaurants; and
- our success substantially depends on the market recognition of our brands and licensed brand, and any damage to our brands could materially and adversely impact our business and results of operations.

Please refer to the section headed "Risk Factors" in this prospectus for further details.

PLACING STATISTICS

	Based on the minimum indicative Placing Price of HK$0.45 per Share	**Based on the maximum indicative Placing Price of HK$0.55 per Share**
Market capitalisation(1)	HK$180 million	HK$220 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 per Share(2)	HK$0.17	HK$0.19

Notes:

(1) We expect to issue 80,000,000 New Shares under the Placing and the calculation of market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue and takes no account of the allotment and issue of Shares upon the exercise of the Offer Size Adjustment Option or options to be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been set after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information — Statement of Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" and on the basis of 400,000,000 Shares in issue at the Placing Price immediately upon completion of the Placing and Capitalisation Issue, not taking into account any Shares that may be allotted and issued upon the exercise of options that may be granted under the Share Option Scheme or the Offer Size Adjustment Option.

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

"AAP"	AAP Investments Limited (formerly known as Soggy Concepts Limited), a company incorporated in Hong Kong with limited liability on 13 September 2004. AAP was wholly-owned by the Co-founders prior to the disposal of their entire interests in AAP to Honest Link Enterprises Limited, an Independent Third Party, on 9 March 2015
"AAPEL"	AAP Enterprise Limited (formerly known as Great Fine Enterprise Limited), a company incorporated in Hong Kong with limited liability on 7 December 2011 and beneficially and owned equally by Mr. Wong, Mr. Lo and Mr. Pong
"Altaya Wines"	Altaya Wines Limited (formerly known as Millennium Vintners Limited), a company incorporated in Hong Kong with limited liability on 1 March 1999 which is indirectly and beneficially owned as to 33% by Mr. Pong and 67% by his father and is a connected person of our Company
"Articles of Association" or "Articles"	the articles of association of our Company, adopted on 14 June 2016 (with effect from the Listing Date) and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Buildings Department"	the Buildings Department of Hong Kong
"business day"	a day (excluding a Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general banking transactions to the public
"Business Registration Ordinance"	the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 319,999,900 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Placing as referred to in the section headed "Appendix IV — A. Further information about our Company — 4. Resolutions in writing of all the Shareholders passed on 14 June 2016" in this prospectus

"CASH"	Composers and Authors Society of Hong Kong Limited
"CBCL"	Classified Bread and Cheese Limited, a company incorporated in Hong Kong with limited liability on 12 August 2010 owned as to 85% by NNIL and 15% by Leader Asia Pacific Limited, and a non-wholly owned subsidiary of our Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCK"	a restaurant owned and operated by Classified Limited and located in Cheung Kong Center in Central, Hong Kong
"CCR"	Classified Cheese Room, a restaurant owned and operated by Classified Limited and located in Sheung Wan, Hong Kong
"CEX"	a restaurant owned and operated by Classified Limited and located at Exchange Square in Central, Hong Kong
"CHP"	a restaurant owned and operated by Classified Limited and located at Horizon Plaza in Ap Lei Chau, Hong Kong and which closed in February 2016
"CHV"	a restaurant owned and operated by Classified Limited and located in Happy Valley, Hong Kong
"Classified"	a chain of restaurants owned and operated throughout Hong Kong by Classified Limited
"Classified Restaurants"	collectively, "CCR", "CEX", "CCK", "CHP", "CHV", "CMB", "CNW", "CRB", "CSK", "CSP" and "CTH"
"close associate(s)"	has the meaning ascribed thereto under Rule 1.01 of the GEM Listing Rules

"CMB"	Classified Mozzarella Bar, a restaurant owned and operated by Classified Limited and located in Wan Chai, Hong Kong
"CNW"	a restaurant owned and operated by Classified Limited and located in New World Tower in Central, Hong Kong
"Co-founders"	collectively, Mr. Wong, Mr. Lo and Mr. Pong
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
"Companies Registry"	the Companies Registry of Hong Kong
"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 or otherwise modified from time to time
"Company"	Classified Group (Holdings) Limited (formerly known as Press Room Group (Holdings) Limited), an exempted company incorporated with limited liability in the Cayman Islands on 24 October 2014 and references to "we", "us" or "our" refer to our Group or, where the context requires, our Company
"Compliance Adviser"	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
"Connected Person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholders(s)"	has the meaning ascribed to it under the GEM Listing Rules, and in the context of this prospectus, means collectively, WGL, EFIL, PGL, Mr. Wong, Mr. Lo and Mr. Pong
"core connected person(s)"	has the meaning ascribed thereto under Rule 1.01 of the GEM Listing Rules
"Corporate Governance Code"	Appendix 15 to the GEM Listing Rules as amended, supplemented or otherwise modified from time to time
"CRB"	a restaurant owned and operated by Classified Limited and located in Repulse Bay, Hong Kong
"CSK"	a restaurant owned and operated by Classified Limited and located in Sai Kung, Hong Kong

"CSP"	a restaurant owned and operated by Classified Limited and located at Stanley Plaza in Stanley, Hong Kong
"CTH"	a restaurant owned and operated by Classified Limited and located in Tai Hang, Hong Kong
"Cubatabaco"	Cubatabaco Limited, a company incorporated in Hong Kong with limited liability on 27 October 1999 and indirectly owned as to 33% by Mr. Pong and 67% by his father and hence a connected person of our Company
"DCO"	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"DCR"	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Deed of Assignment"	the deed of assignment dated 9 March 2015 entered into between AAP and ESIL pursuant to which AAP shall assign certain trademarks and goodwill to ESIL
"Deed of Indemnity"	the deed of indemnity dated 14 June 2016 and executed by the Controlling Shareholders as indemnifiers in favour of our Company (for ourselves and as trustee for each of our Subsidiaries) in respect of, among others, certain indemnities regarding taxation and non-compliance matters, particulars of which are set out in the section headed "E. Other information — 1. Estate duty/other indemnity" in Appendix IV to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 14 June 2016 and executed by the Controlling Shareholders as covenantors in favour of our Company (for ourselves and as trustee for each of our Subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking" in this prospectus
"Deed of Novation"	the deed of novation dated 4 May 2015 (as amended by an addendum to the Deed of Novation dated 18 February 2016) entered into between AAP, PT Selera Kian Makmur, Classified Limited and PT Sukses Bersama Selalu in connection with the novation by AAP, as the franchisor, and PT Selera Kian Makmur, as the franchisee, of their respective rights, benefits, obligations, duties and liabilities in and under the Franchise Agreement to Classified Limited and PT Sukses Bersama Selalu, respectively
"Director(s)"	the director(s) of our Company

"EAVL"	Ever Alliance Ventures Limited, a company incorporated in the BVI on 16 October 2014 with limited liability and a direct wholly-owned subsidiary of our Company
"EFIL"	Easy Fame Investments Limited, a company incorporated in the BVI with limited liability on 8 October 2014 and wholly-owned by Mr. Lo, and one of our Controlling Shareholders
"EPD"	Environmental Protection Department of Hong Kong
"ESIL"	Ease Summit Investments Limited (逸峰投資有限公司), a company incorporated in the BVI on 5 February 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
"Etc Wine"	Etc Wine Shops Limited, a company incorporated in Hong Kong with limited liability on 30 June 2011 indirectly-owned as to 33% by Mr. Pong and 67% by his father and a connected person of our Company
"Existing Businesses"	the restaurant businesses of Classified Limited, SMLL and TPL
"FBR"	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"FEHD"	Food and Environmental Hygiene Department of Hong Kong
"Franchise Agreement"	the franchise agreement dated 15 April 2013 entered into between AAP and PT Selera Kian Makmur for a term of five years commencing from 15 April 2013 and ending on 14 April 2018
"FSD"	the Hong Kong Fire Services Department
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM (as amended, supplemented or otherwise modified from time to time)
"Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at that time
"Guotai Junan Securities"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO

"HKFRS"	Hong Kong Financial Reporting Standards, which includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants
"HKRIA"	Hong Kong Recording Industry Alliance Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of our Company
"Independent Third Party(ies)"	person(s) or company(ies) who or which is/are independent of and not connected with any directors, chief executive or substantial shareholders of our Company or its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
"Ipsos"	Ipsos Limited, an independent market research company
"Ipsos Report"	the industry research report prepared by Ipsos
"Jia Group"	a group of companies comprising Jia Group Holdings, Luck Wealthy Limited, Ideal Profit Corporation Limited, Top Glorification Limited, Kingswide Limited, Gain Long Corporation Limited, Profit Holder Limited, Capital Creative Limited, Hidden Glory Limited, More Earn Limited, Brightsome Investments Limited and Pure Love Restaurant Limited, each of their direct and indirect holding companies and fellow subsidiaries and the restaurants identified under the section headed "Relationship with Controlling Shareholders — Interest of Mrs. Lo in the Restaurant Business" in this prospectus
"Jia Group Holdings"	Jia Group Holdings Limited (佳民集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 August 2015 and the holding company of the companies comprising the Jia Group upon completion of the corporate reorganisation of the Jia Group, and a connected person of our Company

"Joint Bookrunners" or "Joint Lead Managers"	Guotai Junan Securities and PFS
"Latest Practicable Date"	21 June 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Leader Asia Pacific Limited"	a company incorporated in Hong Kong on 3 August 2009 with limited liability and a substantial shareholder of CBCL, a non-wholly owned subsidiary of our Company, and our Connected Person at subsidiary level
"Listing"	listing of our Shares on GEM
"Listing Date"	the date on which dealings in our Shares first commence on GEM, which is expected to be on Monday, 11 July 2016
"Listing Division"	The Listing Division of the Stock Exchange
"LLB"	Liquor Licensing Board of Hong Kong
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on 24 October 2014 and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
"Minimum Wage Ordinance"	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"MPF"	mandatory provident fund to be contributed by an employer in accordance with MPFSO
"MPF Authority"	the Mandatory Provident Fund Scheme Authority
"MPFSO"	the Mandatory Provident Fund Scheme Ordinance (Cap. 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Mr. Lo"	Mr. Lo Yeung Kit Alan, our executive Director, a Co-founder and one of our Controlling Shareholders
"Mr. Pong"	Mr. Pong Kin Yee, our executive Director, a Co-founder and one of our Controlling Shareholders
"Mr. Tom Aikens"	Mr. Thomas Edward Aikens, an Independent Third Party, the consultant and culinary director of The Pawn and the trademark owner of The Fat Pig, a trademark used by our Group

"Mr. Wong"	Mr. Wong Arnold Chi Chiu, our executive Director, a Co-founder and one of our Controlling Shareholders
"Mrs. Lo"	Ms. Wong Pui Yain, the spouse of Mr. Lo and a core connected person of our Company
"New Shares"	80,000,000 new Shares being offered by our Company for subscription under the Placing
"NNIL"	Noble Network Investments Limited, a company incorporated in the BVI on 13 February 2015 with limited liability and an indirectly wholly-owned subsidiary of our Company
"Offer Size Adjustment Option"	the option to be granted by our Company to the Joint Bookrunners under the Underwriting Agreement to require our Company to issue up to an additional 21,000,000 Shares at the Placing Price, representing 15% of the number of the Placing Shares under the Placing, details of which are set out in the section headed "Structure and Conditions of the Placing" of this prospectus
"PFS"	Pacific Foundation Securities Limited, a licensed corporation for carrying out type 1 (dealing in securities) and type 9 (asset management) regulated activities as defined under the SFO
"PGL"	Peyton Global Limited, a company incorporated in BVI with limited liability on 19 September 2014 and wholly-owned by Mr. Pong, and one of our Controlling Shareholders
"PHMSO"	Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Placing"	the conditional offering of the Placing Shares by the Underwriters for and on behalf of our Company and the Selling Shareholders for cash at the Placing Price, as further described under the section headed "Structure and Conditions of the Placing" in this prospectus
"Placing Price"	the price for each Placing Share of not more than HK$0.55 per Placing Share and expected to be not less than HK$0.45 per Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
"Placing Shares"	140,000,000 Shares comprising 80,000,000 New Shares offered for subscription by our Company and 60,000,000 Sale Shares offered for sale by the Selling Shareholders at the Placing Price under the Placing, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option; and a "Placing Share" means one of these Shares
"PPSEAL"	Phonographic Performance (South East Asia) Limited

"Pre-IPO Investment"	the investment made by the Pre-IPO Investor pursuant to the Subscription Agreement
"Pre-IPO Investor"	UG PRG Venture Limited, a company incorporated in the BVI on 31 October 2014, which is beneficially owned as to 50% by Mr. Ngan Chi Wing and 50% by Mr. Ma Chi Un Fred, both of whom are Independent Third Parties
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
"PRGIL"	Press Room Group Investments Limited, a company incorporated in Hong Kong with limited liability on 9 November 2009 and an indirect wholly-owned subsidiary of our Company
"PRGML"	Press Room Group Management Limited, a company incorporated in Hong Kong on 17 November 2009 and an indirect wholly-owned subsidiary of our Company
"Price Determination Agreement"	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date to record and fix the Placing Price
"Price Determination Date"	the date, expected to be on or before Wednesday, 6 July 2016, on which the Placing Price will be determined for the purposes of the Placing
"Reorganisation"	the reorganisation of the corporate structure of our Group, further details of which are described under the section headed "History, Reorganisation and Development" and section headed "Appendix IV — A. Further information about our Company — 5. Group Reorganisation" in this prospectus
"Sale Shares"	60,000,000 existing Shares being offered for sale by the Selling Shareholders (as to 20,000,000, 20,000,000 and 20,000,000 Shares by WGL, EFIL and PGL, respectively) at the Placing Price under the Placing
"Selling Shareholders"	WGL, EFIL and PGL, particulars of which are set out in the section headed "Appendix IV — E. Other information — 11. Particulars of Selling Shareholders" in this prospectus

"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
"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 our Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed "Appendix IV — D. Share Option Scheme" in this prospectus
"SML"	a restaurant owned and operated by SMLL in Causeway Bay, Hong Kong. SML initially opened in 2009 and underwent an upgrade and renovation in August 2015. In November 2015, SML completed its renovation and re-opened as The Fat Pig by SML
"SMLL"	Small Medium Large Limited, a company incorporated in Hong Kong with limited liability on 30 December 2008 and an indirect wholly-owned subsidiary of our Company
"Sole Sponsor"	Guotai Junan Capital Limited, a licensed corporation for carrying out type 6 (advising on corporate finance) regulated activity as defined under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 21 November 2014 (as amended by the deed of variation dated 28 January 2016) entered into between our Company, Mr. Wong, Mr. Lo, Mr. Pong and the Pre-IPO Investor
"Subsidiary" or "Subsidiaries"	has the meaning ascribed to it under the GEM Listing Rules
"Substantial Shareholders"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"The Fat Pig"	a restaurant owned and operated by SMLL in Causeway Bay, Hong Kong which was previously named as SML. SML underwent an upgrade and renovation in August 2015. In November 2015, SML completed its renovation and re-opened as The Fat Pig by SML

"The Pawn"	a restaurant owned and operated by TPL in Wan Chai, Hong Kong
"TPL"	The Pawn Limited (formerly known as Gopopo Limited), a company incorporated in Hong Kong with limited liability on 15 May 1979 and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the two financial years of our Group ended 31 December 2014 and 2015
"Underwriters"	the underwriters of the Placing, whose names are set out under the section headed "Underwriting — Underwriters" in this prospectus
"Underwriting Agreement"	the conditional underwriting agreement entered into on 29 June 2016 among our Company, the executive Directors, our Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters relating to the Placing, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"WGL"	Wiltshire Global Limited, a company incorporated in BVI with limited liability on 13 October 2014 and wholly-owned by Mr. Wong, and one of our Controlling Shareholders
"WPCO"	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"%"	per cent.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no Shares are allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

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

This glossary contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

"artisan bread"	bread that is crafted rather than mass produced
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"Cheese and Wine Masterclass"	an event held at CCR and hosted by our Group which provides information and tastings on various cheeses and wines from around the world
"foodie"	a person who has an ardent or refined interest in food and alcoholic beverages
"GDP"	gross domestic product
"Gastropub"	a bar and restaurant that serves high-end beer and food
"GFA"	gross floor area
"sq.ft." and "sq.m."	square feet and square metres, respectively

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

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

- our business strategies and plan of operations;
- our capital commitment plans and funding plans;
- our operations and business prospects, including development plans for our business;
- the future competitive environment for food and beverage industry in Hong Kong;
- capital market development;
- future developments in the food and beverage industry in Hong Kong;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations;
- the general economic conditions and trends of Hong Kong; and
- other statements in this prospectus that are not historical facts.

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

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

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

Potential investors of the Placing Shares should carefully consider all of the information set forth in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to the Placing Shares. 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.

RISKS RELATING TO THE BUSINESS

Our Group's profitability may be adversely affected by the failure to find commercially attractive locations and/or renew existing leases of the leased properties on terms acceptable to us

We operate our restaurants in Hong Kong, where there is a limited supply of commercially attractive locations. We have established our restaurants (i) at street-level locations such as Happy Valley, Tai Hang, Wan Chai, Stanley and Sai Kung which are popular dining areas in Hong Kong with an array of cuisines and restaurants and (ii) at prime commercial buildings and shopping malls located in Central and Causeway Bay. We believe this is vital to draw in customers to our restaurants. However, with the intense competition in the food and beverage industry in Hong Kong, any attractive location will likely be subject to high demand from, among others, other food and beverage operators that compete directly with our Group for the same location. As such, there is no assurance that our Group would be able to find suitable premises that are commercially attractive for its restaurants with reasonable commercial terms in the event there is a need for relocation or our Group intends to open new restaurants. In the event that leases for suitable locations cannot be entered into, our Group's plan for relocation or expansion may be delayed or cannot be implemented, which could have adverse effect on our Group's operational and financial conditions.

All of our restaurants are operated on leased properties or under licensing arrangements and will expire between 19 August 2016 and 31 July 2020. It is uncertain that these leases can be renewed at all when they expire or on terms acceptable to us. Even if our Group is able to renew or extend its leases, the rental expenses may increase significantly, which could adversely affect our profitability. For the two years ended 31 December 2015, our Group's property rental and related expenses amounted to approximately HK$24.0 million and HK$29.6 million, respectively, representing approximately 15.9% and 16.8% of our total revenue respectively. The rental payable under our Group's current lease agreements for our restaurants is either fixed or subject to adjustment based on a fixed percentage of the revenue of the relevant restaurants during the term of the leases. Any increase in rental expenses will nevertheless increase our costs of operation and thereby may adversely affect our results of operation and financial position if our Group is unable to pass on the increased costs to our customers.

Our sales and profit may be adversely affected from temporary closure of our operations for restaurant renovations to accommodate the changes in customer tastes and preferences, spending patterns and demographic trends

Changes in customer preferences, general economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing restaurants affect the food and beverage industry. Our sales could be impacted by changes in consumer preferences in response to dietary concerns, including preferences regarding items such as calories, sodium, carbohydrates or fat. These changes could result in consumers avoiding our menu items in favour of other food. Our success also depends to a significant extent on consumer confidence, which is influenced by general economic conditions and discretionary income levels. If we fail to adapt to changes in customer preferences and trends, we may lose customers and our sales may deteriorate. Further, to counteract any changes in customer preference, we may re-position the cuisines that we offer or the style of our restaurants to suit customer demand by temporarily suspending our restaurant operation for renovation. For example, SML was temporarily closed down for upgrade and renovation in August 2015 and reopened in November 2015. During the renovation period, we did not generate any revenue which resulted in the decrease in revenue of SML from approximately HK$29.9 million for the year ended 31 December 2014 to approximately HK$22.1 million for the year ended 31 December 2015 and the capital expenditures incurred in relation to the renovation were approximately HK$9.8 million. The operating margin of SML was 11.4% and 0.3% for the two years ended 31 December 2015. To our Directors' best estimation, the operating margin of SML for the two years ending 31 December 2017 is expected to be -1.3% and 0.5%, respectively, assuming the estimated number of customer visits for the two years ending 31 December 2017 would be similar to the average number of customer visits for the two years ended 31 December 2015 and there is no material adverse change to the market conditions. In such circumstances, our overall financial position may be adversely affected. We plan to undertake renovation work at three of our Classified restaurants (being CEX, CTH and CHV) in 2016. We expect to record an aggregate amount of HK$129,000 due to the written-off of leasehold improvement arising from the planned renovation at these three existing Classified restaurants in 2016. As such we may record a decline in operating margin and net profit margin in 2016.

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

After establishing our proposed new central kitchen for our Classified restaurants in the third quarter of 2016, we expect that some of the semi-processed or processed food ingredients used in our Group's restaurants would be first processed at our central kitchen before delivery to our restaurants. The purpose of the central kitchen is to centralise the process of ingredient preparation which would in turn bring about cost-saving and increase efficiency of the restaurant operations. Any disruption of operations at our central kitchen, such as electricity or water suspensions, for whatever reason, may result in our failure to distribute food ingredients to our restaurants in a timely manner, or at all, which may cause our restaurants to suspend or remove certain items or dishes from their menus, whether temporarily or on a permanent basis. If we are unable to offer certain items or dishes, we may experience a significant reduction in revenue and our brand value may suffer, resulting in a material adverse effect on our business and results of operations. As such, the disruptions at the central kitchen may potentially increase our cost and time in preparation of the ingredients leading to a decrease in revenue which ultimately have an adverse impact on our financial performance.

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

The food and beverage industry in Hong Kong is highly competitive and the success of opening one type of restaurant in one location is not indicative of our Group's ability to successfully open and operate a different type of restaurant at a different location. Our Directors believe that the future growth of our Group relies on its ability to open and operate new restaurants in a profitable manner. It is one of our future business plans to open new restaurants under our Classified brand and new full service restaurants if new special concepts arose. Our Group's ability to successfully open new restaurants is subject to a number of risks and uncertainties, including but not limited to, locating suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality chefs and other employees, and timely delivery in decoration and renovation works. The costs incurred in opening of new restaurants and the expansion plans may place substantial strain on the managerial, operational and financial resources of our Group. In particular, our management may be stretched or distracted by the operation of new restaurants. There are no assurance that the managerial, operational and financial 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 enough customers to the new restaurants and there is no assurance that the revenue of each of our Group's new restaurants would be equal to or exceed those of its existing restaurants. If our Group fails to run the new restaurants profitably, our Group's financial performance may be adversely affected.

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

Our Group will endeavour to adopt business strategies including: (i) to establish a new central kitchen for our Classified restaurants, (ii) to continue to expand our Classified brand to different locations and (iii) to enhance and upgrade existing restaurant facilities. We anticipate that our future capital expenditures will increase as we open new restaurants, renovate existing restaurants and expand our operations. Such capital expenditures may result in increase in depreciation expenses, which may in turn adversely affect our results of operations. Our projected capital expenditures for the years ending 31 December 2016 and 2017 are approximately HK$14.8 million and HK$9.5 million, respectively. We expect that our planned capital expenditures for the years ending 31 December 2016 and 2017 will be primarily used for property, plant and equipment for our expansion plans for opening of new restaurants and a central kitchen, and renovation of our existing restaurants and replacement of utensils in Hong Kong.

Our sales and profit may be adversely affected by failure to retain the licensed personnel of the liquor licence for our restaurants

As at the Latest Practicable Date, our Group held 10 liquor licences and the holders of the liquor licence for our restaurants are our full time employees as required under the DCO. Details of our liquor licences are set out in the section headed "Business — Licences and approvals" in this prospectus.

There is no assurance that we are able to retain these licensed personnel as our employees in the future. In the event that these employees leave our employment, we will need to apply for our liquor licence to be transferred to another employee. In accordance with the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB, which as at the Latest Practicable Date, requires the current holder of the licence to consent to a transfer. If the relevant employee refuses to give such consent, 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.

If we are unable to renew our liquor licence for any of the our existing restaurants or are unable to obtain a liquor licence for any new restaurants which plans to sell liquor, our business operations and financial performance may be adversely affected.

Our success substantially depends on the market recognition of our brands and licensed brand, and any negative publicity, negative reviews or damage to our brands could materially and adversely impact our business and results of operations

As at the Latest Practicable Date, our Group owned and operated 12 restaurants in Hong Kong under three brands, namely, "Classified", "The Pawn" and "The Fat Pig". We believe that our success substantially depends on the market recognition of our brands. We believe that our continued success will depend in large part on our ability to protect and enhance the value of these brands. Any incident that erodes consumer trust in or affinity for these brands could significantly reduce their value. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that customer confidence in these brands will not diminish. If consumers perceive or experience a reduction in food quality, service, ambiance or believe in any way that we are failing to deliver a consistently positive experience, the value of our brands could suffer, which could have a material adverse effect on our business.

It is common in the food and beverage industry that restaurants are reviewed by food critics who analyse food and services of restaurants and then publishes their experience. We are usually not informed before such food critics visit our restaurants and therefore we have no control on what is written by these food critics about our restaurants. If food critics, after having visited our restaurants and tried our dishes, publish negative comments or reviews about their experience at our restaurants, this may adversely affect the business of our restaurants in light of such comments or reviews. Any complaints and negative publicity, regardless of their validity, may adversely affect the reputations of our restaurants. If there is any negative publicity or review associated with any of our Group's restaurants or if any of our brands reputation is negatively affected, the results of our Group's business operations could be adversely affected.

Increases in our purchase costs of food ingredients may adversely affect our profit margins and results of operations

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food costs, accounted for approximately 68.4% and 66.5% of our total cost of raw materials and consumables used for the two years ended 31 December 2015, respectively. We primarily rely on local suppliers in Hong Kong to supply, among other things, meats, seafood, frozen food, vegetables, flour and eggs. Increases in distribution costs or sale prices or failure to perform by our suppliers could cause our food costs to increase. In the event that we are unable to pass on these cost increases to our customers, our profit margins may be negatively affected as a result.

The type, variety, quality and price of food supplies are volatile and subject to factors beyond our control, including seasonal shifts, climate conditions, natural disasters, governmental regulations and availability, 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 and transport commodities used in our restaurants, 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 currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in food costs. We may not be able to anticipate and react to changes in food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could materially and adversely affect our business and results of operations.

If our suppliers fail to deliver food with an acceptable quality or in a timely manner, we may experience supply shortages and increased food costs

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, diseases, severe traffic accidents or delays, labour strikes, a supplier ceasing operations or unexpected production shortages. Moreover, there is no assurance that our current supplies 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 us in a timely manner, or in the event that the conditions of fresh or frozen food products, being perishable goods, deteriorate due to delays in delivery, malfunction of refrigeration facilities or inappropriate handling during transportation by the relevant suppliers leading to such ingredients being rejected, we cannot assure you that we will be able to find suitable replacement suppliers in a short period of time on acceptable terms, and any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants which in turn may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus as a result of food supply shortages for a prolonged period of time or failure of our Group to provide quality food and services to customers, thereby affecting our Group's business and damaging our Group's reputation, could result in a significant reduction in revenue during the time affected by such shortages.

Our success depends on our key personnel and our business may be harmed if we lose their services or they are not able to successfully manage our growing operations

Our future success depends on the ability of our key management personnel to work together and successfully implement our growth strategy while maintaining the strength of our brand. Our future success also depends heavily upon the continuing services and performance of our key management personnel, in particular our executive Directors and certain senior management personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, 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. Competition for experienced management and operating personnel in the restaurant industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

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 performance may be materially affected if Mr. Tom Aikens ceases to collaborate with us in relation to the operations of The Pawn and The Fat Pig

The consultancy and licensing agreement was entered into between our Group and Bawburgh Limited, a company owned as to 80% by Mr. Tom Aikens and 20% by his business partner. Pursuant to the said agreement, Mr. Tom Aikens was engaged as our consultant and culinary director for The Pawn for an initial term of four years from 8 October 2014. In that capacity, Mr. Tom Aikens assists us in, among other things, the menu design, interview and selection of head chef and provides training to front and back of house employees; provides continuing services which include, among other things, making regular appearances at The Pawn, assisting with operational reviews, reviewing the menu items and cooperating with the menu design, implementing and periodically reviewing a marketing and promotional plan for The Pawn. If the consultancy and licensing agreement with Bawburgh Limited is terminated, our restaurant operations may be materially affected, and as a result, our business and financial conditions may also be materially and adversely affected. Please refer to the section headed "Business — Our restaurants — The Pawn" in this prospectus for further details of the consultancy and licensing agreement. Furthermore, Hethel Limited, a company owned as to 80% by Mr. Tom Aikens and 20% by his business partner, has entered into The Fat Pig Licence Agreement with us whereby we were granted the exclusive right and licence to use the "The Fat Pig" trademark and the domain name "thefatpig.hk" in connection with the operations of The Fat Pig by SML. In the event that The Fat Pig Licence Agreement is terminated and we are unable to use the "The Fat Pig" trademark, this may affect our ability to draw in customers which may result in a material adverse effect on our business and financial conditions. Please refer to the section headed "Business — Our restaurants — SML" in this prospectus for further details of The Fat Pig Licence Agreement.

Labour shortages or increases in labour costs will increase our Group's operating costs and reduce our profitability

Restaurant operations are in general highly service-oriented and therefore, our Group's success is dependent upon our ability to motivate and retain sufficient number of qualified employees, including restaurant managers, kitchen staff and floor staff, all of whom are necessary for our daily operations, and attract experienced staff to assist us in our Group's expansion plans. For each of the two years ended 31 December 2015, there were about 210 staff and 182 staff who left our Group's employment, and the average annual turnover rates of our staff were approximately 78.1% and 70.3%. We were able to recruit new staff to replace these vacant positions but there is no assurance that our Group will not experience difficulty in recruiting personnel in the future. Individuals with sufficient experience in the food and beverage industry are in short supply and competition for these employees is intense. Any inability to recruit qualified individuals in the future may delay the planned opening of our new restaurants or any inability to retain qualified individuals may adversely affect our daily operations of our existing restaurants. Any such delays, any material increases in employee turnover rates in existing restaurants or any widespread employee dissatisfaction could have a material adverse effect on our business and results of operations.

In addition, competition for qualified employees could also require us to pay higher wages which could result in higher labour costs. As at the Latest Practicable Date, our Group employed a total of 268 full-time employees working at its offices and restaurants in Hong Kong. For the two years ended 31 December 2015, our staff costs (including emoluments paid to our executive Directors) amounted to approximately HK$57.6 million and HK$62.2 million, respectively, representing approximately 38.2% and 35.4% of our Group's total revenue, respectively. It is expected that our labour costs will increase as a result of the expected expansion of our business and the recent increase in salary level of employees in the food and beverage industry in Hong Kong. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect the business, financial condition and results of operations of our Group. Due to the intense competition in the food and beverage industry, we may be unable to pass on the increased labour costs to our customers by correspondingly increasing our menu prices, in which case our Group's profit margins would be negatively affected.

Our Group's restaurant operations are susceptible to seasonality and we may not implement sufficient measures to counter periods of seasonality

We experience seasonal fluctuations in our revenue as the spending patterns vary on a seasonal basis. Our revenue is usually higher during certain holiday periods, such as Christmas holiday and the New Year holiday, than those for the remaining months of the year. Generally, our revenue during Chinese New Year and summer holidays is usually lower than those for the remaining months of the year, mainly due to frequent outbound travel during the holidays, resulting in a decrease in the customer count in our restaurants during such periods. Failure by us to implement measures that effectively counter the effects of seasonality will affect our business and the results of operations may be materially and adversely affected.

Opening of new restaurants by competitors or the close associates of our Controlling Shareholders in or near locations in which we operate may negatively affect our sales at our existing restaurants

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near locations in which we already have existing restaurants by our competitors or the close associates of our Controlling Shareholders could adversely impact our sales at our existing restaurants. Information on the interests in restaurants held by Mrs. Lo, an associate of Mr. Lo, our executive Director and one of our Controlling Shareholders, is set out in the section headed "Relationship with Controlling Shareholders" in this prospectus. Some of our customers may be diverted from our existing restaurants to the new restaurants opened in or near the locations in which our existing restaurants operate. In such circumstances, any reduction in customers to our restaurants will have an adverse effect to our business and results of operations.

The financial performance of our Group for the year ending 31 December 2016 will be affected by certain non-recurring expenses incurred by our Group in relation to the Listing

The financial results of our Group will be affected by certain non-recurring expenses incurred by our Group in relation to the Listing. Our estimated listing expenses primarily consist of underwriting commissions in addition to professional fees paid to the Sole Sponsor, legal advisers and the reporting accountants for their services rendered in relation to the Listing and Placing. Assuming the Offer Size Adjustment Option is not exercised and assuming a Placing Price of HK$0.50 per Share, being the mid-point of our indicative price range for the Placing stated in this prospectus, the total listing expenses will be HK$20.6 million, among which HK$3.2 million will be borne by the Selling Shareholders. The listing expenses to be borne by our Company are estimated to be approximately HK$17.4 million, of which approximately HK$4.2 million is directly attributable to the issue of New Shares and is expected to be capitalised after the Listing. The remaining amount of approximately HK$13.2 million is chargeable to our Company's consolidated statements of profit or loss and other comprehensive income, of which approximately HK$1.0 million and HK$3.5 million were charged to our Company's consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2015, respectively, and approximately HK$8.7 million is expected to be charged for the year ending 31 December 2016. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred. Accordingly, the Shareholders and potential investors should be informed that the financial results of our Group for the financial year ending 31 December 2016 will materially and adversely be affected by the expenses in relation to the Listing.

Our Group's operations and results may not perform in the manner as we anticipate if our customers are unable to maintain their purchasing power under economic downturn, political and social instability

During the Track Record Period, our Group operated full service restaurants including "The Pawn" and "SML" and the target customers of our Group are generally middle and high income level consumers. Our Directors anticipate that the principal source of income to our Group will continue to be derived from customers with higher spending power in the foreseeable future. Our Group solely relies on its food and beverage business and due to the lack of diversification of our Group's business, our Group's business may be vulnerable to economic downturn and political and social instability. For instance, the recent economic downturn and deterioration in the consumer market in Hong Kong has continued after our Track Record Period and may have further adverse effect on our Group's business as consumers may spend less on dining outside, which may result in a decrease in the number of customer visits and the average spending per customer per meal of our restaurants. There is no assurance that our target customers are able to maintain their purchasing powers under economic downturn and political and social instability. Under unfavourable economic, political and social conditions, our Group's restaurants may not perform in the manner that our Directors anticipate.

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

We handle a considerable amount of cash at our restaurants on a daily basis. Our Group may be unable to prevent, detect or deter all 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 a material adverse effect on our Group's business, results of operations and financial condition.

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 not be able to adequately protect its intellectual property, which could harm the value of our brands and adversely affect our business

Our Directors believe that our Group's brands are essential to its success and its competitive position. Please refer to the section headed "Business — Intellectual Property Rights" and "Appendix

IV — B. Further information about the business of our Group — 2. Our intellectual property rights" in this prospectus for further details of our Group's registered trademarks and trademarks pending registration. As at the Latest Practicable Date, we had two trademarks pending registration. There is no assurance that any of the pending trademark applications would be successful and our Group may not be able to protect its intellectual property adequately. If our Group fails in any of its trademark registration applications, or if we are held by any court or tribunal to have infringed on any trademark of others, our business may be adversely affected.

In addition, our Group's efforts to maintain and protect our Group's intellectual property may be inadequate, or third parties may infringe upon our Group's intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our business, financial condition or operating results. Our Group may, from time to time, be required to initiate litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects.

Moreover, even if any such litigation is resolved in favour of our Group, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate our Group for our actual or anticipated related losses, whether tangible or intangible. In such event, our Group's financial performance and business reputation will be adversely affected.

If we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

We believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the proceeds from this Placing will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue for our business expansions. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing. Such additional financing may not be available on commercially reasonable terms or at all, especially if there is a recession or other events causing volatility in the capital market worldwide. To the extent that we raise additional financing by selling additional equity or debt securities, our Shareholders may experience substantial dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, investors' confidence in us, the performance of the food and beverage industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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

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

We had failed to apply for the water pollution control licences for our restaurants and may face prosecution

We had failed to apply for water pollution control licences for our restaurants and our food factory prior to the commencement of their respective business operations in accordance with the requirements under WPCO. Such failure was due to an inadvertent oversight of the relevant requirements. Pursuant to section 9 of the WPCO, discharge of matters into communal sewer or communal drain other than a discharge of domestic sewage or unpolluted water without licence may result in the conviction of the person so discharged, our subsidiaries which operate the respective restaurants and the food factory and the respective directors of these subsidiaries. Pursuant to section 11(1) of the WPCO, the person who commits the offence shall be liable to the maximum penalty of an imprisonment of six months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000 and in addition, if the offence is a continuing offence, a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

We have previously been involved in certain non-compliance incidents such as non-compliance with statutory requirements under the Business Registration Ordinance and the FBR. For details, please refer to the section headed "Business — Non-Compliance Matters" in this prospectus. If any enforcement action is taken by the relevant authorities and our Controlling Shareholders fail to indemnify us fully under the Deed of Indemnity, we may be required to pay certain penalties and our Directors may be subject to imprisonment. Additionally, there is no assurance that our business and financial position and prospects including but not limited to our reputation in the industry and our relationship with the customers will not be adversely affected by such historical non-compliance incidents.

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

Our Group has installed a point of sale software system ("**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.

Any failure to maintain effective quality control systems of our restaurants could have a material adverse effect on our business and operations

The quality of the food we serve is critical to our success. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our Group's quality control systems and our ability to ensure that our employees adhere to those quality control policies and guidelines. Our quality control systems consist of: (i) supply chain quality control; (ii) central kitchen and logistics centre quality control; (iii) logistics quality control; and (iv) restaurant quality control. For more details on our quality control systems, please see the section headed "Business — Quality Control" in this prospectus. However, there is no assurance that our quality control systems will prove to be effective. Any significant failure or deterioration of our Group's quality control systems could have a material adverse effect on our reputation, results of operations and financial condition.

RISKS RELATING TO THE INDUSTRY

Our Group's business depends on the macro-economic situation in Hong Kong and may be adversely affected by reductions in discretionary consumer spending as a result of downturns in the economy and increase in inflation

The performance of our Group's restaurant operations in Hong Kong is closely related with the economic conditions of Hong Kong. In the event of an economic downturn, consumers will tend to become more budget conscious and sensitive to the amounts they spend on food. As our restaurants are mainly operated in Hong Kong, it is heavily dependent on the economy of Hong Kong. If consumers' spending pattern changes or if the economy of Hong Kong deteriorates and our Group is unable to divert its business to other geographic locations, its revenue, profitability and business prospects will be materially affected.

Our Group operates in a highly competitive industry

Our Group faces intense competition from a large and diverse group of restaurant chains and individual restaurant operators who target the same or similar group of customers. There are numerous restaurants in Hong Kong offering similar cuisine which compete with our Group in terms of, among other things, taste, quality, price, customer service, ambience, and the overall dining experience. Some of our Group's competitors may have longer operating history, larger customer bases, better brand recognition and reputation, and better financial position, marketing strategies and public relations resources. As we face intense competition from other competitors as well as new market entrants, our Group's business and results of operations may be adversely affected in the event that we are not able to stay competitive in terms of our pricing, or there is deterioration in the quality of our dishes or our level of service.

As our Group intends to expand our restaurant network, we have to compete with other restaurant operators and retailers for space and experienced employees. The competition for prime locations may increase the bargaining power of landlords and thus leading to potentially high rents for prime locations. Consequently, our Group may not be able to rent these prime locations on terms which are comparable to those offered to our existing restaurants, or our competitors may offer better terms than those offered by our Group. We may also have to offer experienced management staff higher wages in order to recruit or retain them. Such instances will increase our Group's operating costs, thereby affecting our financial performance.

Mrs. Lo, through the Jia Group, also operates restaurants in Hong Kong. Therefore, there is a potential risk that the restaurants operated by the Jia Group which are in the vicinity to ours may compete with our Group's restaurants. For information of the potential competing interests of Mrs. Lo, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

The operation of a food and beverage business and serving of alcohol in Hong Kong is subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase the operating costs of the business

The operation of a food and beverage business and serving of alcohol in Hong Kong is highly regulated under Hong Kong laws. We are required to comply with numerous legislations, including environmental protection regulations, hygiene standards and liquor licence. There can be no assurance that the requirements for obtaining light refreshment restaurant licences, general restaurant licences or food factory licences as the case may be, water pollution control licences and liquor licences in Hong Kong will not become more stringent or that we will be able to comply with the relevant regulations or even be able to renew the existing licences in a timely manner or at all.

Any failure by us to comply with the existing regulations, or any future legislative changes, could result in our Group incurring significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or a suspension of any part of our business, which could materially and adversely affect our Group's financial condition and results of operations. Our Group may have to incur more costs in complying with any changing laws and regulations in relation to the food and beverage industry on hygiene, fire and safety standards. In addition, should our Group fail to comply with these stringent requirements and are unable to timely renew our licences, our restaurants may be required by relevant authority to temporarily or permanently cease operation and in such circumstances our profitability may be adversely affected.

We face risks related to instances of unforeseeable food contamination, food-borne illnesses and health epidemics

Our business is susceptible to food contamination, food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers increases the risk that food contamination or food-borne illness incidents could be caused by third-party food suppliers outside of our control and the risk of multiple restaurants instead of a single restaurant being affected. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicised, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having significant impact on our results of operations. This risk exists even if it was later determined that the illnesses in fact were not caused by our restaurants.

Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our food products and significantly increase our costs. We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in the PRC and Hong Kong. An outbreak of any epidemics or pandemics in the areas where we have restaurants, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

RISKS RELATING TO THE PLACING AND OUR SHARES

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Placing Price

Prior to the Placing, there has been no public market for our Shares. The Placing Price was the result of negotiations between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), and the Placing Price may differ significantly from the market price for our Shares following the Placing. We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, the listing of our Shares on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Placing or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure that an active trading market will develop or be maintained following completion of the Placing, or that the market price of our Shares will not decline below the Placing Price.

The liquidity and market price of our Shares following the Placing may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions or fluctuations in prices of our services could cause the market price and/or trading volume of our Shares to change substantially. Any such developments may result in large and sudden change in the volume and price at which our Shares will trade. It is likely that from time to time, our Shares will be subject to changes in price and/or trading volume that may not be directly related to our financial or business performance.

Future sales of a substantial number of our Shares by our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our Shares

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact on the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after Listing, details of which are set out in the section headed "Relationship with Controlling Shareholders" of this prospectus. While we are not aware of any intentions of Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any of their Shares in the future.

We have significant discretion as to how we will use the net proceeds of the Placing, and you may not necessarily agree with how we use them

Our management may spend the net proceeds from the Placing in ways you may not agree with or that do not yield a favourable return. We plan to use the net proceeds from the Placing to expand our restaurant operations. For details of our intended use of proceeds, please see the section headed "Reasons for the Placing" and "Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses of the net proceeds from the Placing.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which we operate

Certain facts and other statistics in this prospectus are derived from various sources including the Ipsos Report and various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Placing

There may be, prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Placing, press, media and/or research analyst coverage regarding us, our business, our industry and the Placing. You should rely solely upon the information in this prospectus in making your investment decisions regarding the Shares but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed "Forward-looking statements" of this prospectus. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Placing, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

Shareholders' interests in our Company may be diluted in the future

Our Group may issue additional Shares upon exercise of share option to be granted under the Share Option Scheme. In addition, our Group may need to raise additional funds in the future to finance a business expansion, which may relate to existing operations, new business developments and/or new 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 existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced and they may experience dilution of their proportionate interest in our Company; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

Under the HKFRSs, the costs of share option to be granted or to be granted under the Share Option Scheme will be charged to our Group's income statement over the vesting period by reference to the fair value at the date of granting of the share option. Our Group's profitability may be adversely affected during the vesting period over the life of any outstanding share option granted or to be granted under the Share Option Scheme. Upon exercise of the outstanding share option, our Company shall allot and issue further new Shares to the holders of such outstanding share option which will result in dilution of Shareholders' interests in our Company.

The Placing Price of our Shares is higher than our net tangible book value per Share and therefore purchasers of our Shares in the Placing will experience immediate dilution

If you purchase our Shares in the Placing, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Placing will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Joint Bookrunners (for themselves and on behalf of the Underwriters) exercise the Offer Size Adjustment Option.

The interest of our Controlling Shareholders may not always coincide with our interests and those of other Shareholders

Upon completion of the Placing and Capitalisation Issue, assuming the Offer Size Adjustment Option is not exercised at all and without taking into account the allotment and issue of any Shares upon the exercise of share option to be granted under the Share Option Scheme, our Controlling Shareholders will own, in aggregate, 57.0% of our Shares and among them, Mr. Wong, Mr. Lo and Mr. Pong will indirectly own 19.0%, 19.0% and 19.0% of our Shares. Accordingly, Mr. Wong, Mr. Lo and Mr. Pong (through WGL, EFIL and PGL) will continue to remain the dominating group of Shareholders which would continue to own a controlling interest in our Company upon completion of the Placing. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires.

If the interests of any of our Controlling Shareholders conflict with our and/or your interests, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with our and/or your interests, our Company or those other Shareholders, including you, may be adversely affected as a result.

OTHER RISK FACTORS

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact on our business

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in Hong Kong. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our operations, independent manufacturers and raw material suppliers are located.

Acts of war, terrorists' attacks and political unrest may cause damage or disruption to our facilities, our employees, raw material suppliers and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in the section headed "Industry Overview" of this prospectus are derived from the Ipsos Report compiled by Ipsos and other publicly available sources. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. Our Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained in this prospectus are derived from market data provided by Ipsos. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Placing and no representation is given as to its accuracy.

The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions and valuation may not reflect the current market situation due to rapid changes in the global economy. In order to provide context to the industries in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition as the recent economic upturn may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties

This Document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the requirements of the GEM Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

Printed copies of this prospectus are available, for information purposes only, at the respective offices of the Joint Bookrunners during normal office hours from 9:00 a.m. to 5:00 p.m. from Thursday, 30 June 2016 up to and including Friday, 8 July 2016.

SELLING SHAREHOLDERS

The Placing consists of 60,000,000 Sale Shares being sold by the Selling Shareholders as to 20,000,000, 20,000,000 and 20,000,000 Sale Shares by WGL, EFIL and PGL, respectively. We estimate that the net proceeds to the Selling Shareholders from the sale of Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Placing), and assuming the Placing Price of HK$0.50 per Share (being the mid-point of the stated range of the Placing Price) will be approximately HK$26.9 million. We will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholders are set out in the section headed "Appendix IV — E. Other Information — 11. Particulars of the Selling Shareholders" of this prospectus.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing, which is sponsored by Guotai Junan Capital and managed by the Joint Lead Managers and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is currently scheduled to be on or before Wednesday, 6 July 2016. For details, please refer to the section headed "Structure and Conditions of the Placing — Determination of the Placing Price" in this prospectus.

An announcement on the final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.classifiedgroup.com.hk on or before Friday, 8 July 2016.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

No invitation may be made directly or indirectly by or on behalf of our Company to the public in the Cayman Islands to subscribe for or acquire any of the Placing Shares. Each person acquiring the Placing Shares will be required to confirm and is deemed by his acquisition of the Placing Shares to have confirmed that he is aware of the restrictions on offers the Placing Shares described in this prospectus and that he is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

The Placing is made solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors or affiliates of any of them or any other person and party involved in the Placing. The contents as shown in the website of our Company at www.classifiedgroup.com.hk do not form part of this prospectus.

APPLICATION FOR LISTING ON GEM

Our Company is able to satisfy the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under the GEM Listing Rules.

Our Company has applied to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing, up to 10% of our Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, up to 15% of our Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and as otherwise described in this prospectus on GEM.

No part of our Shares or our Company's loan capital is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek listing of, or permission to deal in, any part of our share or loan capital on any other stock exchange.

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

140,000,000 Shares, representing 35% of our Company's issued share capital immediately upon completion of the Placing and the Capitalisation Issue, will be in the hands of the public at the time of the Listing, without taking into account any Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in our Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities resulting from the subscription for, holding, purchase, disposal of, dealing in, or the exercise of any right in relation to the Placing Shares.

REGISTRATION AND STAMP DUTY

All the Placing Shares are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by our Company's branch share registrar and transfer office in Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar and transfer office in the Cayman Islands.

Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in our Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing, including its conditions and grounds for termination, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus. No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Placing Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Union Registrars Limited, in Hong Kong.

COMMENCEMENT OF DEALING IN OUR SHARES

Dealing in our Shares on GEM is expected to commence on Monday, 11 July 2016 under the GEM stock code 8232. Our Shares will be traded in board lot of 5,000 Shares each.

Our Company will not issue any temporary document of title.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in U.S. dollars and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between U.S. dollars and Hong Kong dollars were made at the rate of US$1.00 to HK$7.8.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

LANGUAGE

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

For the purpose of the Listing, our Company has sought a waiver, as described below, from the Stock Exchange in relation to certain requirements under the GEM Listing Rules. Details of the waiver are described below.

CONTINUING CONNECTED TRANSACTIONS

Certain members of our Group have entered into and are expected to continue certain transactions, which will constitute non-exempt continuing connected transactions subject to reporting, annual review and announcement requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Pursuant to Rule 20.103 of the GEM Listing Rules, our Company has applied for and has been granted a waiver from strict compliance with the relevant announcement requirement set out in Chapter 20 of the GEM Listing Rules in relation to the non-exempt continuing connected transactions of our Company referred to above. Further details of such waiver in relation to the reasons, annual caps and basis for the waiver are set out in the section headed "Continuing Connected Transactions" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WONG Arnold Chi Chiu (黃子超先生) *(Chairman)*	D62 Carolina Gardens 34 Coombe Road Hong Kong	Chinese
Mr. LO Yeung Kit Alan (羅揚傑先生)	Flat 2, 8/F, Block A Evergreen Villa 43 Stubbs Road Hong Kong	Chinese
Mr. PONG Kin Yee (龐建貽先生)	5C Repulse Bay Towers 119A Repulse Bay Road Hong Kong	Chinese
Independent non-executive Directors		
Dr. CHAN Kin Keung Eugene (陳建強醫生)	Flat D, 12/F Pearl Gardens 7 Conduit Road Hong Kong	Chinese
Mr. CHUM Kwan Yue Desmond (鄭君如先生)	Flat B, 11/F Kennedy Heights 10-18 Kennedy Road Central Hong Kong	British
Mr. NG Chun Fai Frank (吳晉輝先生)	9th Floor Richmond Court 113 Robinson Road Mid-levels Hong Kong	Chinese

Further information on our Directors is disclosed in the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED

Sole Sponsor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO*
Joint Bookrunners, Joint Lead Managers and Underwriters	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Pacific Foundation Securities Limited** 11th Floor, New World Tower II 16-18 Queen's Road Central Hong Kong
Legal advisers to our Company as to Hong Kong law	**Robertsons** 57th Floor The Center 99 Queen's Road Central Hong Kong
Legal advisers to our Company as to Cayman Islands law	**Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	**Li, Wong, Lam & W.I. Cheung** 22/F Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Reporting accountants	**Deloitte Touche Tohmatsu** *Certified Reporting Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Independent market consultant	**Ipsos Limited** 22/F Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

Compliance adviser	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO*

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit B, 23/F 38 Heung Yip Road Wong Chuk Hang Hong Kong
Company's website	www.classifiedgroup.com.hk *(information contained in this website does not form part of this prospectus)*
Company secretary	Mr. Li Kai Leung *(HKICPA)* Flat 2, 11/F, Block G Tin Chung Court Tin Shui Wai New Territories Hong Kong
Compliance officer	Mr. Wong Arnold Chi Chiu
Authorised representatives	Mr. Wong Arnold Chi Chiu D62 Carolina Gardens 34 Coombe Road Hong Kong Mr. Li Kai Leung Flat 2, 11/F, Block G Tin Chung Court Tin Shui Wai New Territories Hong Kong
Audit committee	Mr. Chum Kwan Yue Desmond *(Chairman)* Dr. Chan Kin Keung Eugene Mr. Ng Chun Fai Frank
Remuneration committee	Dr. Chan Kin Keung Eugene *(Chairman)* Mr. Chum Kwan Yue Desmond Mr. Ng Chun Fai Frank
Nomination committee	Mr. Ng Chun Fai Frank *(Chairman)* Dr. Chan Kin Keung Eugene Mr. Chum Kwan Yue Desmond

Principal share registrar and transfer office	**Codan Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Island
Hong Kong branch share registrar and transfer office	**Union Registrars Limited** Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal bankers	**Bank of China (Hong Kong) Limited** 23/F, Bank of China Centre Olympian City 11 Hoi Fai Road West Kowloon
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Ipsos, an Independent Third Party, which was commissioned by our Group. We believe that the information is derived from appropriate sources and have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Placing, and none of them gives any representation as to the accuracy, completeness or fairness of such information.

The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group.

SOURCES OF INFORMATION

Our Company has commissioned Ipsos, an independent market research company, to analyse and report on, among others, the trends of the food and beverage industry for the period from 2010 to 2017 at a total fee of HK$471,000 and our Directors consider that such fee reflects market rates. To provide an analysis of the aforementioned markets, Ipsos primarily adopted a full-circle information collection methodology, combining the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client such as the business of our Company; (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts in Hong Kong. The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos has become the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Some of the information extracted from the Ipsos Report are also referred to in the sections headed “Summary and Highlights,” “Risk Factors,” “Business” and “Financial Information” in this prospectus. 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 in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report, various official government publications and other publications.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

Analyses in the Ipsos Report are based on the following assumptions:

- it is assumed that the supply of and demand for products and services provided by the western full service restaurant and western casual dining restaurant industries in the global market will remain stable and that there will be no shortage during the forecast period; and

- it is assumed that there will be no external shocks, such as financial crises or natural disasters, in the global market that will affect the supply of and demand for the products and services provided by the western full service restaurant and western casual dining industries in Hong Kong during the forecast period.

The following parameters have been taken into account in the market-sizing and in the Ipsos Report:

- Hong Kong's GDP growth rates from 2010 to 2015 (including the recent slowdown in the Hong Kong economy in 2015), and the forecast from 2016 to 2017;
- Hong Kong's average annual household disposable income and consumption expenditure from 2010 to 2015, and the forecast from 2016 to 2017;
- Hong Kong's tourist numbers from 2010 to 2015 (including the decrease in tourist numbers in 2015), and the forecast from 2016 to 2017; and
- Hong Kong's tourist spending on food and beverages from 2010 to 2014.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors believe the Ipsos Report is reliable and not misleading as Ipsos is an independent professional research agency with extensive experience in its profession.

MARKET DEFINITION

Western cuisine collectively refers to the cuisines originated from western regions and countries. Western cuisine has seven subcategories, which are American cuisine, Australian cuisine, Canadian cuisine, European cuisine, Latin American cuisine, New Zealand cuisine and North American cuisine.

Western full service restaurants are traditional sit-down restaurants with full table service provided by waiters. Generally, this type of restaurant is characterised by better table service and more expensive menu items. By comparison, western casual dining restaurants provide basic table service and less expensive menu items. Most western casual dining restaurants aim to create a relaxing and friendly ambience for customers to dine in. Besides the types of cuisines and extent of service provided, the price of meal is also one of the factors affecting customer's preferences and their willingness to spend on a restaurant. Set out below is a table showing the key characteristics of western full service and casual dining restaurants.

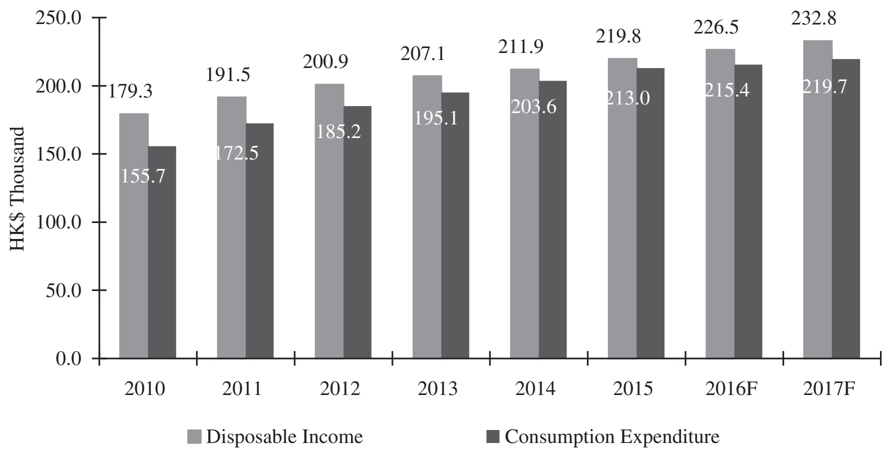
Industry	Specific characteristics of the industry	Types of food offered	Price range
(1) Western full service restaurants	Full table service is provided, including seating arrangements, order taking, delivery of food to the table, and payment processing. The restaurants have a wide selection of food on their menu and generally they have relatively more menu items. For instance, appetizers may be categorised into hot and cold dishes, while main courses may also be categorised by the type of meat used. They aim to provide dining experience with full table services.	Customers are served multiple-course meals, ranging from appetizers and soups to main courses and desserts. They offer a comprehensive drink list, complete with alcoholic and non-alcoholic drinks.	Breakfast:*(Note)* Lunch: HK$250 or above per head Dinner: HK$450 or above per head

Industry	Specific characteristics of the industry	Types of food offered	Price range
(2) Western casual dining restaurants	Basic table service is provided. The extent of table service they provide depends on customer preference, the business environment and the overall operating budget of the restaurant. They offer a simpler menu in a lower price range than that of western full service restaurants. They aim to provide a more casual and relaxing atmosphere.	Apart from bakeries and desserts, hot dishes are also served. Examples include pasta, burgers and soup. Typical beverage choices include soft drinks, alcoholic drinks, gourmet coffees, tea blends, etc.	Breakfast:*(Note)* Lunch: HK$50 — HK$300 per head Dinner: HK$150 — HK$450 per head

Note: Only some western casual dining restaurants serve breakfast. The average cost of a standard breakfast set served by western casual dining restaurants is about 20% lower than that of a lunch set they serve.

MACRO-ECONOMIC ENVIRONMENT

Average Annual Disposable Income and Consumption Expenditure per Capita in Hong Kong

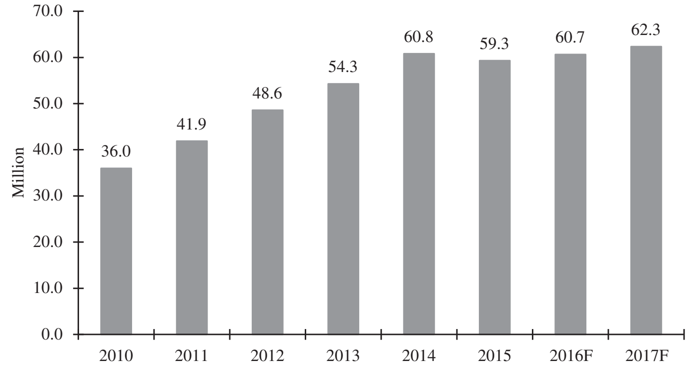


Sources: Census and Statistics Department, HKSAR; Hong Kong Tourism Board; Ipsos research and analysis

Hong Kong's annual disposable income per capita grew at a CAGR of approximately 4.1%, from HK$179,300 in 2010 to HK$219,800 in 2015. Over the same period, annual consumption expenditure per capita grew at a CAGR of approximately 6.5%, from HK$155,700 in 2010 to HK$213,000 in 2015. In the future, it is predicted that the annual disposable income and consumption expenditure per capita in Hong Kong will continue to increase.

Propelled by Hong Kong's economic growth and its closer economic ties with the mainland China, it is anticipated that Hong Kong's annual disposable income per capita and the consumption expenditure per capita will grow modestly during the forecast period. The annual disposable income per capita will grow from HK$226,500 in 2016 to approximately HK$232,800 in 2017, representing a CAGR of approximately 2.8%. Meanwhile, the annual consumption expenditure per capita will increase from HK$215,400 in 2016 to HK$219,700 in 2017, representing a CAGR of approximately 2.0%.

Tourist visits to Hong Kong



Sources: Census and Statistics Department, HKSAR; Hong Kong Tourism Board; Ipsos research and analysis

Note: The forecast of the number of tourist visits is based on (1) the historical trend and growth momentum of the number of tourist visits to Hong Kong; (2) the historical trend of the top five source markets of visitor arrivals to Hong Kong; (3) the historical and forecast GDP growth rate in China, Taiwan, South Korea, the USA and Japan; (4) the historical trend and forecast of Hong Kong Dollar to Chinese Yuan Renminbi exchange rates; and (5) the historical CPI growth rate (packaged tours and other entertainment and holiday expenses) in Hong Kong.

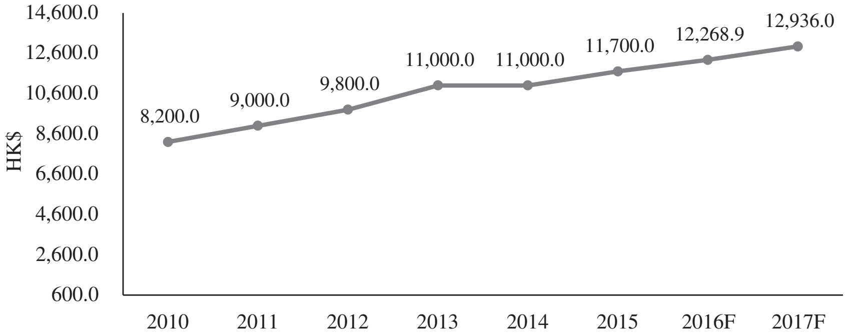
Between 2010 and 2014, the total number of tourist visits to Hong Kong increased at a CAGR of approximately 14.0%, from approximately 36.0 million in 2010 to approximately 60.8 million in 2014. The number of tourists experienced a slight decrease by 2.5% from approximately 60.8 million in 2014 to approximately 59.3 million in 2015.

The major growth in the total number of tourist visits to Hong Kong between 2010 and 2014 can be explained by the increase in the number of Mainland tourist visitors to Hong Kong. This is due to the sustained growth of the Mainland economy and the facilitation measures under the Individual Visit Scheme.

In 2015, the number of tourists experienced a slight decrease by 2.5% and such decrease can be explained by a number of reasons such as the uncertain outlook of the global economy, the continued strengthening of the Hong Kong dollar, and the relaxation of visa policies in other popular tourist destinations (e.g. Japan and South Korea). In addition, the increasing number of political and anti-parallel trading protests may have affected the desire of visitors (especially Mainland Chinese visitors) to travel to Hong Kong. Although the total number of tourists is currently witnessing a decreasing trend, the majority of this decline is contributed from a decrease in visitors from Mainland China. Comparing the monthly visitor arrivals between January 2015 and January 2016, the number of visitor arrivals from Mainland China decreased 10%, while visitor arrivals from all other regions except Australia, New Zealand and South Pacific saw moderate growth. While the decrease in the number of tourists to Hong Kong may have an adverse impact on the whole food and beverage industry, the impact on the western full-service and western casual dining markets would be relatively minor since the Chinese visitors are not a key target customer segment.

Amid a slight decrease by 2.5% in 2015, the number of tourist visits to Hong Kong in 2016 is expected to bounce back to a similar level in 2014, reaching 60.7 million. From 2016 to 2017, the number of tourist visits to Hong Kong is expected to increase from 60.7 million to 62.3 million, representing a CAGR of approximately 2.8%.

Average monthly wage for workers in the western restaurant industry in Hong Kong



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

Notes:

1. The average monthly wage is extracted from Census and Statistics Department, referring to the monthly wage for all employees working in non-Chinese restaurants at a 50th percentile.
2. The above forecast is based on the estimated growth rate of monthly wage from secondary sources.

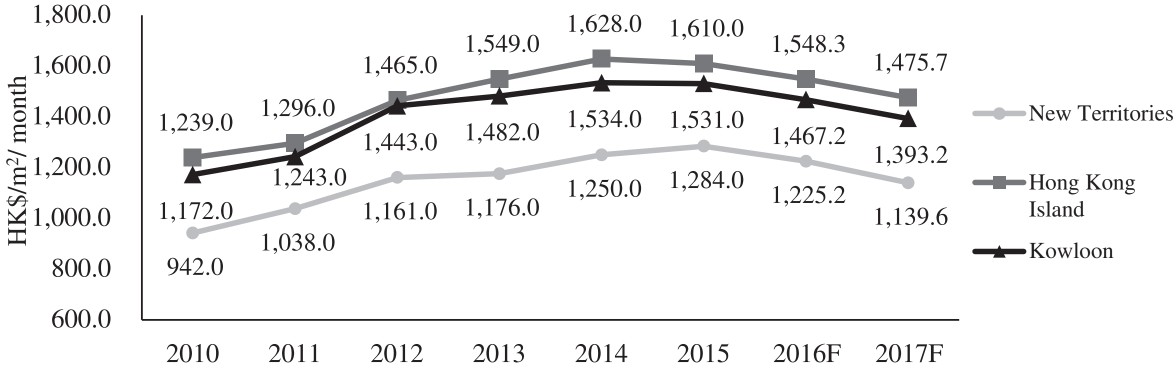
The average monthly wage for workers in the western restaurant industry experienced growth during the past six years. Between 2010 and 2015, the average monthly wage increased from HK$8,200 in 2010 to HK$11,700 in 2015 at a CAGR of approximately 7.4%. During the forecast period, it is expected that the average monthly wage will increase at a slower pace.

The increase in the average monthly wage can be explained by the increasing inflationary pressure in Hong Kong. For instance, the inflation rate in Hong Kong fluctuated between 2.4% and 5.3% for the corresponding period. Employers in the food and beverage industry as well as the western restaurant industry are required to increase the wage rate in order to retain existing staff and attract new staff.

The introduction of the Statutory Minimum Wage ("**SMW**") on 1 May 2011 and the revision of SMW on 1 May 2015 could also explain the increasing trend of the average monthly wage. Given the increase in the minimum wage rate from HK$30 per hour to HK$32.5 per hour, employers in the industry have increased the wage rate in order to maintain the same employment retention rate.

With the expectation of slower economic growth in Hong Kong during the forecast period, it is expected that the growth rate of the average wage rate will increase at a slower pace. For instance, the estimated year-on-year growth rates between 2016 and 2017 are 4.9% and 5.4% respectively.

Average monthly rent for retail premises in Hong Kong



Sources: Rating and Valuation Department, HKSAR; Ipsos research and analysis

Note: The above forecast is based on the estimated growth rate of monthly rent from secondary sources.

The average monthly rent for retail premises in Hong Kong experienced a robust growth from 2010 to 2015. Among the three regions in Hong Kong, the monthly rental price for retail premises in New Territories recorded a highest CAGR by approximately 6.4% during the period from 2010 to 2015. Meanwhile, the rent in Hong Kong Island increased at a CAGR of approximately 5.4% while the rent in Kowloon grew at a CAGR of approximately 5.5%. It is, however, estimated that the real estate market in Hong Kong will experience a downward adjustment during the forecast period.

The increase in the average monthly rent can be explained by the prosperity of the retail market in Hong Kong, increasing the demand for retail space and therefore pushing up the rental price for private retail premises.

With the expectation of economic slowdown in the near future, it is estimated that the real estate market in Hong Kong will experience a downward adjustment. Combined with the slowdown of retail sector, the rental price in 2015 started to decrease and it is anticipated that the average monthly rent in Hong Kong would experience a drop between 2016 and 2017.

Although the rental price for retail premises in New Territories recorded the highest CAGR during the historical period, the rental price for retail premises in Hong Kong Island is the highest among the regions. Furthermore, due to the higher amount of customer traffic, the rental price for retail premises which located on street level, commercial business districts and shopping malls would generally be higher.

TRENDS AND DEVELOPMENT OF THE FOOD AND BEVERAGE INDUSTRY

Increasing use of food delivery services

It is observed that online food delivery services have been growing globally. Similarly in Hong Kong, online food delivery services have become popular. Foodpanda and delivery.com are two major companies offering this kind of service. The demand for online food delivery services in Hong Kong is growing. For instance, according to Foodpanda, the company recorded 500% growth in orders in Hong Kong in 2015. In addition, many acquisition activities have been observed in Hong Kong in the past few years, indicating that the online food delivery service market is growing and developing in Hong Kong.

With the presence of online food delivery services, there is an increase in the number of customers to place their orders on these online delivery platforms because of the convenience. While the food quality may still be an issue, the presence of and the increasing trend of using food delivery services could have a positive impact on the whole F&B industry in Hong Kong. For restaurants, business opportunities have increased since they can now cater the customers who are not willing to dine out. Moreover, the kitchen can be fully utilised without being constrained by the restaurant's space (number of tables) and the table turnover rate.

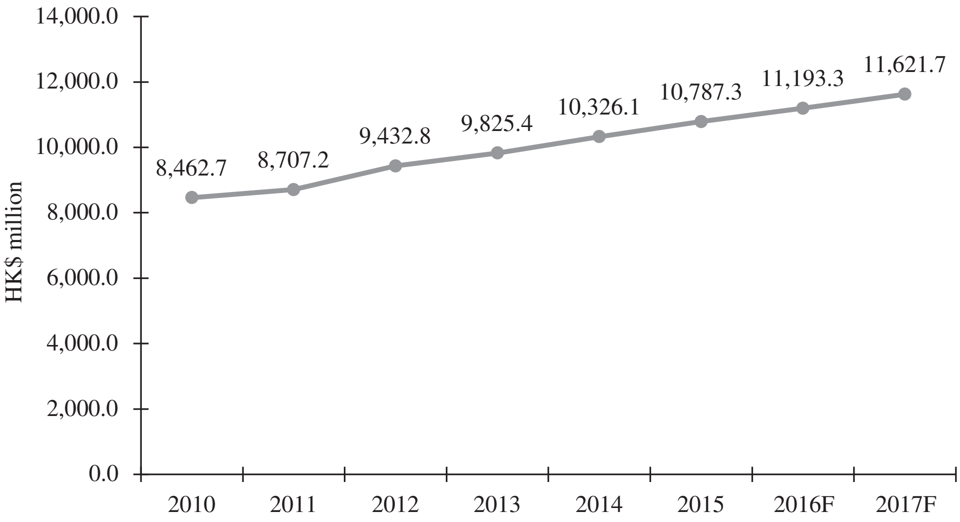
In view of the aforementioned advantages, in order to maintain the competitiveness, it is expected that there will be an increasing number of restaurants in Hong Kong engaging with online food delivery service companies in the future. At present, it is believed that there are no specific impacts on restaurants' business models because the presence of online food service companies has only helped restaurants to open up another "service" channel for offering food to customers. In the future, there may be a possibility that an increasing number of restaurants will actively engage with the delivery companies and put more focus on developing online business. However, it may also be the case that restaurants will maintain the traditional business model by offering food on-site. The effect on the business model could be varied for each of the restaurants, depending on the restaurant's cost structure, marketing direction and key customer segments.

OVERVIEW OF WESTERN FULL SERVICE RESTAURANTS

Western full service restaurants are traditionally classified as restaurants where wait staff provide full service at the table. Typical table services include seating customers, taking orders, delivering food, clearing plates when customers are finished eating, and processing bill payment. Customers also expect higher quality and more sophisticated cuisines, coupled with more formal services, such as the presence of a sommelier to advise on the wines that would best compliment the exquisite dishes. Also, the menus are usually designed and developed by renowned chefs or experienced external culinary consultants which would become signature dishes of these restaurants and attract foodies living outside the neighborhood where such restaurants are located. At a western full service restaurant, customers are served at their table from start to finish — all from the comfort of their seat.

The following chart set forth the total revenue of western full service restaurants in Hong Kong from 2010 to 2017.

Total revenue of western full service restaurants in Hong Kong



Source: Ipsos research and analysis

Note: The forecast of the total revenue is based on (i) the historical trend and growth momentum of the total revenue; (ii) the historical trend and the growth momentum of full-service Western restaurants in Hong Kong; (iii) the projection of GDP growth rate in HK; (iv) the projection of the changes in the consumption expenditure in Hong Kong; (v) historical CPI growth rate; (vi) historical rental and (vii) historical wage level.

The total revenue of full-service western restaurants in Hong Kong increased from approximately HK$8,462.7 million in 2010 to approximately HK$10,787.3 million in 2015, representing a CAGR of approximately 5.0%.Part of this growth can be attributed to the popularity of western TV cooking shows in Hong Kong. For example, both British celebrity chefs Jamie Oliver (the host of Jamie's Kitchen and many other TV shows) and Gordon Ramsay (whose shows include Hell's Kitchen and Kitchen Nightmares) have recently opened their signature restaurants in Hong Kong. The popularity of these cooking shows have renewed interest in full-service western dining experience, therefore benefitting full-service western restaurants. The additional revenue growth from the industry is a result of this trend.

The number of tourists experienced a substantial increase during the years from 2010 to 2014, representing a CAGR of approximately 14.0%. Amid a slight decrease in the number of tourists by 2.5% in 2015, the number of tourists experienced an overall increase from 2010 to 2015, increasing from 36.0 million in 2010 to 59.3 million in 2015. The overall increase in the number of tourists visiting Hong Kong is also one of the factors of contributing to the growth of the total revenue of full-service western restaurants in Hong Kong. Tourists are in general interested in exploring the city's gastronomic offerings and had therefore driven the growth of the total revenue of full service western restaurants industry in Hong Kong during the period between 2010 and 2015.

During the period between 2016 and 2017, the total revenue from full-service western restaurants in Hong Kong is expected to grow at a CAGR of approximately 3.8%, from approximately HK$11,193.3 million in 2016 to approximately HK$11,621.7 million in 2017.

Dining out has either become a necessity for those people in Hong Kong generally working long hours given their busy schedule as well as their favourite pastime to unwind. Moreover, as the disposable income of Hong Kong people continues to increase, it is likely that more people will patronise full-service western restaurants. It is therefore expected that the revenue of the Hong Kong full-service western restaurant industry will continue to grow.

MARKET DRIVERS OF WESTERN FULL SERVICE RESTAURANTS

Business dining fuels rise in restaurant revenue

Due to that fact that more tradeshows, exhibitions, conferences, corporate meetings and auctions were held in Hong Kong, the demand for western full service restaurants from the corporate sector has increased — one of the important drivers of revenue growth. It is observed that the exhibition industry is an important contributor to Hong Kong's economy and is responsible for knock-on economic benefits in other industries. According to an article published by HKTDC, the expenditure and employment opportunities generated by the exhibition industry benefit not just the industry players such as venue operators and exhibition organisers, but also hotels, retail, food and beverages sectors. The main venues for MICE events in Hong Kong are the Hong Kong Convention and Exhibition Centre (HKCEC), the AsiaWorld-Expo (AWE) and the Hong Kong International Trade and Exhibition Centre. In particular, the Hong Kong Convention and Exhibition Centre is the most popular venue for holding exhibitions and conventions events, accounting for approximately 60% of the total number of events held a year. In the light of this, the increase in the number of tradeshows and exhibitions could be one of the growth drivers to the food service industry, especially the western full service restaurants who located in Hong Kong Island or other locations that near exhibition venues. Apart from that, western full service restaurants in Hong Kong also benefit from the city's status as both a regional transportation hub and an international business hub, frequented by business travellers from all over the world. Business diners typically spend up to two to three times more than the average social diner. From a corporate standpoint, business dining is more than just a meal — it serves the purposes of building trust with important clients or building loyalty with employees. Therefore, Hong Kong's status as an international business hub as well as an exhibition-cum-conference centre is another important growth driver for the industry.

Household income growth results in greater demand for food and beverage industry, in particular, western full service restaurants

During the years from 2010 to 2015, Hong Kong's annual consumption expenditure per capita increased at a CAGR of approximately 6.5% as Hong Kong people continued to pursue a higher quality of life, including enhanced dining experience. Other demographic trends such as smaller household sizes, an ageing population and an increasingly high proportion of households containing single people or multiple adults without children living at home are also believed to be among the drivers behind the growth of the industry.

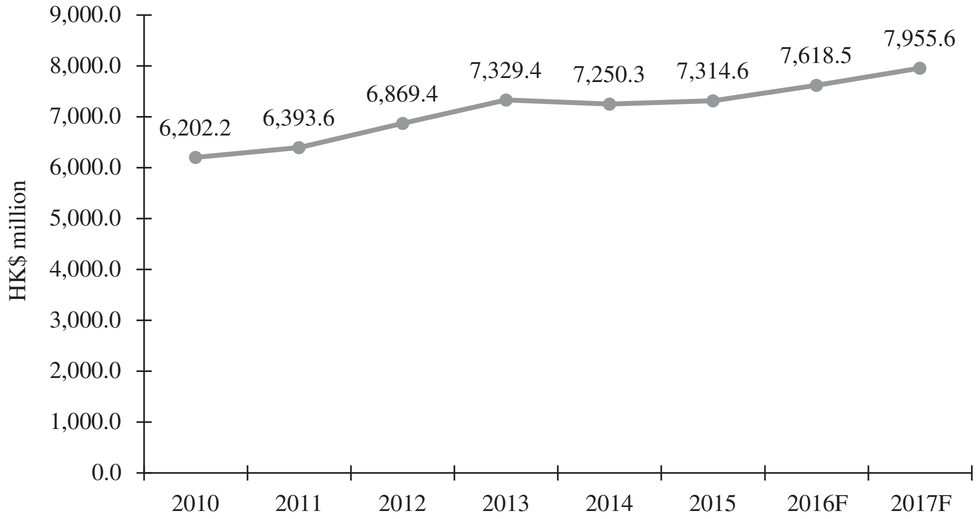
OVERVIEW OF WESTERN CASUAL DINING RESTAURANTS

Compared with western full service restaurants, western casual dining restaurants are a relatively new and growing concept in Hong Kong. The western casual dining industry is positioned in between fast-food restaurant industry and western full service restaurant industry. To further elaborate, the meals served at western casual dining restaurants need less time to prepare and are cheaper. Diners are also expected to finish their meal in a shorter time when compared with western full service restaurants.

Compared with fast food restaurants, meals served at western casual dining restaurants are freshly prepared, more expensive and take longer time to consume, coupled with different levels of table services, depending on the positioning, costs, manpower and space of each restaurant. Basic table service generally refers to the delivery of ordered food to the table.

The following chart set forth the total revenue of western casual dining restaurants in Hong Kong from 2010 to 2017.

Total revenue of western casual dining restaurants in Hong Kong



Source: Ipsos research and analysis

Note: The forecast of the total revenue is based on (i) the historical trend and growth momentum of the total revenue; (ii) the historical trend and the growth momentum of Western casual dining restaurants in Hong Kong; (iii) the projection of GDP growth rate in HK; (iv) the projection of the changes in the consumption expenditure in Hong Kong; (v) historical CPI growth rate; (vi) historical rental and (vii) historical wage level.

The total revenue of western casual dining restaurants in Hong Kong grew from approximately HK$6,202.2 million in 2010 to approximately HK$7,314.6 million in 2015, representing a CAGR of approximately 3.4%.

The number of tourists to Hong Kong increased at a CAGR of approximately 14.0%, from approximately 36.0 million people in 2010 to approximately 60.8 million people in 2014. More food and drinks events and expos and more tourists had a catalytic effect on the revenue of western casual dining industry from 2010 to 2014.

The total revenue of western casual dining restaurants in Hong Kong is expected to continue to grow during the period between 2016 and 2017. The total revenue of western casual dining restaurants is forecast to grow from approximately HK$7,618.5 million in 2016 to approximately HK$7,955.6 million in 2017, representing a CAGR of approximately 4.4%.

The extension of the MTR network is likely to create business opportunities for western casual dining restaurants. For instance, the open of West Island Line (an underground extension of the existing MTR Island Line from Sheung Wan to Kennedy Town) in 2015 and the ongoing extension projects such as South Island Line-East (an extension of MTR Island Line from Admiralty to South Horizons) and Shatin to Central Line (an extension of the network traverse several district, serving the New Territories, Kowloon and Hong Kong Island) would make travelling to the Hong Kong Island easier, especially for those living outside Hong Kong Island and tourists. According to the observation from news media in Hong Kong, the open of West Island Line has brought a positive effect to the industry, increasing the number of western casual dining restaurants opened up in Sai Ying Pun and Kennedy Town. Hence, the projects of the MTR networks extension are predicted to drive the development of the western casual dining restaurant in Hong Kong, especially for the restaurants which located in Hong Kong Island.

MARKET DRIVERS OF WESTERN CASUAL DINING RESTAURANTS

Longer working hours and more working women encourage families/couples to eat out

Long working hours and more working women are some of the factors that discourage small families from cooking and eating at home and therefore they tend to eat out after a long day at work. Hence, the whole food and beverage industry in general will be benefited by this phenomenon as more people will eat out. Particularly, this phenomenon also brings benefit to the western casual dining restaurants. The comparative advantages of western casual dining restaurants are that they offer healthier and non-standardised food options as opposed to fast food stalls and that they are less expensive than other full-service restaurants offering Japanese, Korean or Chinese food. Therefore, western casual dining restaurants are well positioned to capture a part of demand from this group of customers looking for a relaxing dining experience as a healthy, delicious alternative to fast food.

Establishment of the themed western casual dining restaurants

Given the intense competition of the restaurants offering different types of cuisines and dining experiences, restaurant owners need to differentiate themselves from the rest. One way to do is to run the theme restaurants, and hence, there is an increasing number of themed restaurants have been operating in Hong Kong. For examples, famous cartoon characters, animals or natural environments such as tropical rainforest, can be used as the theme for restaurant decoration. For western casual dining restaurants, they also try to differentiate from other restaurants by embedding theme elements into the restaurant decoration, foods and services. For instance, some western restaurants may differentiate themselves by specialising in certain types of food, in which providing self-cultivated or organic coffee beans as a gimmick, or set up a cheese room with humidity control to store various types of cheese to attract cheese-lovers. Since Hong Kong customers are open to try new concepts in restaurants, the western theme-based casual dining restaurants are more likely to attract customers with their uniqueness, which may therefore sustain the restaurant's competitiveness and also the development of the industry.

Public demand for premium and healthy food is on the rise

In Hong Kong, it is observed that there is a rising demand for premium and healthy food, especially for those customers who aged between 20 and 35, preferring dining in a relaxing and comfortable environment. The whole food and beverage industry, including fast food restaurants, is marking an effort to diversify their menus and offer healthier foods to attract this growing market segment. In view of this, western casual dining restaurants also make efforts to provide more healthy food options in order to capture the rising demand. For example, fresh food and low-calorie dishes are among the new menu items that provide more food choices. Also, in order to cater to different dietary requirements, there is an increasing number of western casual dining restaurants providing vegan or gluten-free dishes, which are still not common to offer in traditional Asian restaurants. Greater diversity enhances customer satisfaction and therefore potentially generates more revenue for the restaurant, benefitting the western casual dining restaurant industry as a whole.

Increasing marketing and promotion channels

The growing popularity of social media (i.e. Facebook, Twitter, Instagram) in Hong Kong has opened up a vast opportunity for the restauranteurs to have cheaper and more direct marketing channels for advertising their restaurants. This is due to the fact that many people share their photos and experienced on these sites. In addition, restauranteurs can also make use of different online platforms and gourmet websites such as Groupon, Openrice, Groupbuyer and Couppie to raise awareness and offer social promotions to attract new customers. This strategy is often used by new restaurants, where customers are encouraged by a special promotional offer or a discounted price to try new restaurant. Both new and existing restaurants are able to reach out to more customers via the increasing number of marketing and promotion channels. In fact, the online marketing channels have also enabled western casual dining restaurants to promote and attract customers more cost-effectively. The growing popularity of social media, the rise of online platforms and gourmet websites therefore increase the marketing channel options for the whole food and beverage industry. Although the increase in the marketing channel options would increase the competition between the restaurants offering different types of cuisines, it still offers an opportunity to support the growth of the western casual dining industry.

The Consumer Price Indices ("**CPI**") of the major ingredients used by the western restaurants in Hong Kong have been on the rise from 2010 to 2015. The following chart sets out the changes of CPI of major ingredients between 2010 and 2015.

CONSUMER PRICE INDEX OF MAJOR INGREDIENTS USED BY WESTERN RESTAURANTS

	2010	2011	2012	2013	2014	2015	CAGR between 2010 and 2015
Meat (pork, beef, poultry, frozen meat and others meat)	100.9	112.8	122.3	130.9	134.4	140.8	6.9%
Fresh vegetables	102.5	104.2	109.8	121.8	123.5	123.4	3.8%
Seafood	102.5	122.3	141.0	149.4	159.1	169.4	10.6%
Wine (beer, foreign style wines)	100.4	103.1	104.4	109.1	110.8	112.2	2.2%
Bread, cakes, biscuits and puddings	101.0	107.6	112.4	116.1	120.9	125.9	4.5%
Carbonated drinks and non-alcoholic drinks	99.6	103.2	109.8	112.5	116.3	117.3	3.3%
Dairy products	101.6	108.2	115.6	119.1	124.0	124.6	4.2%

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

All food price indices above showed a continued rise from 2010 to 2015. During the period from 2010 to 2014, meat prices increased from 100.9 to 134.4 at a CAGR of approximately 7.4%. The price index of fresh vegetable increased from 102.5 to 123.5 at a CAGR of approximately 4.8%. The price index of seafood grew at a faster pace from 102.5 to 159.1 at a CAGR of approximately 11.6%. The price index of bread, cake, biscuits and puddings increased from approximately 101.0 to approximately 120.9, representing a CAGR of approximately 4.6%. The price index of carbonated drinks and non-alcoholic drinks grew from approximately 99.6 to approximately 116.3, representing a CAGR of approximately 4.0%. The price index of dairy products increased from approximately 101.6 to approximately 124.0, at a CAGR of approximately 5.1%, while the price index of wine grew from approximately 100.4 to approximately 110.8, representing a CAGR of approximately 2.5%.

The CPI of selected food ingredients are rising due to Hong Kong's heavy reliance on imports. The rising CPI of major ingredients would likely add on to the cost of business of the food and beverage operators. Hence, one of the key success factors for the food and beverage operators would be the ability to pass the increasing food cost to the customers with the adjustment of food prices or the items on menu.

COMPETITIVE LANDSCAPE

In 2015, there were about 764 western full service restaurants and 1,430 western casual dining restaurants in Hong Kong. Both the western full service restaurants market and the western casual dining market are highly competitive and fragmented. In terms of revenue, the top five operators of western full service restaurants and western casual dining restaurants only accounted for approximately 9.0% and 23.4% of their respective markets in 2015. The CAGR for western casual dining restaurants from 2010 to 2015 was approximately 3.4% and for the period between 2016 and 2017, the revenue is expected to grow at a faster pace at a CAGR of approximately 4.4%. Restaurants with better reputation, food and services will be more competitive in the markets in which they operate.

According to the Ipsos Report, in terms of turnover, our estimated market share in western full-service market was approximately 0.7% while our estimated market share in western casual dining market was approximately 1.3% in 2015.

The following tables set out the top five western full service restaurant groups and top five western casual dining restaurant groups in Hong Kong.

Top five western full service restaurant groups in Hong Kong

Rank	Name of company	Headquarters location	Revenue in 2015 *(HK$ million)*	Share of total industry *(%)*	Major cuisines
1	Brand A	Hong Kong	312.5	2.9	Italian cuisine, American cuisine, British cuisine, etc.
2	Brand B	Hong Kong	191.6	1.8	Greek cuisine, Spanish cuisine, Peruvian cuisine and Belgian cuisine
3	Brand C	Hong Kong	179.6	1.7	Italian cuisine
4	Brand D	Hong Kong	161.7	1.5	Spanish cuisine and Multinational western cuisine
5	Brand E	Hong Kong	128.3	1.2	French cuisine
	Others		9,813.6	91.0	
		Total	**10,787.3**	**100.0**	

Source: Ipsos research and analysis

Notes:

1. Percentages may not total 100% due to rounding.

2. Some totals may not correspond with the sum of the separate figures due to rounding.

Top five western casual dining restaurant groups in Hong Kong

Rank	Name of company	Headquarters location	Revenue in 2015 *(HK$ million)*	Share of total industry *(%)*	Major cuisines
1	Brand F	U.S.	540.5	7.4	Multinational western cuisine
2	Brand G	Hong Kong	470.5	6.4	Multinational western cuisine
3	Brand H	Japan	304.6	4.2	Italian cuisine
4	Brand I	Hong Kong	234.8	3.2	German cuisine, British cuisine, American cuisine, etc.
5	Brand J	China	162.5	2.2	Italian cuisine
	Others		5,601.7	76.6	
		Total	**7,314.6**	**100.0**	

Source: Ipsos research and analysis

Notes:

1. Percentages may not total 100% due to rounding.

2. Some totals may not correspond with the sum of the separate figures due to rounding.

FACTORS OF COMPETITION

Food and service quality

The quality of food and service is the key competitive factor to attract customers in both the western full service restaurants industry and western casual dining industry. Serving high-quality food is an enhancement to customers' dining experience. In addition, more attentive, responsive and resourceful services will also help increase customer loyalty.

Location

Location is another crucial factor of competition in both the western full service restaurants and western casual dining industries. Well located restaurants are usually those located in the commercial business district or touristy areas, including Central, Sheung Wan, Admiralty, Causeway Bay, Tsim Sha Tsui, Stanley, etc. A restaurant located on the street level of a high foot-traffic street is considered to be in a prime location. Apart from food and service, a restaurant also relies a great deal on a good location to help get more visibility and exposure.

Reputation

The competition of the industry is intense due to the presence of a large amount of western restaurants in Hong Kong. Reputation is therefore one of the key factors for the customers to differentiate different restaurants. Proper restaurant marketing and high innovation capacity on food and menu would help the restaurants to attract more customers and form a better reputation in the market. To conclude, restaurants with a higher brand recognition or reputation are more competitive.

MARKET RISK FACTORS

Labour shortage

In order to serve foreigners, local expats and tourists as well as to create a vibrant and lively dining environment, western casual dining restaurant owners prefer to hire younger people. They are also expected to have a good command of spoken English. However, restaurant owners often find it difficult to recruit qualified staff, partly because of lower salaries relative to other industries, and partly due to the reluctance of young university grads to join the catering industry as waiter or waitress. Young Hong Kong people with good spoken English prefer working in other industries. Furthermore, compared with other industries, restaurant working hours are longer. About 68.7% of the full-time restaurant employees work about 54 hours or more per week. Generally speaking, working as a waiter or waitress mean long hours standing on their feet and a lower income, and this is why restaurant owners find it increasingly difficult to hire employees.

Soaring rents and increasing labour costs

Hong Kong's restaurateurs are facing rising high labour and rental costs. According to the Hong Kong Census and Statistics Department, the median monthly wage offered by restaurants (other than Chinese) increased from approximately HK$8,200 in 2010 to approximately HK$11,000 in 2014, representing a CAGR of approximately 7.6%. The strong salary growth in the western restaurant industry of Hong Kong has inevitably limited restaurants' profit margins. Second, high rental costs also reduce the profit margin of this industry. Rental costs usually account for about 30-40% of a restaurant's operational costs. But as there is limited supply of commercially attractive locations and many retailers such as luxury watch and jewelry shops are willing to pay premium rents for good locations, restaurants are increasingly being priced out of their original locations. In the past few years it was quite common for landlords to raise the rental by 40% to 100% when renewing the lease with tenants. Although it is estimated that there may be a slight downward adjustment in the property market as well as the rental trend of retail space in Hong Kong, the high rents rate in Hong Kong might still affect the development of the western full-service restaurants and western casual dining restaurant industries. As a result, restaurants, due to their business nature, are in a less advantageous position to afford high rents while maintaining the same level of profitability.

Higher statutory minimum wages and proposed municipal solid waste charges

The revised Statutory Minimum Wage ("SMW") has first come into force since 1 May 2013. Announced by the Labor Department, the SMW rate was revised from HK$28 per hour to HK$30 per hour, with the growth of approximately 7.1%. Furthermore, the SMW rate was revised again and started effective since 1 May 2015. The latest revised SMW rate reached HK$32.5 per hour, representing a growth rate of approximately 8.3% by increasing from HK$30 per hour. Given the same operating hours of the restaurants, the increase in the SMW rate has lifted the restaurant industry's labour costs.

The Municipal Solid Waste Charging Scheme proposed in the 2014 Policy Address will further increase the operating cost if the legislation is passed and implemented. This policy suggests pricing the disposal of municipal solid waste by volume. Under the quantity-based waste charging, the more the solid waste is produced, the government would charge a higher fee. If this policy is passed and implemented, restaurants' disposal costs will increase. For instance, it could cost a restaurant about HK$400 for disposing a tonne of solid waste. With the potential implementation of the additional charge on disposing solid waste, the operating costs of western full service restaurants and western casual dining restaurants are expected to further increase.

ENTRY BARRIERS

High initial capital requirements

Both western full service restaurants and western casual dining restaurants require high initial capital investment. The initial costs include but is not limited to rentals, commercial kitchen and restaurant equipment, serving ware as well as interior fit-out or renovation (both at commencement and at the end of the lease period where the tenant is typically required to reinstate the condition of the leased premises). In Hong Kong, retail premises are normally leased for terms of three years at pre-agreed, fixed rentals, plus a two-year renewable period during which rentals are adjustable. The tenant is expected to pay a security deposit to the landlord, which is usually equivalent to two months' rental. High-quality cooking equipment and serving ware can be another major initial investment for opening a restaurant. Also, interior designing and fitting out a new restaurant could be costly, which could account for as much as 30% of the total start-up cost.

Complex license application procedure

To start up a restaurant or food factory, the owner is required to obtain several licenses from the FEHD. Depending on the type of food provided and the operation model, the operators might require to apply and obtain a general restaurant licence, a light refreshment restaurant licence, a food factory licence or a frozen confection factory licence for the relevant food business to be carried out. In addition, if alcoholic beverage is to be served, a liquor licence has to be obtained from the Liquor Licensing Board. However, the application process for these licences is complicated and involves dealing with different governmental departments. For instance, regarding the application of general restaurant licence, the application process requires investigation and approvals by many different governmental departments, including the FEHD, the FSD and the Buildings Department. For the liquor licence, notification and consultation periods are required as part of the application process. The complex and time-consuming licensing process that involves many different government departments is seen as another barrier to starting up a restaurant business in Hong Kong. For details of the relevant licensing requirements, please refer to the section headed "Regulatory Overview" of this prospectus.

COMPETITIVE STRENGTHS OF OUR GROUP

Our Directors believe that our competitive strengths have contributed to our success and enabled us to compete effectively in the food and beverage industry in Hong Kong. Some of our competitive strengths include strategic locations of our restaurants, our experienced chefs and management team, and enhanced dining experience with thoughtful space design at our restaurants.

For further information about the competitive strengths of our Group, please refer to the section headed "Business — Competitive Strengths of our Group" in this prospectus.

HONG KONG REGULATORY OVERVIEW

Laws relating to the operation of restaurants

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

(a) a general restaurant licence, light refreshment licence or food factory licence as the case may require, to be issued before commencement of the relevant food business operation;

(b) a liquor licence required to be issued before commencement of sale of liquor in the restaurant premises; and

(c) a water pollution control licence.

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

Health and safety regulatory compliance

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a general restaurant license from the FEHD under the PHMSO and the FBR before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any restaurant except with a general restaurant licence. 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 fulfillment of the Buildings Department's structural standard and the fulfilment of the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licenses to new applicants who have fulfilled the basic requirements in accordance with the FBR pending completion of all outstanding requirements for the issue of a full restaurant license. A provisional restaurant license is valid for a period of six months or a lesser period and a full restaurant license is valid generally for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant license is renewable on one occasion and a full restaurant license is renewable annually.

Light refreshment licence

The light refreshment restaurant licence restricts the licensee to prepare and sell for consumption on the premises certain kinds of the food items as set out in Appendix B in "A Guide To Application For Restaurant Licences" published by the FEHD. The light refreshment licence is obtained from the FEHD and governed by the PHMSO and the FBR. It is provided under Regulation 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a general restaurant licence. 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 restaurant licence. Prior to the issue of a light refreshment licence, the FEHD will also consult the Buildings Department (the "BD"), the Fire Services Department (the ''FSD'') and the Planning Department (the "PD") in assessing the suitability of premises for use as a restaurant, for the purpose of which the fulfilment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. Any person who is guilty of an offence carries on restaurant business without a valid licence shall be liable on summary conviction to a maximum fine of HK$50,000 and imprisonment for 6 months and, where the offence is a continuing offence, to an additional fine of HK$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Food factory licence

In respect of CNW and CBCL, as the food sold is not for consumption on the premises we are required to obtain a food factory licence from the FEHD under the FBR. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any food factory business except with a food factory licence. CBCL has been additionally approved under its food factory licence to manufacture, among other things, bakery products.

In deciding whether to grant a general restaurant licence, light refreshment licence or a food factory licence, the FEHD will also consult the BD and the FSD in accessing the suitability of premises for use as a restaurant, where the fulfilment of the BD's structural standard and the fulfilment of the FSD's fire safety requirement are considered.

A full general restaurant licence, light refreshment licence and food factory licence is valid generally for a period of one year, and subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. The FEHD may grant a provisional food business licence if the premises has satisfied all essential health, building and fire safety requirements. Upon satisfaction of the outstanding requirements, a full general restaurant licence, a light refreshment licence and food factory licence (as the case may be) may then be issued. Each of the provisional general restaurant licence, light refreshment licence and food factory licence is valid for a period of six months or a lesser period. Each of the provisional general restaurant licence, light refreshment licence and food factory licence is renewable on one occasion and each of the full general restaurant licence, light refreshment licence and food factory licence is renewable annually.

Restricted food permit

Under section 31(1), 31(A) and Schedule 2 of the FBR and according to the guideline of the FEHD, it is required that no person shall sell, or offer or expose for sale, or possess for sale or for use in the preparation of any article of food for sale, any of the foods specified in Schedule 2 of the FBR (including sashimi, oysters to be eaten in raw state, live fish and shell fish).

Under section 35 of the FBR, any person who is guilty of an offence under section 31 (1) may be liable to a maximum fine of HK$50,000, imprisonment for six months and HK$900 for each day where the offence is a continuing offence.

Demerit point system

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

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

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

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

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

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

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

Hygiene manager and hygiene supervisor scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager ("**HM**") and Hygiene Supervisor ("**HS**") Scheme (the "**Scheme**").

(A) The requirements

Under the Scheme, all large food establishments and food establishments producing high risk food are required to appoint an HM and an HS; and all other food establishments are required to appoint an HM or an HS. General restaurants which accommodate over 100 customers are required to appoint an HM plus an HS.

(B) Training/appointment of HM and HS

Food business operators are required to train up their staff or appoint qualified persons to take up the post of HM or HS. According to "A Guide to Application for Restaurant Licences" of the FEHD (January 2012 Edition), one of the criteria for the issuance of a provisional licence/full general restaurant licence is the submission of a duly completed nomination form for HM and/or HS together with a copy of the relevant course certificate(s).

Liquor licence

For the sale of liquor in a restaurant in Hong Kong, a restaurant operator has to obtain a liquor licence from the LLB under the DCO. It is provided under section 17(3B) of the DCO 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. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption at the place or occasion except with a liquor licence. The LLB will consider the fitness of the applicant to hold the licence, the suitability of the premises to which the application relates in supplying intoxicating liquor and the public interest before granting the 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. A liquor licence is only granted if the applicant can devote sufficient time and attention to the proper management of the liquor-licensed premises. Therefore, all licences are granted to our employees at the relevant locations.

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

With respect to our restaurants in Hong Kong, as at the Latest Practicable Date, we have obtained the relevant licences required for all of our restaurant and food factory operations in Hong Kong and have obtained the liquor licences (under the name of our employees) (except for CRB which is still under application) as required under the DCO before the commencement of any sale of liquor in our relevant restaurant premises in Hong Kong.

Food labelling

The Food and Drugs (Composition and Labelling) Regulations (Cap 132W) ("**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.

Environmental regulatory compliance

Water Pollution Control Ordinance

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control by the EPD under the WPCO.

Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 11 of the WPCO, a person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO, is liable to imprisonment for six months and a fine of HK$200,000 for first offence and up to HK$400,000 for a second or subsequent offence and in addition, if the offence is continuing, to a fine of HK$10,000 for each day the offence has continued. Under section 11 of the WPCO, a person who commits an offence under section 8(1A) or 9(1) or 9(2) of the WPCO by discharging any poisonous or noxious matter into a communal sewer or communal drain is liable to imprisonment for one year and a fine of HK$400,000 for first offence and up to HK$1,000,000 and imprisonment for two years for a second or subsequent offence and in addition, if the offence is continuing, to a fine of HK$40,000 for each day the offence has continued.

Other regulations relating to our business operations

Mandatory Provident Fund ("MPF") Schemes

The 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.

Employees' compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("**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.

Minimum wage

With effect from 1 May 2013, the Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate at HK$30 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With effect from 1 May 2015 the revised statutory minimum usage will be increased from HK$30 per hour to HK$32.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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.

Our Directors have confirmed that our Group has obtained or applied for all relevant licences, certificates and permits as required under the relevant laws and regulations in Hong Kong for our restaurants and food factory and, save as disclosed under the sub-section headed "Business — Legal proceedings" and "Summary of the Non-compliance matters" in this prospectus, has complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Sale of tobacco products

The conditions for the sale of tobacco products, including cigars, are governed by the Smoking (Public Health) Ordinance (Chapter 371 of the Laws of Hong Kong). Currently, no licence is required for the retail sale of tobacco products in Hong Kong; However, no tobacco products shall be sold to any person under the age of 18 years and the Smoking (Public Health) Ordinance requires that any cigars offered for retail sale in Hong Kong must bear a health warning on the retail container in the form and manner prescribed by the Smoking (Public Health) Ordinance.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Cap. 59V) ("FIU(F)R")

The FIU(F)R ensures that the proprietor of every workplace shall maintain a means of escape from the workplace in good condition and free from obstruction. Under Regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of 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 (Cap. 57) ("EO")

The EO provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the EO, where 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 $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 $10,000.

Trade Descriptions Ordinance (Cap. 362)("TDO")

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.

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

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

The Ordinance includes the First Conduct Rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power; and the Merger Rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Upon breach, the Competition Tribunal may impose against offenders pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, Section 93 of the Competition Ordinance enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to October 2006 when Mr. Wong, Mr. Lo and Mr. Pong, through AAP, a holding company which was held by them in equal share, established our first Classified restaurant, namely CCR, on Hollywood Road, Sheung Wan, a district we believed to be an up-and-coming hip area which is well suited to foster the development of restaurants. In 2008, our Co-founders, through AAP, opened our second Classified restaurant, namely, CMB. During the Track Record Period, our Group had successfully expanded to a total of 11 restaurants under the "Classified" brand. After CHP, one of our Classified Restaurants, ceased operation in February 2016, we continued to operate a total of 10 Classified restaurants in eight districts throughout Hong Kong, in particular on Hong Kong Island. The business of our Group was initially funded by the Co-founders' own resources. For details of the Co-founders' background and relevant industry experience, please refer to the section headed "Directors and Senior Management" in this prospectus. Further, Mr. Wong, Mr. Lo and Mr. Pong have confirmed by way of a deed that since becoming shareholders of our Company and its associated companies, they have been acting in concert and voted in an unanimous manner on any proposed resolution in respect of the management, development and business operations of our Group.

In 2008, we were able to secure the lease of a restored 19th century heritage building in Wan Chai, Hong Kong and opened our first full service restaurant, namely, The Pawn. The Pawn was officially opened in 2008 and at that time served Gastropub food. The restaurant was named as "The Pawn" because of the fact that a traditional pawn shop business was operated in this building in the past. In order to improve the competitive edge of The Pawn, we revamped The Pawn's restaurant concept from the Gastropub concept to offering modern British cuisine. The Pawn was closed for renovation in July 2014 and was re-opened in October 2014.

To further diversify the range of our Group's restaurants, we opened another full service restaurant, namely, SML, in Causeway Bay, Hong Kong in 2009, which embraces an innovative dining concept by offering casual international dishes in small, medium and large sizes. Prior to the expiry of lease of SML in August 2015, we negotiated with the landlord and renewed the lease on the condition that we operate a new food and beverage concept in the location. SML was temporarily closed for renovation in August 2015 and reopened in November 2015.

In order to rationalise the operation of our Co-founders' restaurant businesses, Classified Limited, one of our wholly-owned subsidiaries, was incorporated in May 2010 to operate CCR and CMB which were previously operated by AAP when they were first opened, and all the other Classified restaurants and CBCL which were opened subsequent to the incorporation of Classified Limited.

In light of our Group's own increase in demand for bakery products due to the growing number of our Group's restaurants, we set up a food factory in 2010 to supply bakery products to our Group's restaurants and other corporate customers. In addition to supplying bakery products, it also sources cheeses for sale at our restaurants.

Since the opening of CCR, our first Classified restaurant, our efforts in providing high quality food and services have allowed our Group to compete in a highly competitive food and beverage industry in Hong Kong. In addition, since the initial establishment of our Co-founders' restaurant businesses, their restaurants including CCR, CMB, The Press Room, The Principal and The News Room were initially operated by AAP under the brand of "Press Room Group" which was named after "The Press Room". However, with the disposal of their entire interests in AAP on 9 March 2015 and to focus on building our Classified brand, we decided to change the name of our Company to Classified Group (Holdings) Limited. For details of the restaurants operated by AAP, please refer to the paragraph headed "Disposal of AAP" in this section below.

Business milestones

The following table sets out the key developments and milestones of our Group since our establishment.

Year	Milestones
2006	Our first Classified restaurant, namely, CCR, was opened in Sheung Wan, Hong Kong
2008	The Pawn was officially opened in a 19th century heritage building in Wan Chai, Hong Kong
2009	SML was opened in Causeway Bay, Hong Kong
2010	CBCL commenced operation of its food factory
2010	Our first Classified restaurant located outside of Hong Kong Island, namely, CSK, was opened in Sai Kung
2013	Our first overseas franchised Classified restaurant was opened in Jakarta, Indonesia
2013	Our Classified restaurant, namely CCK, was opened in the office premises of an investment bank in Central, Hong Kong through a licensing arrangement
2014	The Pawn was re-opened with a new concept of modern British cuisine after renovation
2015	SML was re-opened as The Fat Pig after renovation

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 October 2014. As at the Latest Practicable Date, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. As part of the Reorganisation, our Company became the ultimate holding company of our Group.

For details of changes in the share capital of our Group, please refer to the sub-sections headed "Appendix IV — A. Further information of our Company — 2. Changes in authorised and issued share capital of our Company" and "Appendix IV — A. Further information of our Company — 3. Changes in authorised and issued share capital of our subsidiaries" in this prospectus.

A summary of the corporate history of the major operating subsidiaries of our Company is set out below:

TPL

TPL is principally engaged in the operation of The Pawn. TPL was incorporated in Hong Kong on 15 May 1979 as a limited liability company. The two shareholders of TPL were Mr. Wong's father and his business partner, Mr. Roland Chow, each subscribed for one subscriber share in TPL. TPL was initially set up as an investment holding company.

Following various allotments and transfers since the date of its incorporation and up to 5 July 2007, TPL was held as to 99 shares by Buttermer (Nominees) Limited ("**Buttermer**") and one share by Wooco Nominees Limited ("**Wooco**") immediately as at 5 July 2007. To the best of our Directors' knowledge, Wooco is an Independent Third Party while Mr. Wong and his father are directors of Buttermer. On 6 July 2007, 40, 19 and 40 shares in TPL were transferred at par from Buttermer to each of Mr. Wong, Mr. Lo and Mr. Pong, and one share in TPL was transferred at par from Wooco to Mr. Lo. On the same day, 20 shares in TPL were further allotted and issued to Mr. Lo at par credited as fully paid. After completion of the aforesaid allotment and transfers and immediately before the Reorganisation, TPL had 120 shares in issue, representing its entire issued share capital, and was owned as to 40 shares by Mr. Wong, 40 shares by Mr. Lo and 40 shares by Mr. Pong.

As part of the Reorganisation, each of Mr. Wong, Mr. Lo and Mr. Pong transferred their respective interests in TPL to EAVL on 31 December 2014 in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, which are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively. For further details, please refer to the sub-section headed "A. Further information about our Company — 5. Group Reorganisation" in Appendix IV to this prospectus.

SMLL

SMLL is principally engaged in the operation of SML. SMLL was incorporated in Hong Kong on 30 December 2008 as a limited liability company. At the time of its incorporation, 100,000 shares were allotted and issued to each of Mr. Wong, Mr. Lo and Mr. Pong at par. After such allotment and issuance and immediately before the Reorganisation, SMLL was owned equally by each of Mr. Wong, Mr. Lo and Mr. Pong.

As part of the Reorganisation, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective interests in SMLL to EAVL on 31 December 2014 in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, which are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively. For further details, please refer to the sub-section headed "A. Further information about our Company — 5. Group Reorganisation" in Appendix IV to this prospectus.

PRGIL

PRGIL is the intermediary holding company of PRGML. PRGIL was incorporated in Hong Kong on 9 November 2009 as a limited liability company. At the time of its incorporation, 400,000 shares were allotted and issued to each of Mr. Wong, Mr. Lo and Mr. Pong at par. After such allotment and issuance and immediately before the Reorganisation, PRGIL was owned equally by each of Mr. Wong, Mr. Lo and Mr. Pong.

As part of the Reorganisation, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective interests in PRGIL to EAVL on 31 December 2014 in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, which are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively. For further details, please refer to the sub-section headed "A. Further information about our Company — 5. Group Reorganisation" in Appendix IV to this prospectus.

PRGML

PRGML provides central management services to our Group. PRGML was incorporated in Hong Kong on 17 November 2009 as a limited liability company. At the time of its incorporation, three shares in PRGML were allotted and issued to PRGIL at par. Immediately after such issuance, PRGML became wholly-owned by PRGIL.

Classified Limited

Classified Limited owns and operates our Classified Restaurants. Classified Limited was incorporated in Hong Kong on 24 May 2010 as a limited liability company. At the time of its incorporation, 1,000 shares were allotted and issued to each of Mr. Wong, Mr. Lo and Mr. Pong at par. After such allotment and issuance and immediately before the Reorganisation, Classified Limited was owned equally by each of Mr. Wong, Mr. Lo and Mr. Pong.

As part of the Reorganisation, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective interests in Classified Limited to EAVL, a direct wholly-owned subsidiary of our Company, on 31 December 2014 in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, which are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively. For further details, please refer to the sub-section headed “A. Further information about our Company — 5. Group Reorganisation” in Appendix IV to this prospectus.

On 19 March 2015, Classified Limited increased its paid-up share capital from HK$3,000 to HK$903,000 by allotting and issuing additional 900,000 shares to EAVL. Upon such increase and up to the Latest Practicable Date, Classified Limited had 903,000 shares in issue, representing its entire issued share capital.

CBCL

CBCL is principally engaged in the operation of our food factory. CBCL was incorporated in Hong Kong on 12 August 2010 as a limited liability company. At the time of its incorporation, 8,500 shares and 1,500 shares were allotted and issued to Classified Limited and Leader Asia Pacific Limited, respectively, at par. On 31 December 2014, 85% of the entire share capital in CBCL was initially transferred at par from Classified Limited to AAPEL, a company which is owned equally by each of Mr. Wong, Mr. Lo and Mr. Pong. As part of the Reorganisation, 85% of the issued share capital in CBCL was transferred from AAPEL to NNIL, a direct wholly-owned subsidiary of EAVL, on 31 March 2015 in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, which are wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong, respectively. For further details, please refer to the sub-section headed “A. Further information about our Company — 5. Group Reorganisation” in Appendix IV to this prospectus. As at the Latest Practicable Date, CBCL was owned as to 85% by NNIL and 15% by Leader Asia Pacific Limited.

The abovementioned allotments and transfers had been properly and legally completed and settled.

EAVL

On 16 October 2014, EAVL 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. On 14 November 2014, one share was allotted and issued to our Company. EAVL is an investment holding company and a direct wholly-owned subsidiary of our Company.

ESIL

On 5 February 2015, ESIL 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. On 12 February 2015, one share was allotted and issued to EAVL at par. ESIL is wholly-owned by EAVL and an indirect wholly-owned subsidiary of our Company. ESIL holds certain intellectual property rights of our Group.

NNIL

On 13 February 2015, NNIL 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. On 11 March 2015, one share was allotted and issued to EAVL at par. NNIL is wholly-owned by EAVL and an indirect wholly-owned subsidiary of our Company. NNIL holds 85% of the entire share capital in CBCL.

Disposal of AAP

AAP was incorporated in Hong Kong as a limited liability company on 13 September 2004. Our Co-founders became the directors of AAP in June 2005. One share in AAP was initially transferred from Wooco to Mr. Wong on 21 June 2005 and one share in AAP was subsequently allotted and issued to each of Mr. Lo and Mr. Pong on 17 March 2006. Upon the said transfer and issue, AAP became equally held by each of Mr. Wong, Mr. Lo and Mr. Pong. On 9 March 2015, our Co-founders disposed of their entire interests in AAP (the "**Disposal**") to Honest Link Enterprises Limited, an Independent Third Party, at a consideration of HK$2.4 million as our Co-founders intended to focus on developing the Classified brand of restaurants. As such, AAP did not form part of our Group. The consideration was negotiated on an arm's length basis and with reference to the value of AAP's fixed assets as at 31 December 2014. As at the Latest Practicable Date, the Disposal had been legally completed and settled.

Immediately prior to the Disposal, our Controlling Shareholders, through AAP, owned and operated three restaurants, namely, The Press Room, The Principal and The News Room. The Press Room, which was located on Hollywood Road in Sheung Wan and commenced business in November 2006, closed in July 2014. Subsequent to the Disposal, The Principal, which was located on Star Street in Wan Chai and commenced business in November 2011, closed in June 2015. As at the Latest Practicable Date, The News Room, which is located on Tong Chong Street in Quarry Bay and commenced business in June 2011, was owned and operated by an Independent Third Party. Our Group would still be able to meet the minimum cash flow requirement under Rule 11.12A of the GEM Listing Rules if AAP were included in our Group since the beginning of the Track Record Period and up to 8 March 2015, being the day before the date of the Disposal.

Save for the operations of restaurants, AAP was the registered holder of the Classified trademark in Hong Kong and the PRC, the trademark applicant in Indonesia, and the Press Room Group trademark in Hong Kong (collectively, "**Trademarks**"). For the purpose of the above-mentioned disposal, on 9 March 2015, AAP assigned the Trademarks and its benefits and ownership to ESIL, one of our indirect wholly-owned subsidiaries, pursuant to the Deed of Assignment. In addition, on 4 May 2015, AAP, Classified, SKM and SBS entered into the Deed of Novation pursuant to which each of AAP and PT Selera Kian Makmur ("**SKM**"), as the original franchisor and franchisee, respectively, agreed to novate, with effect from 10 March 2015, all its rights and obligations in and under the Franchise Agreement to Classified Limited and PT Sukses Bersama Selalu ("**SBS**"), respectively. Both SKM and SBS are subsidiaries of the same group. On 12 August 2015, pursuant to a deed of assignment entered into between Classified Limited, AAP and the landlords of the CMB premises, AAP has also assigned its rights and obligations under the lease agreement in respect of CMB to Classified Limited with effect from 10 March 2015. For details, please refer to the sub-sections headed "Business — Operational performance of our restaurants — Franchise Agreement" and "Business — Our property interests" in this prospectus.

Pre-IPO Investment

On 21 November 2014, Mr. Wong, Mr. Lo, Mr. Pong, our Company and the Pre-IPO Investor entered into the Subscription Agreement, pursuant to which the Pre-IPO Investor agreed to subscribe for and our Company agreed to allot and issue 10 Shares, representing 10% of our Company's issued share capital before completion of the Placing and Capitalisation Issue, for an aggregate cash consideration of HK$10,000,000 which had been received on 2 December 2014. The key terms and particulars of the Subscription Agreement are set out below:

Name of the Pre-IPO Investor	:	UG PRG Venture Limited
Date of Subscription Agreement	:	21 November 2014
Amount of consideration paid	:	HK$10,000,000
Settlement date of the consideration	:	2 December 2014
Total number of shares to be held by the Pre-IPO Investor upon Listing	:	32,000,000
Cost per Share paid by the Pre-IPO Investor	:	HK$0.3125 per Share
Discount to Placing Price	:	a discount of approximately 37.5% to the mid-point of the Placing Price of HK$0.50 per Placing Share
Use of proceeds from the Pre-IPO Investment	:	general working capital and payment of professional fees incurred from the Listing
Special rights	:	no special rights are granted

Shareholding in our Company upon Listing (but not taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme)	:	8%
Background of Pre-IPO Investor	:	UG PRG Venture Limited is an investment holding company and an Independent Third Party to our Group
Benefit from the Pre-IPO Investment	:	broaden our Shareholder base and provide additional working capital to our Group
Basis of consideration	:	arm's length negotiations with reference to the anticipated future earnings potentials of our Group and the established brands of our restaurants
Amount of unused proceeds as at the Latest Practicable Date	:	proceeds from the Pre-IPO Investment have been fully used
Lock-up restrictions	:	the Shares held by the Pre-IPO Investors are not subject to any lock-up after Listing

The Pre-IPO Investor will hold 8% of the enlarged issued share capital of our Company after completion of the Placing and Capitalisation Issue (but not taking into account any Shares which may be issued upon exercise of options that may be granted under the Share Option Scheme and the Offer Size Adjustment Option). As the Pre-IPO Investor is not a substantial shareholder or core connected person of our Company under the GEM Listing Rules, the Shares held by Pre-IPO Investor will be considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

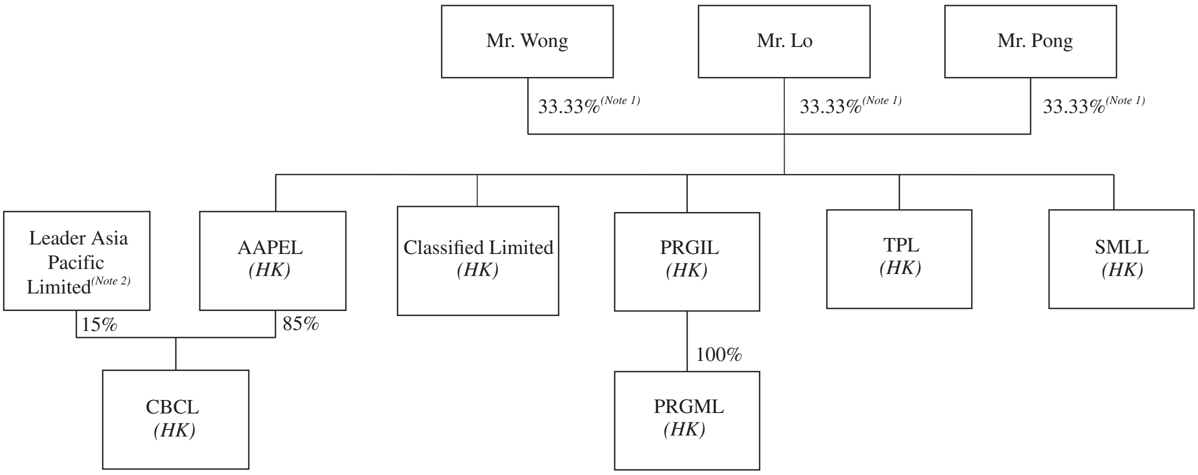
BACKGROUND OF THE PRE-IPO INVESTOR

The Pre-IPO Investor is an investment holding company incorporated in the BVI on 31 October 2014 and is beneficially owned as to 50% by Mr. Ngan Chi Wing via five participating shares and 50% by Mr. Ma Chi Un Fred via five participating shares and managed by United Gain Investment Limited via one management share, a licensed corporation to engage in type 4 (advising on securities) and 9 (asset management) of regulated activities under the SFO. Save for the investment in our Group, the Pre-IPO Investor and its ultimate beneficial owners are Independent Third Parties and have no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

Having reviewed the terms of the Pre-IPO Investment and that all consideration had been settled in full on 2 December 2014, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued on 16 January 2012 and the Guidance letter on Pre-IPO Investments issued on 25 October 2012 and updated in July 2013 by the Stock Exchange.

GROUP STRUCTURE

The following is the shareholding structure of our Group immediately before the implementation of the Reorganisation:



Notes:

1. Each of Mr. Wong, Mr. Lo and Mr. Pong held approximately 33.33% of the issued share capital of AAPEL, Classified Limited, PRGIL, TPL and SMLL immediately before the Reorganisation. The shareholding percentages do not add up to 100% due to rounding.

2. Leader Asia Pacific Limited is our Connected Person at subsidiary level.

REORGANISATION

In preparation for the Listing, our Company was incorporated in the Cayman Islands as an exempted company on 24 October 2014, with limited liability as a holding company of our Group and the issuer in the Placing. The initial authorised share capital of our Company was HK$380,000 which was divided into 38,000,000 ordinary shares of HK$0.01 each. As at the Latest Practicable Date, our Company was held as to 30% by each of EFIL, PGL and WGL and 10% by the Pre-IPO Investor. Please refer to the sub-section headed "Appendix IV — A. Further information about our Group" in this prospectus for details.

The Reorganisation involves the following steps:

(i) on 11 November 2014, Mr. Wong transferred his one nil paid Share to WGL. Upon completion of the transfer, our Company became wholly owned by WGL;

(ii) on 11 November 2014, our Company allotted and issued 24, 25 and 25 nil paid Shares to WGL, EFIL and PGL, respectively. After the allotment and issue of Shares, our Company became equally owned by each of WGL EFIL and PGL;

(iii) on 21 November 2014, the Pre-IPO Investor subscribed for, and our Company allotted and issued 10 Shares for an aggregate cash consideration of HK$10,000,000;

(iv) on 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective shareholding interest in PRGIL to EAVL, a direct wholly-owned subsidiary of our Company, in consideration of (i) the allotment and issue of one Share to each of WGL, EFIL and PGL, credited as fully paid; and (ii) crediting the 25, 25 and 25 nil paid Shares held by WGL, EFIL and PGL, respectively, as fully paid;

(v) on 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective shareholding interest in Classified Limited to EAVL, a direct wholly-owned subsidiary of our Company, in consideration of the allotment and issue of one Share to each of WGL, EFIL and PGL, respectively, credited as fully paid;

(vi) on 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective shareholding interest in TPL to EAVL, a direct wholly-owned subsidiary of our Company, in consideration of the allotment and issue of one Share to each of WGL, EFIL and PGL, respectively, credited as fully paid;

(vii) on 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their respective shareholding interest in SMLL to EAVL, a direct wholly-owned subsidiary of our Company, in consideration of the allotment and issue of one Share to each of WGL, EFIL and PGL, respectively, credited as fully paid;

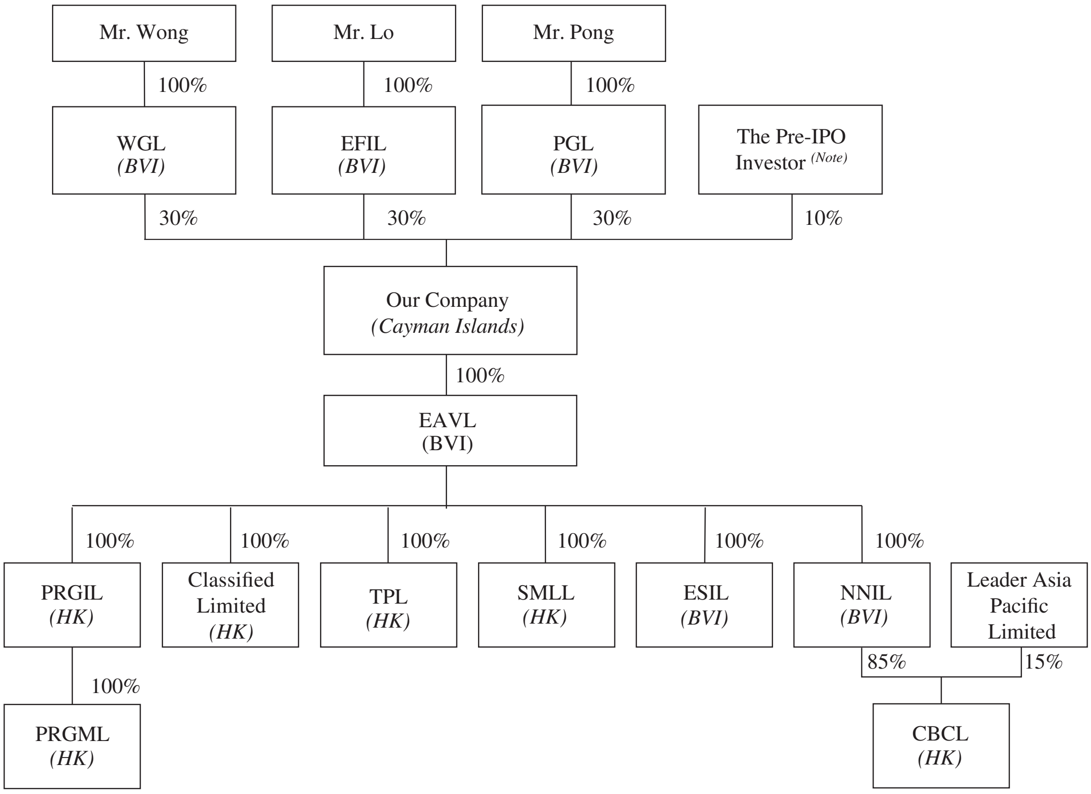
(viii) on 31 December 2014, EAVL allotted and issued four shares to our Company credited as fully paid in consideration of our Company having allotted and issued a total of four Shares to each of WGL, EFIL and PGL in connection with the acquisitions of PRGIL, Classified Limited, TPL and SMLL by EAVL as detailed in steps (iv) to (vii) above;

(ix) on 12 February 2015, one share in ESIL was allotted and issued to EAVL at par. Upon completion of the allotment and issue of the one share, ESIL became a direct wholly-owned subsidiary of EAVL;

(x) on 11 March 2015, one share in NNIL was allotted and issued to EAVL at par. Upon completion of the allotment and issue of the one share, NNIL became a direct wholly-owned subsidiary of EAVL; and

(xi) on 31 March 2015, AAPEL, a company which is wholly-owned by Mr. Wong, Mr. Lo and Mr. Pong in equal shares, transferred its 85% equity interest in CBCL to NNIL in consideration of the allotment and issue of one Share to each of WGL, EFIL and PGL, being the respective nominees of Mr. Wong, Mr. Lo and Mr. Pong, credited as fully paid.

The following is the shareholding structure of our Group immediately after completion of the Reorganisation but before the completion of the Capitalisation Issue and the Placing (but not taking into account any Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option):



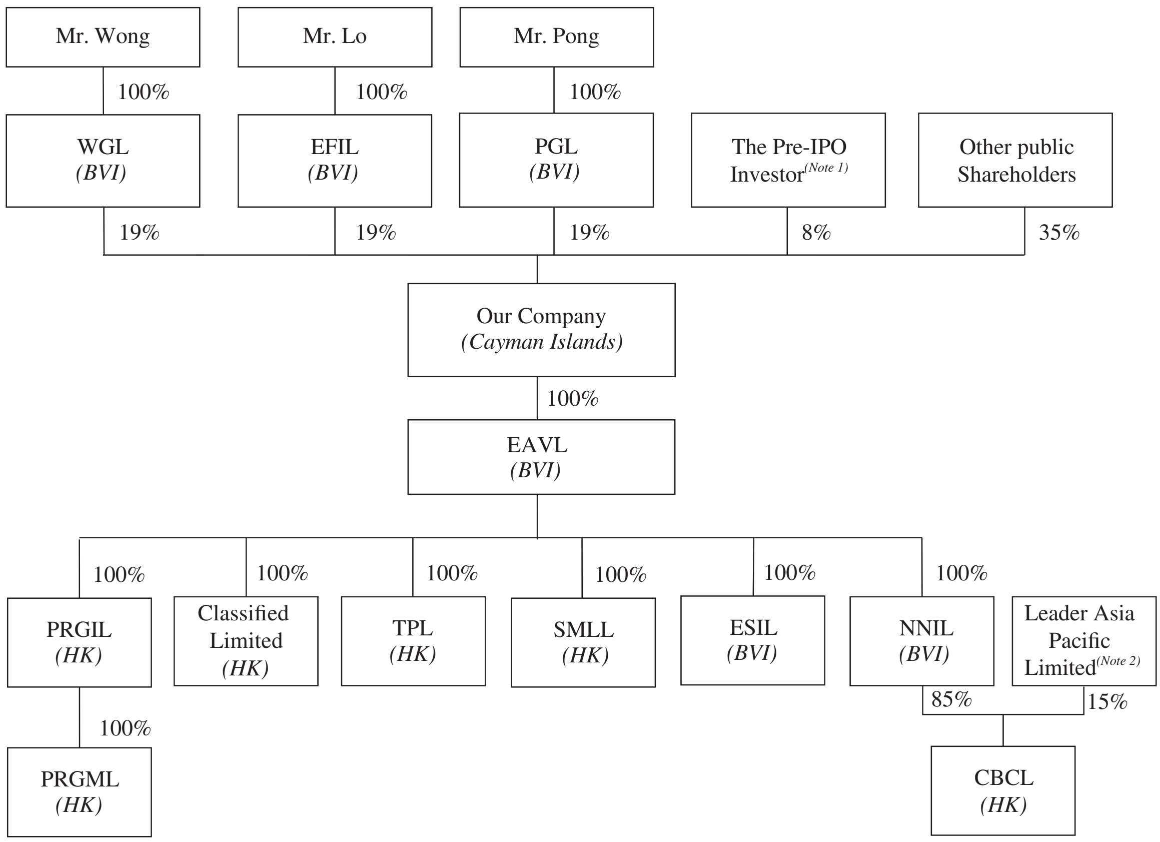
Notes:

1. The Pre-IPO Investor is an investment holding company beneficially owned as to 50% by Mr. Ngan Chi Wing and 50% by Mr. Ma Chi Un Fred and managed by United Gain Investment Limited, an Independent Third Party.

2. Leader Asia Pacific Limited is our Connected Person at subsidiary level.

As advised by our Company's Hong Kong legal adviser, our Directors confirm that the Reorganisation has complied with the relevant laws and regulations.

The following is the shareholding structure of our Group upon completion of the Capitalisation Issue and the Placing (but not taking into account any Shares that may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option):



Notes:

1. The Shares held by the Pre-IPO Investor is considered as part of the public float as the Pre-IPO Investor and its respective beneficial owners are Independent Third Parties.

2. Leader Asia Pacific Limited is our Connected Person at subsidiary level.

OVERVIEW

We are a Hong Kong based food and beverage group with a primary focus on offering western cuisine in both casual dining and full service environment. With the exception to a franchised "Classified" brand operation in Indonesia, all of our restaurants are located in Hong Kong. We opened our first Classified restaurant in 2006 and, up to the Latest Practicable Date, we had expanded our "Classified" branded restaurants to a total of 10 locations throughout Hong Kong. In addition to our western casual dining chain under our Classified brand, we also operate two full service restaurants, namely, The Pawn and The Fat Pig. Housed in one of Hong Kong's heritage colonial buildings from the late 19th century, The Pawn offers modern British cuisine designed by a renowned British chef. The Fat Pig is located in a landmark shopping mall in Causeway Bay and started to offer international cuisine and pork-focused British cuisine after the upgrade and completion of the renovation in November 2015.

In addition to our restaurants, our Group also owns and operates a food factory that supplies cheeses, bread and other bakery products to our restaurants and other corporate customers. Further information on our restaurants and food factory is set out in the sub-sections headed "Business — Our Restaurants" and "Business — Our Food Factory", respectively, in this prospectus.

The following table sets out the breakdown of our revenue from our restaurant operations by brands, and our revenue from food factory operations for the years indicated.

	For the year ended 31 December			
	2014		2015	
Total Revenue		**% of total revenue**		**% of total revenue**
	HK$'000	%	*HK$'000*	%
Restaurant operations				
Classified	79,254	52.5	93,041	52.9
The Pawn[(1)]	31,176	20.7	50,257	28.6
SML[(2)]	29,886	19.8	22,083	12.6
	140,316	93.0	165,381	94.1
Food factory operations	10,617	7.0	10,336	5.9
Total	150,933	100.0	175,717	100.0

(1) Temporary suspension of operations from July 2014 to October 2014 for renovation.

(2) Temporary suspension of operations from August 2015 to November 2015 for renovation.

During the Track Record Period, our Group's operating margin increased from 2.0% for the year ended 31 December 2014 to 2.6% for the year ended 31 December 2015. However, for the year ended 31 December 2015, some of our restaurants including CMB, CSP, CNW, CHP (closed in February 2016) and CRB recorded negative operating margins and some of our restaurants including CSK and SML recorded thin operating margins of less than 1.0%. For the analysis of their operating performance, please refer to the sub-section headed "Business — Operational performance of our restaurants" of this prospectus. We propose to implement a proactive strategic plan as detailed below with the intention to invigorate our Group's business operation and growth:

1) we will establish a loyalty program by the fourth quarter of 2016 at all of our restaurants which we believe will incentivise new customers to visit our restaurants and allow existing customers to return and feel valued. Due to its cyclical nature, this effectively becomes self-sustaining whereby the more a customer visits our restaurants, the more rewards he or she can receive, thus inspiring him or her to continue returning. By doing this, we hope this will translate to a higher customers attendance;

2) we have recently hired an experienced sales staff who will focus on generating more private and corporate events through increasing marketing and promotion of our abilities and benefits;

3) in the first half of 2016, we partnered with two well-known online food delivery services companies where we hope to generate new customers who are able to conveniently purchase through these delivery companies and enjoy our food in the comfort of their own home or offices during office hours and/or after long working hours. Thus the kitchen can be fully utilised even during the typical non-peak hours;

4) we will provide more promotional offers, such as happy hours and afternoon tea offers and offering lunches at the Botanical bar at The Pawn, which previously focused on after-work patronage, and introduction of special dinners designed by Mr. Tom Aikens;

5) we intend to establish a central kitchen which can target / offer more profitable outside catering business without the limitation of the restaurants' space (number of tables and seats);

6) we propose to focus on opening more Classified restaurants in locations where we are able to negotiate more competitive rent and take advantage of the depressed property market as we believe tenants currently have a better bargaining power; and

7) we will continue to implement upward price adjustments on our menu offerings as we have done during the Track Record Period and provide additional training to our front line staff to up sell our menu items and cross sell our other restaurant brands to customers.

After the Track Record Period, CHP closed on 29 February 2016 after taking into consideration that (i) CHP generated revenue amounted to HK$0.9 million and HK$0.7 million and incurred operating loss amounted to HK$0.3 million and HK$0.3 million, respectively, during the Track Record Period; (ii) its revenue accounted for only about 0.4% of our Group's total restaurant operating revenue for the year ended 31 December 2015; (iii) it was initially set up for brand promotion in a small service counter of only 13 sq.m. within a furniture store under a licence granted by such store; and (iv) its closure would enable us to reallocate resources to other restaurants of our Group. Our Directors intend to adopt a prudent expansion strategy in opening two new restaurants, a central kitchen as well as carrying out renovation work on our existing restaurants under our future plans during the period from the Latest Practicable Date to 31 December 2018. We currently plans (i) to set up a central kitchen specially for Classified restaurants near our head office and warehouse in the third quarter of 2016; (ii) to open one Classified restaurants during the six months ending 31 December 2016 and to open one Classified restaurants during the six months ending 31 December 2017; and (iii) to carry out the renovation and refurbishment of CEX, CTH and CHV during the six months ending 31 December 2016 and to carry out the renovation and refurbishment of CMB, CCR and CRB during the six months ending 31 December 2017. Details of our business objectives, strategies and implementation plans are set out in the sub-section headed "Business — Our Business Strategies" and section headed "Business Strategies and Use of Proceeds" of this prospectus. The capital expenditure requirement for our Group's implementation plans is expected to amount to approximately HK$26.8 million, of which approximately HK$20.8 million or 77.6% is expected to be financed by the net proceeds from the Placing of the New Shares and the remaining balance of HK$6.0 million for carrying out the renovation and refurbishment of CMB, CCR and CRB is expected to be financed from our internal resources.

Given the recent slowdown in the Hong Kong economy, our Directors believe that our Group is positioned to achieve sustainable growth because:

- the western full-service restaurant market and western casual dining restaurant market, in which our Group operates, are expected to grow steadily at a CAGR of approximately 3.8% and 4.4%, respectively, from 2016 to 2017. As such, our Group can operate in a stable operating environment. Despite the low growth rates of the western casual dining and western full service dining markets in which our Group operates, our Directors believe that with the recent economic slowdown and the pressure on landlords to reduce rental prices in the retail property market in Hong Kong, this may give restaurant operators such as our Group a better bargaining power to negotiate leases with more commercially favourable terms. For further information on the industry in which we operate, please refer to the section headed "Industry Overview" of this prospectus;

- in our Group's 10-year operating history, we have successfully implemented a steady expansion in growing the number of our restaurants from its first Classified restaurant in 2006 to a total of 12 restaurants in Hong Kong as at the Latest Practicable Date. During the period, our Group was under the same management, being the Co-founders, who have accumulated extensive experiences in the financial industry, the hospitality industry and the wine industry, respectively and who are able to take into account various factors in formulating the business strategies of our Group in order to respond to the change in the economic conditions of Hong Kong;

- in addition to human resources mentioned above, the Placing will enhance our Group's capital resources which can be used for modifying its business to respond to the changing market demands. The estimated net proceeds from the Placing (based on the midpoint of the indicative Placing Price range) amount to approximately HK$22.6 million. Furthermore, as at 30 April 2016, we had HK$7.2 million in cash and cash equivalents available and net amounts due from related companies and directors totaled HK$22.3 million which will be fully settled prior to the Listing. Abundant capital resources ensure our Group's capability to capture market opportunities such as opening new restaurants, enhancing existing restaurant facilities, increasing marketing activities, developing events and catering business;

- we believe the following competitive strengths will position us to achieve sustainable growth: (i) our restaurants are strategically located in prime areas throughout Hong Kong, (ii) we operate a diversified mix of restaurants with unique characteristics and well known and established brands, (iii) we have experienced chefs led by Mr. Tom Aikens and management team with diversified experience, (iv) our thoughtful space design enhances dining experience, (v) we are committed to quality of food, service and hygiene. Please refer to the sub-section headed "Business — Competitive strengths" of this prospectus for more details;

- our Group will implement various strategies with the intention to enhance our operating performance. For details, please refer to the sub-section headed "Business — Operational performance of our restaurants" of this prospectus; and

- our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed "Business — business strategies" in this prospectus. Our Directors will keep abreast of the latest market trends, continue to monitor our Group's business and the market conditions and may make necessary adjustments to our planned capital expenditures for our expansion plans that would be beneficial to our Group and in the best interests of our Company and our Shareholders as a whole.

COMPETITIVE STRENGTHS OF OUR GROUP

Our Directors believe that the following competitive strengths of our Group have contributed to our success and enabled our Group to compete effectively in the food and beverage industry in Hong Kong.

Our restaurants are strategically located in prime areas throughout Hong Kong

Our Directors believe that the locations of our Group's restaurants are critical for our Group's strategy of targeting the diversified customer base in Hong Kong and the promotion of our Group's brands and reputation. Our Group's first restaurant was strategically set up in Sheung Wan to target the growing number of Hongkongers residing at the fringes of commercial districts. We set up our first restaurant in the Sheung Wan area with an aim to capitalise on revitalisation of the Sheung Wan area as it became a hot spot for culinary delights.

According to the Ipsos Report, the median monthly household income of the families residing in Central & Western District was approximately HK$35,000 per month in 2014, approximately 48.9% higher than that of Hong Kong overall. The median monthly household income of the families residing in Wan Chai District in 2014 was HK$34,000, approximately 44.7% higher than that of Hong Kong overall. In particular, approximately 69.2% of our Group's restaurants were located on the street level in 2015 and this could be able to attract higher customer traffic. As such, our Group strategically expanded to other locations which are popular spots for a variety of food in Hong Kong such as Wan Chai, Causeway Bay, Tai Hang, Happy Valley, Stanley and Sai Kung. We also have two locations, namely, CNW and CCK, within office buildings in prime commercial areas targeting business individuals and office workers. With the exception of one of the Classified Restaurants in Sai Kung, all of our other restaurants are located on the Hong Kong Island due to our targeted demographics. However, as part of our Group's continued growth, we will consider other potential concepts or cuisines that may suit the demographics of other neighbourhoods and locations in Hong Kong where we have not already entered.

We operate a diversified mix of restaurants with unique characteristics and well known and established brands

Since the opening of the first of our Classified Restaurants in Sheung Wan in 2006 which offered a neighbourhood restaurant environment, we have diversified our mix of restaurants and environments on offer to appeal to customers with different appetite in Hong Kong. In 2008, we opened The Pawn which was inspired by traditional British cuisine. We then opened SML in 2009 to cater to group diners and more local demographics. SML was upgraded and then re-opened in November 2015 to offer principally pork-focused British cuisine. Our Directors believe that through this diverse range of cuisines on offer, we are positioned to capture different consumers in the casual dining and full service dining market in Hong Kong.

Our Directors believe that through our Group's efforts and strategic locations of our restaurants, it has been able to establish various well known and established brands under which our restaurants operate, namely, Classified, The Pawn and SML.

We have experienced chefs led by Mr. Tom Aikens and management team with diversified experience

Our Group's management team consists of experienced personnel with extensive and diversified experiences and knowledge of the food and beverage industry and management. Our Co-founders, namely, Mr. Wong, Mr. Lo and Mr. Pong, have extensive experiences in the financial industry, the hospitality industry and the wine industry respectively. Other senior management members of our Group also have significant management and operational expertise in their respective fields. Mr. Alain Claude Decesse, chief executive officer of PRGML, our wholly-owned subsidiary, has over 13 years of experience in the food and beverage industry and has extensive experience in training and recruitment of staff, business strategies and been instrumental in opening of new restaurants in the United Kingdom, Dubai and Asia.

Our experienced and talented chefs at The Pawn are led by Mr. Tom Aikens, who is a British chef and is responsible for developing recipe and menu items of The Pawn, form part of our competitive strengths. We take pride in providing quality food and excellent service at our restaurants. To ensure that our food ingredients are fresh and our supply is stable, our chefs personally participate in the sourcing of the ingredients they use in their kitchens. Besides, our Group's management team consists of experienced personnel with diversified experience in the wine industry, hospitality industry and financial industry respectively, helping our Group to maintain sustainable and stable development. We believe that the experience of our Directors and senior management gives our Group a distinct competitive edge over its competitors as they are able to effectively maintain and enhance our Group's reputation with a particular emphasis on food quality and services. For detailed information about the experience of our Group's senior management, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our thoughtful space design enhances dining experience

With an aim to provide our customers with good customer service and a pleasant dining environment, our Company has thoughtfully designed and decorated its restaurant space in order to create a truly unique dining scene. For example, The Fat Pig, one of our newly-renovated restaurants serving pork-focused British cuisine, includes a spacious patio whilst most Classified Restaurants feature spacious, functional dining areas, open kitchen and floor-to-ceiling windows with a view. Set in a restored pre-war tenement building standing at the heart of Wan Chai, The Pawn is our Company's iconic outlet that boasts a "refined" dining experience. The Pawn's first floor offers beverage and snacks in a contemporary bar setting, while the second floor is configured as a full service restaurant with special brunch menu during weekends. As supported by the Ipsos Report, this well-designed physical setting plays an important role in creating customer-centered dining environment, resulting in higher customer satisfaction and customer loyalty. As a result of these efforts, our Directors consider that we have gained a reputation of high-quality food, excellent services and unique dining experience, ensuring its competitiveness in the markets in which we operates.

We are committed to quality of food, service and hygiene

Our Directors believe that in order to operate our restaurants successfully, we are required to consistently deliver high quality food in an enjoyable environment, served by good and attentive floor staff and ensure that our operations are operated in a hygienic manner. Our Group emphasises the need to use freshly sourced quality ingredients in producing its products and dishes.

Our Group imposes stringent criteria for the choice of suppliers of food ingredients, and internal control and management system in the food preparation process. To ensure dishes served by us are in good quality, our purchasing department works closely with the head chefs of our Group's restaurants in choosing quality and stable food ingredient suppliers. Our chefs also participate in selecting raw materials suppliers in order to ensure the freshness of food ingredients and the stability of supply. Our Group also implements internal control and management systems for ensuring the quality of food products served by our Group's restaurants. We have also adopted strict hygiene policy at our food factory operations which include adopting Hazard Analysis and Critical Control Point ("**HACCP**") to try and minimize any risk of food contamination. For details, please refer to the paragraph headed "Quality control" in this section. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any material complaints from the FEHD nor were our restaurants or food factory subject to any investigation on food hygiene by any government authorities or relevant consumer protection organisations due to any food safety incident.

Our Directors believe that our Group's reliable and professional services to its customers contribute to the enhancement of customer loyalty. As such, we ensure that each of our staff members undergoes proper training at the time of joining our Group and at the time of recruitment. We assess applicants in terms of job knowledge, relevant experience, personality, general attitude, communication skills and maturity to enhance the quality of services provided to our customers. Floor staff are trained to be courteous, efficient, polite and responsive to provide good hospitality to customers. Managers of each of our Group's restaurants hold briefing sessions with floor staff on the daily operations of restaurants and the managers would discuss customers' feedbacks with restaurants staff. Such briefing sessions assist the floor staff in maintaining and improving service levels and quality. Our Directors believe that the high quality dining environment and attentive customer services help to enhance and retain customer loyalty, which in turn allows our Group to continuously drive the growth in its business.

Our Directors believe that our Group's ability to consistently produce high quality food and provide attentive services helps to generate more customer traffic, attract a broader customer base and thus enhance its operating results and reputation.

OUR BUSINESS STRATEGIES

During the 10-year operating history of our Group, we were able to enjoy a steady expansion in growing the number of our restaurants from our first Classified restaurant in 2006 to a total of 12 restaurants in Hong Kong as at the Latest Practicable Date. Since the opening of our first Classified restaurant, CCR, in 2006, our Group continued our expansion strategy by opening CMB and The Pawn in Wan Chai in 2008, SML in Causeway Bay in 2009, eight local Classified restaurants, namely, CEX, CSK, CTH, CHV, CSP, CNW, CHP (CHP's operation ceased in February 2016) and CCK, and one franchised Classified restaurant in Jakarta, Indonesia, during the four-year period between 2010 and 2013, and CRB in Repulse Bay in 2014. Our Directors had been cautious in diversifying our network of restaurant operations at the early stage of our Group's operating history because our Directors believe that in order to successfully build a brand name for our Group, it would usually take a considerable amount of time to establish a market recognition and customers' loyalty.

Our Directors consider that the performance of our Group's restaurant operations in Hong Kong and the food and beverage industry in general are heavily dependent on the economic conditions of Hong Kong. In the event of an economic downturn, consumers tend to become more budget conscious and sensitive to the amounts they spend on food. As such, our Directors had taken into account various factors, among which were the then expectations and assumptions of our Directors regarding the economic situations in Hong Kong, when we decided whether to expand more rapidly throughout our Group's entire operating history. In view of the economic recovery from the world financial crisis in 2008, our Directors decided to capture the market opportunities and therefore adopted a more proactive expansion approach during the period between 2010 and 2013 as compared to the rest of the periods in our 10-year operating history. This was consistent with our Group's expansion strategy where our Directors would take into account the then economic conditions to determine the growth pace of our Group's expansion plans.

As a substantial amount of our managerial time has been consumed in connection with the preparation for the Listing and as our Group's management had been stretched or distracted by renovation work that was carried out at The Pawn and SML, we adopted a relatively moderate expansion strategy by opening only one new Classified restaurant, namely CRB, in Repulse Bay in November 2014.

Going forward, given the recent slowdown in the Hong Kong economy, our Directors intend to adopt a prudent expansion strategy in opening two new restaurants, a central kitchen as well as carrying out renovation work on our existing restaurants under our future plans during the period from the Latest Practicable Date to 31 December 2018. However, our Directors will monitor the rental market situation in Hong Kong and the impact brought by the extension of the Mass Transit Railway and capitalise on potential opportunities brought by the extension of the Mass Transit Railway in Hong Kong when it is economically and strategically viable to open new restaurant. Having said that, our Group's strategy to expand and diversify our network of restaurants and to replace restaurant locations (where the leases expired and could not be renewed) will remain unchanged. Our Directors will take into consideration, among others, various factors such as accessibility, demographics, competition and rental costs before deciding on the setting up of new restaurants at new locations. Details of our Group's expansion plans are set out in the paragraph headed "Expansion Plans and Site Selection Development" in this section. Our Directors will keep abreast of the latest market trends, continue to monitor our Group's business and the market conditions and may make necessary adjustments to our planned capital expenditures for our expansion plans that would be beneficial to our Group and in the best interests of our Company and our Shareholders as a whole.

Despite the low growth rates of the western casual dining and western full service dining markets in which our Group operates, our Directors believe that with the recent economic slowdown and the pressure on landlords to reduce rental prices in the retail property market in Hong Kong, this may give restaurant operators such as our Group a better bargaining power to negotiate leases with more commercially favourable terms.

Our Group will endeavour to achieve our business objectives and adopt the following business strategies and implementation plans during the period from the Latest Practicable Date to 31 December 2018.

Establishing a new central kitchen for our Classified restaurants

As at the Latest Practicable Date, we operated 10 Classified restaurants, in which the preparation of food ingredients is carried out separately by the respective Classified restaurants.

Our head chef and/or the senior kitchen staff of each of our Classified restaurants are responsible for ordering food ingredients with suppliers selected by our purchasing department and our kitchen staff will prepare the ingredients for dishes as instructed by the head chef or senior kitchen staff.

Considering the fast expansion of our business and the increasing emphasis on food safety and hygiene in society, our Directors plan to set up a central kitchen specially for Classified restaurants near our head office and warehouse in the third quarter of 2016. To better control our food preparation process and to standardise the quality of some of the common dishes such as soup and salads, among all Classified restaurants, the ingredients of these the common dishes are expected to be prepared in the central kitchen and delivered to the respective Classified restaurants for plating and serving.

Our Directors believe that by establishing a central kitchen, our Group will enjoy higher operating efficiency and lower food costs through (i) standardising dishes among Classified restaurants inside the central kitchen which currently are partially processed, seasoned and/or flavoured by external suppliers. As such, the cost payable to such external suppliers for the food processing can be saved; (ii) improving the quality of food; (iii) minimising the excess food ingredients consumed and food waste; and (iv) enhancing our bargaining power over suppliers and enjoying bulk purchase discounts as the central kitchen provide extra storage space for storage of more food ingredients, beverages and non-perishable goods, which is expected to reduce Classified restaurants' overall cost of raw materials and consumables used. The estimated investment costs for renovation and equipment purchase, including working capital and rental deposit in the sum of HK$0.5 million, are expected to be approximately HK$4.0 million, which will be funded by the net proceeds from the Placing and internal resources of our Group. We expect that the establishment of the new central kitchen will increase our fixed operating expenses, principally due to depreciation, rental payment and other administrative costs such as staff cost.

As at the Latest Practicable Date, no suitable premises had been identified and no formal lease agreement had been entered into.

Continue to expand our Classified brand to different locations

As at the Latest Practicable Date, our Group had successfully opened and operated our Classified brand in 10 locations throughout Hong Kong. As part of our Group's ongoing expansion plans to enhance our market share, we plan to open two new Classified restaurants in Hong Kong during the two years ending 31 December 2017. We will also consider opportunities to expand in overseas locations by way of a franchising arrangement. We have a set of site selection process for our new restaurant development to ensure that those suitable locations can reach their growth potential yet limit any cannibalization between our other brands. Details of our Group's expansion plans are set out in the paragraph headed "Expansion Plans and Site Selection Development" in this section. Our Directors believe that the diversified demographics of the residents in Hong Kong present an opportunity to capture a larger portion of the industry. Going forward, we will focus on: (i) growing organically within new developing residential neighbourhoods not already within our portfolio; and (ii) building a larger presence within the business centres and offices. At present, we do not have any plans to expand our restaurant operations through acquisitions.

We are currently reviewing various potential locations throughout Hong Kong for our new restaurants. We have yet to formally decide on the locations but two of the locations that are being further studied are street level premises in Sai Ying Pun and Sai Wan on the Hong Kong Island. In considering potential locations, we will consider factors such as accessibility and newly developing areas undergoing gentrification. As at the Latest Practicable Date, no lease agreement had been entered into in respect of the planned two new restaurants. We expect that the two new Classified restaurants will contribute additional number of customer visits and revenue to our Group. The estimated investment costs of each new Classified restaurant for renovation and equipment purchase, including working capital and rental deposit in the sum of HK$1.0 million are expected to be approximately HK$4.5 million, which will be funded by the net proceeds from the Placing and internal resources of our Group. The two new Classified restaurants are expected to be similar to CTH and CHV in terms of size and the expected usable area and seating capacity will be approximately 100 sq.m. and approximately 60 seats, respectively. From 1 January 2016 to the Latest Practicable Date, we did not incur any capital expenditures for our network expansion in Hong Kong. We expect that the opening of the two new Classified restaurants will increase our operating expenses, principally due to the anticipated increase in our cost of raw materials and consumables used, rental payment and staff cost. Our Directors consider that a restaurant achieves breakeven when its monthly revenue is able to cover its monthly operating costs and expenses on an accounting basis. During the Track Record Period, with the exception of CNW which required a breakeven period of 18 months, the breakeven period of our Classified Restaurants was generally between one and five months. Our Directors consider that a restaurant achieves investment payback when its accumulated net cash inflow since its commencement of operation is able to cover the total investment amount (which includes investments from our internal resources and shareholders' loans) and at the initial planning stage for our new restaurants, our Directors target an investment payback period between 24 and 36 months. The above historical breakeven period and investment payback period for our restaurants operated during the Track Record Period are not indicative of our future performance as our Group's revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. Our Directors believe that given the potential locations of new Classified restaurants are in an environment similar to most of our other locations and the new Classified restaurants are expected to be similar to CTH and CHV in terms of size, the estimated breakeven period is estimated to be similar to that for most of our other restaurants which is between one and five months and the investment payback period is estimated to be similar to that for CTH and CHV which is within two years. For further details on our breakeven period and investment payback period, please refer to the paragraph headed "Operational performance of our restaurants — Breakeven period and investment payback period" in this section.

Enhance and upgrade existing restaurant facilities

In addition to the quality of food and services, we believe that the ambience of the restaurants is also important to the customers' dining experience. In order to stay competitive in the market, we incurred approximately HK$27.5 million in equipment purchases and renovation costs, which were funded by our internal resources and bank borrowings, as part of our upgrade and renovation for The Pawn in 2014 and SML in 2015. After the Listing, our Group will continue to enhance and upgrade the image of some of our restaurants, restaurant equipment, utensils and general supplies in all our restaurants. Our Group will regularly review and refine the interior design/concept of our existing restaurants and will arrange for refurbishment if necessary. Our Group also intends to identify quality kitchen and cooking tools, equipment and appliances in order to increase the efficiency of our chefs. We propose to fund the enhancement and upgrading with the net proceeds from the Placing and our internal resources.

We plan to invest approximately HK$7.8 million to renovate some of the Classified restaurants in the second half of 2016, which will be funded by our net proceeds from the Placing and internal resources of our Group. We expect that the enhancement and upgrade of existing restaurant facilities will increase our fixed operating expenses, principally due to the anticipated increase in depreciation charges.

Our Group expects to incur renovation costs of HK$3.8 million for CEX in the second half of 2016. Our Group will also review and refine the interior design of CTH and CHV and arrange for refurbishment and to enhance the restaurant facilities in the second half of 2016. The total investment costs are expected to be approximately HK$2.0 million per restaurant. In 2017, our Group plans to carry out the renovation and refurbishment of CMB, CCR and CRB and the total investment costs are expected to be approximately HK$2.0 million per restaurant.

Implement measures to strengthen staff training and to reduce staff turnover

Our Group strives to provide quality dining experience to our customers. Whilst the quality of the food is critical to any restaurants success in the food and beverage industry, providing a high level of service will also be an integral part of our customers' total dining experience. To maintain a high level of service and to enhance the knowledge and qualifications of our staff, our Group will continue to provide on-the-job trainings to our employees in relation to food ingredients preparation and preservation, customer service, hygiene conditions of the kitchen and dining areas and quality control in different aspects of the operations of restaurants based on their job duties in order to improve their practical business skills.

Our Directors understand that staff turnover is an inherent and ongoing issue in the food and beverage industry. Increase in staff turnover will inevitably lead to additional administration costs for our Group arising from additional administrative work required to replace staff members leaving our Group. In order to reduce the staff turnover, we will continue to offer competitive wages and benefits to our staff members as well as recognise and reward our hardworking, committed and ethical employees.

Enhance our marketing and promotion initiatives

Our Group plans to strengthen its marketing efforts in promoting our restaurants. The marketing activities of our Group aim to promote high quality of food available in a range of dining environments from casual to full service dining. We promote our restaurants through various marketing activities, including launching promotion campaigns with credit cards and group shopping networks, participating in local public events such as the local food and wine festival held annually and sporting events, and organising or sponsoring related events to enhance investors' relationship. Our Group will also increase advertising activities through various media, such as internet, newspaper and/or magazines, as well as promote our restaurants through our quarterly newsletter called "The Classified Archive". The Classified Archive tells a narrative on neighbourhood-specific human-interest stories and shares engaging insights through interviewing neighbourhood residents, entrepreneurs and other personalities of interest. It reports on local trends and happenings that are prevalent in the neighbourhood where the Classified restaurants are located.

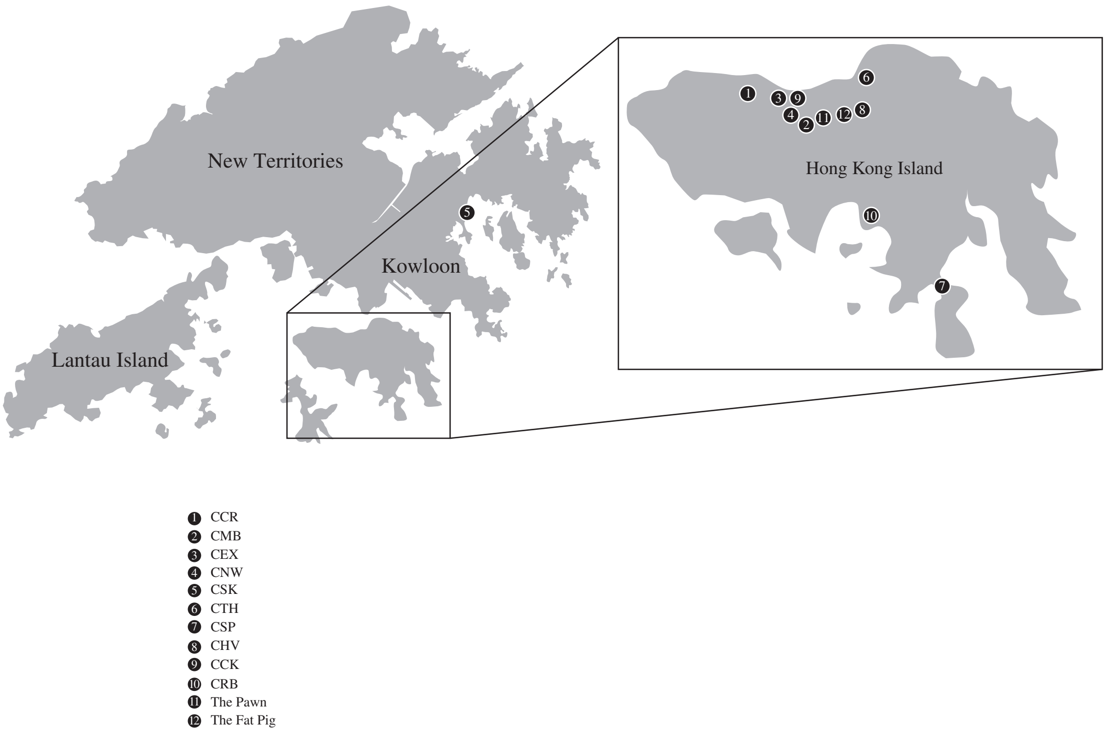
We will also consider introducing a "loyalty" programme to benefit our customers for their repeated patronage. In doing so, we will obtain, among other things, a better understanding of our customer preferences and allow us to adjust our menu items to meet changes in trend and demand of our customers. This will also provide an additional avenue for our customers to provide suggestions and complaints so that we are able to provide an even more enjoyable experience at our restaurants.

We will also try and promote cheeses and wines that we have on offer through our cheese & wine programme hosted by Classified's own cheese & wine expert on a regular basis. Through the "Neighbourhood Spotlight" programme launched on 25 March 2015, Classified collaborates with small neighbourhood businesses to bring the community together through themed evenings held every two to three weeks which feature a different brand, artist or personality from the area. We propose to fund our further marketing and promotion initiatives with the net proceeds from the Placing and from our internal resources.

OUR RESTAURANTS

We are a Hong Kong based food and beverage group with a primary focus on offering western cuisine in both casual dining and full service environment.

The following map shows the approximate location of our restaurants in Hong Kong 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.

Classified

Our first Classified restaurant was opened in 2006 on Hollywood Road in Sheung Wan. Since then, Classified has expanded steadily to 10 locations as at the Latest Practicable Date. Our Classified restaurants are situated at street-level and in commercial buildings in prime locations through tenancy or under licensing arrangements. To explore the expansion of our business overseas, we entered into the Franchise Agreement with an Independent Third Party in 2013 to open a franchised Classified restaurant in Indonesia. Under our Classified brand, we aim to provide our customers authentic western dining experiences in a casual and relaxed atmosphere and to promote street-level interaction and neighbourhood sociability.

Revenue generated from our Classified Restaurants was our largest source of income during the Track Record Period which accounted for approximately 52.5% and 52.9% of our Group's total revenue for the two years ended 31 December 2015, respectively. Details of our operating data for Classified Restaurants during the Track Record Period are set out in the paragraph headed "Operational performance of our restaurants" in this section.

Set out below is the movement of number of Classified Restaurants during the Track Record Period and up to the Latest Practicable Date:

Number of Classified Restaurants

As at 1 January 2014	10
Addition during 2014	1
Closure up to the Latest Practicable Date	1
As at the Latest Practicable Date	10

Street-level restaurants

We currently have seven street-level restaurants in Hong Kong located at Sheung Wan, Wan Chai, Tai Hang, Sai Kung, Happy Valley, Repulse Bay and Stanley. We consider that these areas are popular dining areas in Hong Kong with a diverse range of restaurants. We target casual diners and residents in the vicinity of our Classified restaurants as our customers.

We promote the all-day dining concept whereby our customers can be offered food from breakfast through to late evening. The menu consists of mainly western comfort food items such as burgers, pasta and salads. We also offer a wide selection of wines and cheeses originated from different countries.

With the recent trend towards more healthy eating diet in Hong Kong, our Directors believe that Classified needs to adjust its menu to reflect this. Hence, at CRB (being one of our Classified Restaurants newly opened in November 2014), we have added more healthy dishes to our menu such as a larger selection of vegetarian dishes, free range chicken and gluten free pastas.

Set out below are some pictures showing the interior designs and dining environment of our street-level restaurants:

Commercial building restaurants

To promote our casual dining concept in prime commercial areas and to broaden our customer base, we opened a Classified restaurant in 2010 situated in the Exchange Square Podium in Central and another Classified restaurant in 2013 located in New World Tower in Central. Targeting business individuals and office workers, the emphasis of these Classified Restaurants is on takeaway food and beverage offerings, with specially designed food display counters and offering takeaway food and drinks such as sandwiches, salad, hot dishes, bottle drinks and coffee.

Set out below are some pictures showing the interior designs and dining environment of our restaurants at commercial buildings:

Restaurants at licensed areas

With an aim to promote our Classified brand and to have a close proximity to our target customers, we established a Classified food counter at the office premises of an international investment bank located in Cheung Kong Center in Central. We offer light food items such as coffee, salad, readily-made sandwiches and pasta dishes at this location.

Pursuant to a licence agreement entered into with the international investment bank, we are granted the right, at a nominal license fee, for a period of 36 months from 2 October 2013 to 1 October 2016 (both days inclusive) to use the allocated area for the sales of our food items under our Classified brand. The sales of food and drinks are provided exclusively to the staff of the investment bank.

Pursuant to another licence agreement entered into with the furniture company, we were granted the right, free of any license fee, to operate a service counter at the furniture company (i.e. our CHP location), for a period of 33 months from 1 May 2013 to 29 February 2016 for the sales of our food and drink items under our Classified brand. After the Track Record Period, CHP closed on 29 February 2016 after taking into consideration that (i) its revenue accounted for only about 0.4% of our Group's total restaurant operating revenue for the year ended 31 December 2015; (ii) it was initially set up for brand promotion in a small service counter of only 13 sq.m. within a furniture store under a license granted by such store; and (iii) its closure would enable us to reallocate resources to other restaurants of our Group.

Franchise

In addition to the above restaurants located in Hong Kong, to explore the overseas markets, we entered into the Franchise Agreement with an Independent Third Party as a franchisee to operate a Classified restaurant in Indonesia for an initial term of five years commencing from 15 April 2013 to 14 April 2018. Further information on the franchise arrangement is set out in the paragraph headed "Franchise Agreement" in this section.

Set out below is a revenue breakdown by the different types of Classified Restaurants during the Track Record Period:

Classified Restaurants revenue	Year ended 31 December			
	2014		2015	
	HK$'000	*% of total revenue of the Classified Restaurants*	*HK$'000*	*% of total revenue of the Classified Restaurants*
Street-level restaurants(1)	57,454	72.5	68,793	74.7
Non-street level restaurants(2)	18,002	22.7	19,202	20.9
Restaurants at licensed premises(3)	3,798	4.8	4,078	4.4
	79,254	100.0	92,073	100.0

Notes:

(1) Street-level restaurants included CCR, CHV, CMB, CRB, CSK, CSP, CTH during the Track Record Period.

(2) Non-street level restaurants included CEX and CNW during the Track Record Period.

(3) Restaurants at licensed premises included CCK and CHP (closed in February 2016) during the Track Record Period.

(4) Revenue of HK$968,000 generated from sales of festive food was excluded from the total revenue generated from the Classified Restaurants for the year ended 31 December 2015.

Set out below is the information of each of our Classified Restaurants during the Track Record Period including their addresses and the date of opening:

	Sample picture	Restaurant	Address	Year of opening
1		CCR	Shop 1, G/F 108 Hollywood Road Sheung Wan Hong Kong	2006
2		CMB	G/F, 31 Wing Fung Street Wan Chai Hong Kong	2008

	Sample picture	Restaurant	Address	Year of opening
3		CEX	Shop 313, 3/F Exchange Square Podium 8 Connaught Place Central Hong Kong	2010
4		CSK	G/F & M/F 5 Sha Tsui Path Sai Kung New Territories Hong Kong	2010
5		CTH	Shops A, B and C, G/F China Tower 1-9 Lin Fa Kung Street West Tai Hang Hong Kong	2010
6		CHV	Shop B, G/F Kam Yuk Mansion 13 Yuk Sau Street Happy Valley Hong Kong	2011
7		CSP	Shop No. G08A G/F, Commercial Centre Ma Hang Estate 23 and 33 Carmel Road Stanley Hong Kong	2011
8		CNW	Shop No. 1, 1/F New World Tower 16-18 Queen's Road Central Hong Kong	2013
9		CHP *(Note 1)*	Small portion Tequila Kola 1/F Horizon Plaza Ap Lei Chau Hong Kong	2013

	Sample picture	Restaurant	Address	Year of opening
10		CCK *(Note 2)*	a portion of 59/F Cheung Kong Center 2 Queen's Road Central Hong Kong	2013
11		CRB	Shop no. 107, Level 1 The Pulse No. 28 Beach Road Repulse Bay Hong Kong	2014

Notes:

(1) CHP closed in February 2016.

(2) Access to CCK is only available to employees of the relevant investment bank in which CCK is located.

All of our Classified restaurants are operated on leased or licensed properties. Further information on our leased and licensed properties is set out in the paragraph headed "Our Property Interests" in this section. As at 31 December 2014 and 2015 and as at the Latest Practicable Date, we operated Classified in 11, 11 and 10 locations, respectively.

The Pawn

The Pawn is a full service restaurant opened by our Group in 2008 and is housed in a 19th century heritage building in Wan Chai. The Pawn is operating at the first and second floor of this building. The first floor is designated as a bar which mainly for drinks and snacks. The second floor is the dining area offering our meals with full services. At the establishment of The Pawn, we positioned The Pawn as a Gastropub.

To provide a brand new impression to our customers after years of operations as a Gastropub, The Pawn was temporarily closed in July 2014 for an upgrade and renovation. The renovation cost was approximately HK$17.6 million. After the upgrade and renovation of The Pawn, it was reopened in October 2014 to offer a modern British style menu. It was our aim, after the renovation, to create a space that presents a new kind of eclectic colonialism but is relaxed, authentic and infused with a sense of humility and to provide our customers a dining experience with a harmonious, warm and comfortable space that resonate with an international audience. The first and second floor of The Pawn are used as a bar area and dining area while the roof top is accessible to the public.

Set out below are some pictures showing the exterior facade, interior designs and dining environment of The Pawn after the renovation:

1/F — bar area

1/F — bar area

2/F — dining area

In line with our upgrade and renovation, we engaged Mr. Tom Aikens, as the consultant and culinary director of The Pawn. On 8 October 2014, we entered into a consultancy and licensing agreement (the "**Consultancy and Licensing Agreement**") with Bawburgh Limited, a company owned as to 80% by Mr. Tom Aikens and 20% by his business partner, both of whom are Independent Third Parties. The salient terms of the Consultancy and Licensing Agreement are as follows:

Term:	an initial period of four years (the "**Initial Term**").
Renewal:	the Initial Term is automatically extendable for the same duration if the lease of the site where The Pawn operates is extended or renewed.
Fees:	in consideration of the services provided by Mr. Tom Aikens, we agreed to pay him (i) a development fee and (ii) a profit sharing and incentive arrangement calculated based on The Pawn's gross revenues. For the two years ended 31 December 2015, a total fee of approximately HK$0.2 million and HK$1.0 million was incurred by us under the Consultancy and Licensing Agreement, respectively.
Obligations of the parties:	Mr. Tom Aikens is responsible for (i) developing a theme, menu design and concept for The Pawn; (ii) providing certain services prior to the re-launch and opening of The Pawn which includes, among other things, assisting in the design, interview and selection of head chef and providing training to front and back of house employees; and (iii) providing continuing services which include, among other things, making regular appearances at The Pawn, assisting with operational reviews, reviewing the menu items and cooperating with the menu design, implementing and periodically reviewing a marketing and promotional plan for The Pawn.

For the two years ended 31 December 2015, our revenue generated under The Pawn were approximately HK$31.2 million and HK$50.3 million, respectively, which accounted for approximately 20.7% and 28.6% of our Group's total revenue, respectively. Details of our operating data for The Pawn during the Track Record Period are set out in the paragraph headed "Operational Performance of Our Restaurants" in this section.

Set out below is a picture showing the appearance of The Pawn, its address and opening/re-opening dates:

Sample picture	Address	Initial opening year/ Re-opening year
	Shop 7, 1/F, Shop 11, 2/F, Nos. 60, 60A, 62, 64 & 66 Johnston Road No. 18 Ship Street Wan Chai Hong Kong Roof at 3/F and portion of lift lobby at G/F, Nos. 60, 60A, 62, 64 & 66 Johnston Road No. 18 Ship Street Wan Chai Hong Kong	2008/2014[Note]

Note: The Pawn was temporarily closed for renovation in July 2014 and was re-opened in October 2014.

SML

During the Track Record Period and up to August 2015, our Group operated another restaurant called SML which offered international cuisine focusing on offering different serving portions of its dishes. The lease for the premises where SML operated expired on 31 August 2015. Prior to the expiry of the lease, we negotiated with the landlord for a new lease and subsequently signed a new lease for a period of approximately five years from 1 September 2015 to 31 May 2020. Given the success that we have had with Mr. Tom Aikens with The Pawn, our Group decided to further collaborate with Mr. Tom Aikens on the upgraded SML, namely, The Fat Pig. On 22 February 2016, we entered into a licence agreement ("**The Fat Pig Licence Agreement**") with Hethel Limited, a company owned as to 80% by Mr. Tom Aikens and 20% by his business partner, both of whom are Independent Third Parties. Pursuant to The Fat Pig Licence Agreement, we were granted the exclusive right and licence to use the trademark "The Fat Pig" and the domain name "thefatpig.hk" for an annual licence fee of HK$1 in connection with the operations of The Fat Pig by SML.

The SML location was temporarily closed in mid-August 2015 for a three-month renovation and was re-opened in November 2015. The renovation cost was approximately HK$9.8 million. For the two years ended 31 December 2015, our revenue generated under SML were approximately HK$29.9 million and HK$22.1 million, respectively, which accounted for approximately 19.8% and 12.6% of our Group's total revenue, respectively. Details of the operating data of SML during the Track Record Period are set out in the paragraph headed "Operational Performance of Our Restaurants" in this section.

SML is a pork-focused British cuisine operated in Times Square. Targeting pork lovers, SML offers a new all-day dining experience with the theme to showcase the best of all that is pork, from piglets to full-grown cuts and parts, butchered or in the form of charcuterie and from soups to suckling pig and from pates to knuckles, the menu choices are categorized by cooking techniques such as barbecuing, baking, braising, steaming, slow roasting. The menu maintains the sharing concept with dishes served either in small or sharing portions.

Since its re-opening in November 2015 and up to 31 December 2015, the revenue generated from SML was approximately HK$5.8 million.

Set out below is a picture showing the appearance of SML, its address and opening/re-opening month:

Sample picture	Address	Initial opening year/ Re-opening year
	Shop No. 1105 11/F Times Square Causeway Bay Hong Kong	2009/2015[Note]

Note: SML was temporarily closed for renovation in August 2015 and was re-opened in November 2015.

OUR FOOD FACTORY

In addition to the above restaurants, our Group also owns and operates a food factory which supplies cheeses, bread and other bakery products to our restaurants and other corporate customers. Customers of our food factory include hotels, restaurants, clubs, coffee shops, cafe and supermarkets. Our restaurants, in addition to sourcing bread from our own food factory, also purchase bread from other independent bakeries.

Our food factory is operated under our non wholly-owned subsidiary, CBCL. CBCL is owned as to 85% by NNIL, an indirect wholly-owned subsidiary of our Company and 15% by Leader Asia Pacific Limited.

For the two years ended 31 December 2015, the revenue recorded by our Group from the food factory amounted to approximately HK$10.6 million and HK$10.3 million, representing approximately 7.0% and 5.9% of our total revenue, respectively.

OPERATIONAL PERFORMANCE OF OUR RESTAURANTS

Set forth below are certain key operational information or our restaurants of the year ended 31 December 2014 (unless otherwise stated):

Name of restaurant	Licensed area *(sq.m.)* *(approximately)*	Number of seats *(approximately)*	Number of customer visits *(approximately)*	Number of operation days	Total revenue *(HK$'000)*	Average spending per customer per meal *(Note 1)* *(HK$)*	Average daily revenue *(Note 2)* *(HK$'000)*	Seat turnover rate *(Note 3)* *(times)*	Operating margin *(Note 4)* *(%)*
Classified									
CCR	40	40	87,885	348	12,340	140	35	6.3	13.1
CMB	48	20	37,435	362	5,574	149	15	5.2	1.1
CEX	126	40	54,933	298	10,878	198	37	4.6	7.6
CSK	117	35	60,428	365	7,444	123	20	4.7	2.1
CTH	101	44	74,603	365	10,801	145	30	4.6	13.9
CHV	84	70	76,632	365	10,889	142	30	3.0	10.5
CSP	163	70	69,711	365	9,713	139	27	2.7	(5.7)
CNW	68	50	104,242	294	7,124	68	24	7.1	(15.1)
CHP *(Note 5)*	13	30	9,578	365	918	96	3	0.9	(32.0)
CCK	*(Note 6)* 19	50	59,903	247	2,880	48	12	4.9	(9.8)
CRB	129	45	4,932	34	693	141	20	3.2	(99.2)
The Pawn *(Note 7)*	519	182	107,363	267	31,176	290	117	2.2	(6.8)
SML	519	170	134,190	365	29,886	223	82	2.2	11.4
Total	1,946	846							

Notes:

1. Average spending of customers is calculated by dividing the total revenue by the total number of customer visits of the relevant restaurant.
2. Average daily revenue is calculated by dividing the total revenue by the number of operation days of the relevant restaurant.
3. Seat turnover rate is calculated by dividing the number of customer visits by the number of seats and the number of operation days of the relevant restaurant during the year.
4. Operating margin is calculated by dividing the operating profit for the year by revenue. Operating profit is defined as profit for the year before other income, other losses, finance costs, and income tax credit/expense.
5. CHP closed in February 2016.
6. The area represents the floor area of the premises.
7. The Pawn was temporarily closed for renovation in July 2014 and re-opened in October 2014. The first floor of The Pawn offers snacks and drinks, while the second floor offers meals with full services and full menu items.

Below sets out certain key operational information of our restaurants for the year ended 31 December 2015 (unless otherwise stated):

Name of restaurant	Licensed area *(sq.m.) (approximately)*	Number of seats *(approximately)*	Number of customer visits *(approximately)*	Number of operation days	Total revenue *(Note 1) (HK$'000)*	Average spending per customer per meal *(Note 2) (HK$)*	Average daily revenue *(Note 3) (HK$'000)*	Seat turnover rate *(Note 4) (times)*	Operating margin *(Note 5) (%)*
Classified									
CCR	40	40	88,633	365	14,082	159	39	6.1	5.2
CMB	48	20	35,893	365	5,564	155	15	4.9	(0.9)
CEX	126	40	56,140	299	11,085	197	37	4.7	6.6
CSK	117	35	52,897	365	7,135	135	20	4.1	0.9
CTH	101	44	71,533	365	10,672	149	29	4.5	12.6
CHV	84	70	72,949	365	11,017	151	30	2.9	14.4
CSP	163	70	63,663	365	9,014	142	25	2.5	(6.4)
CNW	68	50	115,560	294	8,117	70	28	7.9	(6.6)
CHP *(Note 6)*	13	30	7,524	365	701	93	2	0.7	(45.8)
CCK	*(Note 7)* 19	50	65,504	247	3,377	52	14	5.3	17.4
CRB	129	45	77,487	365	11,309	146	31	4.7	(1.8)
The Pawn	519	170	135,402	364	50,257	371	138	2.2	7.5
SML *(Note 8)*	519	162	87,571	277	22,083	252	80	1.9	0.3
Total	1,946	826							

Notes:

1. Total revenue was generated from the relevant restaurant operations. The income of approximately HK$968,000 generated from sales of festive food was excluded.
2. Average spending of customers is calculated by dividing the total revenue by the total number of customer visits of the relevant restaurant.
3. Average daily revenue is calculated by dividing the total revenue by the number of operation days of the relevant restaurant.
4. Seat turnover rate is calculated by dividing the number of customer visits by the number of seats and the number of operation days of the relevant restaurant during the year.
5. Operating margin is calculated by dividing the operating profit for the year by revenue. Operating profit is defined as profit for the year before other income, other losses, finance costs, and income tax credit/expense.
6. CHP closed in February 2016.
7. The area represents the floor area of the premises.
8. SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.

The average daily revenue per Classified Restaurant increased from approximately HK$23,000 for the year ended 31 December 2014 to approximately HK$24,000 for the year ended 31 December 2015, and the average spending per customer per meal increased from HK$124 for the year ended 31 December 2014 to HK$130 for the year ended 31 December 2015. Our Directors believe that such increase was mainly as a result of menu re-engineering and upward price adjustments.

The average daily revenue of The Pawn increased from approximately HK$117,000 for the year ended 31 December 2014 to approximately HK$138,000 for the year ended 31 December 2015, as a result of a higher average spending per customer per meal due to the price upward adjustment since the completion of its renovation in 2014.

The average daily revenue of SML decreased slightly from approximately HK$82,000 for the year ended 31 December 2014 to approximately HK$80,000 for the year ended 31 December 2015, which was mainly because SML temporarily closed for renovation in August 2015 and it was re-opened in November 2015.

The seat turnover rates of the Classified Restaurants and The Pawn were relatively stable during the year ended 31 December 2015. The seat turnover rate of SML slightly decreased from approximately 2.2 times to 1.9 times.

The overall operating margin of our Group increased from 2.0% for the year ended 31 December 2014 to 2.6% for the year ended 31 December 2015. The following sets forth an analysis of the operating margins of our restaurant operations by brands.

Classified

The overall operating margin increased from 3.0% for the year ended 31 December 2014 to 4.5% for the year ended 31 December 2015. The following sets forth an analysis of the operating margins of our Classified Restaurants by restaurants:

<u>CCR</u>

The operating margin of CCR decreased from 13.1% for the year ended 31 December 2014 to 5.2% for the year ended 31 December 2015. The decrease in operating margin was contributed by the increase in operating expenses by HK$2.6 million primarily due to (i) the increase in property rentals and related expenses by HK$1.0 million resulting from the renewal of the lease in the second half of 2014 reflecting the full year effect for the year ended 31 December 2015; and (ii) the increase in staff costs by HK$0.4 million. The effect was partially offset by the increase in revenue by HK$1.7 million. The increase in revenue was mainly due to the increase in average spending per customer per meal by HK$19, or 13.6%, from HK$140 for the year ended 31 December 2014 to HK$159 for the year ended 31 December 2015 mainly resulting from the combined effect of menu re-engineering and upward menu price adjustments during the year ended 31 December 2015 and the increase in number of customer visits by 748, or 0.9% from 87,885 for the year ended 31 December 2014 to 88,633 for the year ended 31 December 2015.

CMB

CMB recorded relatively thin operating margin during the year ended 31 December 2014 which was mainly because CMB operated in location where it had limited customer traffic on the weekends and therefore had lower revenue generating capabilities. The operating margin of CMB decreased from 1.1% for the year ended 31 December 2014 to -0.9% for the year ended 31 December 2015. The decrease in operating margin was primarily due to the increase in operating expenses by HK$0.1 million resulting from the increase in staff costs by HK$0.1 million. The operating loss of CMB for the year ended 31 December 2015 was HK$48,000. According to our current business plan, we plan to set up a central kitchen especially for Classified restaurants in the third quarter of 2016 and we plan to minimise our need for casual staff thereby improving our operating margin for the year ending 31 December 2016.

CEX

The operating margin of CEX decreased from 7.6% for the year ended 31 December 2014 to 6.6% for the year ended 31 December 2015. The decrease in operating margin was mainly contributed by the increase in operating expenses by HK$0.3 million which was primarily due to the increase in staff costs by HK$0.4 million. The increase in operating expenses was partially offset by the increase in revenue by HK$0.2 million which was mainly due to the increase in number of customer visits by 1,207, or 2.2%, from 54,933 for the year ended 31 December 2014 to 56,140 for the year ended 31 December 2015, while the average spending per customer per meal remained stable for the year ended 31 December 2015.

CSK

During the Track Record Period, CSK recorded relatively thin operating margin which was mainly because CSK had low customer traffic during the weekdays and therefore has lower revenue generating capabilities. The operating margin of CSK decreased from 2.1% for the year ended 31 December 2014 to 0.9% for the year ended 31 December 2015. The decrease in operating margin was primarily due to the decrease in revenue by HK$0.3 million which was mainly due to the decrease in number of customer visits by 7,531, or 12.5%, from 60,428 for the year ended 31 December 2014 to 52,897 for the year ended 31 December 2015 even though the average spending per customer per meal increased by HK$12, or 9.8% from HK$123 for the year ended 31 December 2014 to HK$135 for the year ended 31 December 2015 mainly resulting from menu re-engineering and upward menu price adjustments during the year ended 31 December 2015. The decrease in revenue was partially offset by the decrease in operating expense by HK$0.2 million which was due to (i) the decrease in cost raw materials and consumables used by HK$0.1 million; and (ii) the decrease in depreciation by HK$0.1 million as some fixed assets were fully depreciated during the year.

CTH

The operating margin of CTH decreased from 13.9% for the year ended 31 December 2014 to 12.6% for the year ended 31 December 2015. The decrease in operating margin was primarily due to (i) the increase in operating expenses by HK$31,000; and (ii) the decrease in revenue by HK$0.1 million. The increase in operating expenses was mainly due to the increase in staff costs by HK$0.1

million. The decrease in revenue was mainly due to the decrease in number of customer visits by 3,070, or 4.1%, from 74,603 for the year ended 31 December 2014 to 71,533 for the year ended 31 December 2015 even though the average spending per customer per meal increased by HK$4, or 2.8% from HK$145 for the year ended 31 December 2014 to HK$149 for the year ended 31 December 2015 mainly resulting from menu re-engineering and upward menu price adjustments during the year ended 31 December 2015.

CHV

The operating margin of CHV increased from 10.5% for the year ended 31 December 2014 to 14.4% for the year ended 31 December 2015. The increase was primarily due to (i) increase in revenue by HK$0.1 million; and (ii) the decrease in operating expenses by HK$0.3 million. The increase in revenue was mainly due to the increased average spending per customer per meal by HK$9, or 6.3%, from HK$142 during the year ended 31 December 2014 to HK$151 for the year ended 31 December 2015 mainly resulting from menu re-engineering and upward menu price adjustments during the year ended 31 December 2015 even though the number of customer visits decreased by 3,683, or 4.8% from 76,632 for the year ended 31 December 2014 to 72,949 for the year ended 31 December 2015. The decrease in operating expenses was mainly contributed by (i) the decrease in cost of raw materials and consumables used by HK$0.1 million; and (ii) the decrease in staff costs by HK$0.1 million.

CSP

During the Track Record Period, CSP recorded negative operating margin which was mainly because CSP operated in location where it had higher customer traffic only on weekends and therefore had lower revenue generating capabilities. The operating margin of CSP decreased from -5.7% for the year ended 31 December 2014 to -6.4% for the year ended 31 December 2015. The decrease in operating margin was primarily due to the decrease in revenue by HK$0.7 million. The decrease in revenue was mainly due to the decrease in number of customer visits by 6,048, or -8.7%, from 69,711 for the year ended 31 December 2014 to 63,663 for the year ended 31 December 2015 while the average spending per customer per meal increased by HK$3, or 2.2% from HK$139 from the year ended 31 December 2014 to HK$142 for the year ended 31 December 2015 mainly resulting from menu re-engineering and upward menu price adjustments during the year ended 31 December 2015. The decrease in revenue was partially offset by the decrease in operating expenses by HK$0.7 million. The decrease in operating expenses was mainly contributed by (i) the decrease in cost of raw materials and consumables used by HK$0.2 million; and (ii) the decrease in depreciation by HK$0.2 million as some fixed assets were fully depreciated during the year. The operating loss of CSP for the year ended 31 December 2015 was HK$0.6 million and it is expected that the operating results of CSP for the year ending 31 December 2016 and will record operating profit for the year ending 31 December 2017 due to the decrease in depreciation expenses as fixed assets with the net book value of HK$0.3 million as at 31 December 2015 are expected to be fully depreciated during the year ending 31 December 2016.

CNW

During the Track Record Period, CNW recorded negative operating margin which was mainly because CNW located in a commercial building where it had limited customer traffic on the weekends due to its limited operating hours and therefore had lower revenue generating capabilities. The operating margin of CNW increased from -15.1% for the year ended 31 December 2014 to -6.6% for the year ended 31 December 2015. The increase in operating margin was primarily due to the increase in revenue by HK$1.0 million. The increase in revenue was mainly due to the average spending per customer per meal increased by HK$2, or 2.9% from HK$68 for the year ended 31 December 2014 to HK$70 for the year ended 31 December 2015 mainly resulting from the combined effect of menu re-engineering and upward menu price adjustments during the year ended 31 December 2015 and the increase in number of customer visits by 11,318, or 10.9% from 104,242 for the year ended 31 December 2014 to 115,560 for the year ended 31 December 2015. The increase in revenue was partially offset by the increase in operating expenses by HK$0.5 million. The increase in operating expenses was mainly contributed by (i) the increase in cost of raw materials and consumables by HK$0.3 million; and (ii) the increase in staff costs by HK$0.1 million. The operating loss of CNW for the year ended 31 December 2015 was HK$0.5 million and it is expected that the operating results of CNW would be improved due to the establishment of a central kitchen and it is also estimated that CNW will record operating profit for the year ending 31 December 2017 due to the decrease in staff cost amounting to approximately HK$0.8 million as a result of the full year effect reflecting the reduction of three staff members during the year ending 31 December 2016.

CHP (closed in February 2016)

During the Track Record Period, CHP recorded negative operating margin which was mainly because CHP was located in a flagship retail store of a furniture outlet where customer traffic was typically lower and therefore had lower revenue generating capabilities. The operating margin of CHP decreased by from -32.0% for the year ended 31 December 2014 to -45.8% for the year ended 31 December 2015. The decrease in operating margin was primarily due to the decrease in revenue by HK$0.2 million. The decrease in revenue was mainly due to the combined effect of the decrease in number of customer visits by 2,054, or 21.4% from 9,578 for the year ended 31 December 2014 to 7,524 for the year ended 31 December 2015 and the average spending per customer per meal decreased by HK$3, or 3.1% from HK$96 for the year ended 31 December 2014 to HK$93 for the year ended 31 December 2015. The decrease in revenue was partially offset by the decrease in operating expenses by HK$0.2 million. The decrease in operating expenses was mainly contributed by the decrease in cost of raw materials and consumables used by HK$0.1 million.

CCK

The operating margin of CCK increased from -9.8% for the year ended 31 December 2014 to 17.4% for the year ended 31 December 2015. The increase in operating margin was primarily due to (i) the increase in revenue by HK$0.5 million and (ii) the decrease in operating expenses by HK$0.4 million. The increase in revenue was mainly due to the average spending per customer per meal increased by HK$4, or 8.3%, from HK$48 for the year ended 31 December 2014 to HK$52 for the year ended 31 December 2015 mainly resulting from the combined effect of menu re-engineering and upward price adjustments during the year ended 31 December 2015 and the increase in number of customer visits by 5,601, or 9.4% from 59,903 for the year ended 31 December 2014 to 65,504 for the year ended 31 December 2015. The decrease in operating expenses was mainly contributed by the decrease in cost of raw materials and consumables used by HK$0.3 million.

CRB

During the Track Record Period, CRB recorded negative operating margin which was mainly because CRB was launched in November 2014 and took time to ramp-up its business. CRB took approximately five months to achieve a breakeven point, which is the first month in which the monthly revenue of a restaurant is at least equal to its monthly expenses on an accounting basis. The operating margin of CRB increased from -99.2% for the year ended 31 December 2014 to -1.8% for the year ended 31 December 2015. The increase in operating margin was primarily due to the increase in revenue by HK$10.6 million. The increase in revenue was primarily due to the average spending per customer per meal increased by HK$5, or 3.6% from HK$141 for the year ended 31 December 2014 to HK$146 for the year ended 31 December 2015 mainly resulting from the combined effect of menu re-engineering and upward price adjustments during the year ended 31 December 2015 and the increase in number of customer visits by 72,555, or 1,471.1% from 4,932 for the year ended 31 December 2014 to 77,487 for the year ended 31 December 2015. The increase was partially offset by the increase in operating expenses by HK$10.1 million. The increase in operating expenses was mainly contributed by (i) the increase in cost of raw materials and consumables used by HK$2.7 million; and (ii) the increase in staff costs by HK$3.7 million. The increase in revenue and operating expenses was due to its full year operation during the year which was opened in November 2014. The operating loss of CRB for the year ended 31 December 2015 was HK$0.2 million and it is estimated that the operating margin for the year ending 31 December 2016 will further decrease mainly because a relatively higher depreciation charge is expected to be incurred by CRB for the year ending 31 December 2016 as it was newly opened in November 2014.

The Pawn

The operating margin of The Pawn increased from -6.8% for the year ended 31 December 2014 to 7.5% for the year ended 31 December 2015. The increase in operating margin was primarily due to the increase in revenue by HK$19.1 million. The increase in revenue was primarily due to the average spending per customer per meal increased significantly by HK$81, or 27.9% from HK$290 for the year ended 31 December 2014 to HK$371 for the year ended 31 December 2015 mainly resulting from the combined effect of menu re-engineering and upward menu price adjustments since the completion of its renovation in 2014 and the increase in number of customer visits by 28,039, or 26.1% from 107,363 for the year ended 31 December 2014 to 135,402 for the year ended 31 December 2015. The increase in revenue was partially offset by the increase in operating expenses by HK$13.2 million. The increase in operating expenses was mainly due to (i) the increase in cost of raw materials and consumables used by HK$2.3 million; (ii) the increase in staff costs by HK$3.0 million; and (iii) the increase in property rentals and related expenses by HK$1.9 million resulting from the renewal of the lease contract in the second half of 2014 and reflecting the full year effect for the year ended 31 December 2015. The increase in revenue and operating expenses for the year ended 31 December 2015 was due to its full year result of The Pawn which was temporarily closed for renovation in July 2014 and was re-opened in October 2014.

SML

The operating margin of SML decreased from 11.4% for the year ended 31 December 2014 to 0.3% for the year ended 31 December 2015. The decrease in operating margin was primarily due to the decrease in revenue by HK$7.8 million. The decrease in revenue was mainly due to the decrease in number of customer visits by 46,619, or 34.7% from 134,190 for the year ended 31 December 2014 to 87,571 for the year ended 31 December 2015, even though the average spending per customer per meal increased by HK$29, or 13.0% from HK$223 for the year ended 31 December 2014 to HK$252 for the year ended 31 December 2015 mainly resulting from menu re-engineering and menu price upward adjustments during the year ended 31 December 2015. The decrease in revenue was partially offset by the decrease in operating expenses by HK$4.5 million. The decrease in operating expenses was mainly due to the decrease cost of raw materials and consumables used by HK$2.5 million; and (ii) the decrease in staff costs by HK$1.8 million. The decrease in revenue and operating expenses was due to its temporary closure for renovation from August 2015 to November 2015. To our Directors' best estimation, after the reopening of SML in November 2015, the operating margin of SML for the two years ending 31 December 2017 is estimated to be about -1.3% and 0.5%, respectively. The operating margin of SML is expected to decrease to -1.3% for the year ending 31 December 2016 which is mainly contributed by (i) the expected increase in staff costs primarily as a result of an expected increase in the headcounts for the year ending 31 December 2016; (ii) the full year effect of the increase in rental expenses due to the renewal of leases in the second half of 2015; and (iii) the expected increase in other operating expenses primarily due to the full year operation during the year ending 2016. The effect is partially offset by an increase in revenue as a result of the increase in the expected average spending per customer per meal due to the upward menu price adjustments.

To our Directors' best estimation, the operating margin of SML is expected to increase to 0.5% for the year ending 31 December 2017 which is mainly contributed by an increase in revenue due to the expected upward price adjustments during the year ending 31 December 2017. The effect is partially offset by the expected increase in operating expenses mainly due to an increase in staff costs as salaries and wages of staff are expected to increase during the year ending 31 December 2017. To our Directors' best estimation the estimated operating margin of SML for the two years ending 31 December 2017 has been taken into consideration of (i) the revenue increase as a result of the increase in the expected average spending per customer per meal due to the estimated upward menu price adjustments in the future; and (ii) the estimated number of customer visits for the two years ending 31 December 2017 is assumed to be similar to the average number of customer visits for the two years ended 31 December 2015 and there is no material adverse change to the market conditions.

Net profit margin

The net profit margins of the Group were 1.7% and 1.6% for the two years ended 31 December 2015, respectively. The low net profit margin achieved by our Group during the Track Record Period was mainly due to the temporary suspension of its operations at The Pawn and SML which were initially opened in 2008 and 2009, respectively, for renovation upgrades from July 2014 to October 2014 and from August 2015 to November 2015, respectively. While these restaurants were unable to generate revenues, expenses (such as rental and staff costs) continued to be incurred during these renovation periods and consequently, our Group's profit margin was lower than the case when such restaurants were open for business.

The renovation of The Pawn and SML had material negative impact on the Group's net profit margins for the year ended 31 December 2014 and the year ended 31 December 2015, respectively. This was because The Pawn accounted for 20.7% (given its temporary suspension of operations from

July 2014 to October 2014 for renovation) and 28.6% of the Group's revenue for the two years ended 31 December 2015, respectively, and SML accounted for 19.8% and 12.6% (given its temporary suspension of operations from August 2015 to November 2015 for renovation) of the Group's revenue for the two years ended 31 December 2015, respectively. Our Directors believe that, our Group had a relatively higher staff costs and property rentals and related expenses as a percentage of revenue during the Track Record Period because (i) most of our restaurants are located on street level or in commercial buildings in prime locations and/or popular touristic areas; and (ii) as we are required to consistently deliver high quality food in an enjoyable environment, served by English speaking, good and attentive floor staff, we offer competitive remuneration package to recruit and retain restaurant staff, including chefs, cashier, kitchen staff and floor staff. As staff cost was the largest component of our Group's operating expenses and property rentals and related expenses were the third largest component of our Group's operating expenses, our Directors believe that the relatively higher staff cost and property rentals and related expenses also had negative impact on our Group's net profit margins during the Track Record Period. In addition, our Group incurred listing expenses of HK$1.0 million and HK$3.5 million for the two years ended 31 December 2015, respectively. The listing expenses were not within the ordinary and usual course of our restaurant operations, and if we excluded the listing expenses from our results, the net profit margins of the Group would have become 2.4% and 3.6% for the two years ended 31 December 2015, respectively.

During the year ended 31 December 2015, some of our restaurants including CMB, CSP, CNW, CHP (closed in February 2016) and CRB recorded negative operating margins and some of our restaurants including CSK and SML recorded thin operating margins. Our Group will implement, among others, the following strategies with the intention to enhance our operating performance as follows:

- for our restaurants, including CMB, CSP, CNW and CRB locations, we have commenced our partnership with two well-known online food delivery services company where they will offer delivery services from these locations;

- for CMB and CNW, we will increase more promotional offers, promoting afternoon tea delivery service to neighbouring offices;

- increase marketing efforts to promote private and corporate events at CSP, CRB, CSK and SML locations;

- for CRB and CSP, which are considered as major tourist travel locations in Hong Kong, we propose to sponsor annual local festivals, advertise in travel magazines and in tourism materials published by the Hong Kong Tourism Board and/or the Hong Kong Trade Development Council to strengthen our exposure among locals and tourists; further, given that these locations offer a comfortable and relaxed surrounding, we propose to aggressively market these locations to host baby showers and family gatherings. Furthermore, for CRB, we propose to market a variety of ready-made picnic basket/hampers to customers who wish to enjoy our food at alfresco dining;

- increase our operating efficiency and lower food costs through establishing a new central kitchen and increasing bulk purchases of certain material ingredients;

- closely monitor the rental market situation in Hong Kong to source for locations which can provide similar visibility and accessibility but at lower rental costs;

- upward menu price adjustments and menu reengineering through creating and/or removing menu items being offered and/or changing ingredients composition of a menu item (i.e. using local ingredients instead of imported ingredients) and/or portion size;

- closely monitor the quotations of our suppliers to ensure that we obtain competitive prices of our ingredients; and

- increase marketing efforts and implementation of a loyalty program with the intention to increase customer visits.

Based on the historical menu prices, our Group has been able to gradually increase the menu price in the long run up to the Track Record Period. Our Directors believe that our Group will be able to increase the menu price during the two years ending 31 December 2017 because:

— according to Ipsos Report, it is anticipated that Hong Kong's annual disposable income per capita and the consumption expenditure per capita will grow steadily from 2015 to 2017. Furthermore, the western full-service restaurant market and western casual dining restaurant market, in which our Group operates, are expected to grow steadily at a CAGR of approximately 3.8% and 4.4%, respectively, from 2016 to 2017;

— our menu price increments estimated for the year ending 31 December 2017 will be generally in line with inflation rates; and

— notwithstanding the recent downturn in the Hong Kong economy, the Directors believe that our customer base are less sensitive and more tolerant to price changes and will continue to seek quality food and therefore gradual increases in our menu prices will not materially affect customer demand, preference or taste.

Despite the low net profit margins during the Track Record Period, our Directors believe that our Group's business is sustainable because:

1. the western full-service restaurant market and western casual dining restaurant market, in which the Group operates, are expected to grow steadily at a CAGR of approximately 3.8% and 4.4%, respectively, from 2016 to 2017;

2. in our Group's 10-year operating history, we have successfully implemented a steady expansion in growing the number of our restaurants from its first Classified restaurant in 2006 to a total of 12 restaurants in Hong Kong. During the period, our Group was under the same management, being the Co-founders, who have accumulated extensive experiences in the financial industry, the hospitality industry and the wine industry, respectively and who are able to take into account various factors in formulating the business strategies of the Group in order to respond to the change in the economic conditions of Hong Kong;

3. our Group's relatively low net profit margins during the Track Record Period was negatively impacted by the renovation of The Pawn and SML; and

4. we expect to benefit from revenue contributions from the new Classified restaurants and a further reduction of costs following the establishment of the central kitchen.

Breakeven period and investment payback period

Our Directors consider that a restaurant achieves breakeven when its monthly revenue is able to cover its monthly operating costs and expenses on an accounting basis. The time required to achieve a breakeven point and investment payback point will vary and is dependent on various factors including, among others, size of restaurant, location and brand. During the Track Record Period, with the exception of CNW which required a breakeven period of 18 months, the breakeven period of our other Classified Restaurants were generally between one and five months. Our Directors believe that the reason for CNW having a longer breakeven period was mainly due to the lack of table service and the limited operating hours (i.e., on weekdays up to 7:00 p.m., on Saturdays up to 5 p.m. and closed on Sundays). Subsequent to the renovations carried out by The Pawn and SML in 2014 and 2015, respectively, these restaurants were also able to achieve the breakeven point in three months and one month, respectively. According to the Ipsos, there is no specific industry average for breakeven and investment payment period since each restaurant faces a different business environment influenced by variety of factors including (i) restaurant size, (ii) cuisine offered, (iii) operating locations, (iv) marketing strategy and expenses. However, in general, Ipsos considered that restaurants in Hong Kong require approximately six months to reach breakeven point and for the length of investment payback, restaurants in Hong Kong require at least one year. Furthermore, according to Ipsos, an investment payback period from 12 months to 48 months is normal in the restaurant industry in Hong Kong.

Our Directors consider that a restaurant achieves investment payback when its accumulated net cash inflow since its commencement of operation is able to cover the total investment amount (which includes investments from our internal resources and shareholders' loans) and at the initial planning stage for our new restaurants, our Directors target an investment payback period of between 24 to 36 months. The investment payback period for the three restaurant brands operated our Group during the Track Record Period was follows:

Classified Restaurants *(Note 1)*	within 1 year: CHV within 2 years: CTH and CCR *(Note 4)* within 3 years: CMB *(Note 4)* and CEX more than 5 years: CSK
The Pawn *(Note 2)*	1.7 years
SML *(Note 3)*	2.7 years

Notes:

1. CCK, CSP, CNW, CHP (closed in February 2016) and CRB had not achieved investment payback.

2. The calculation of the investment payback period does not take into consideration of the investments made in 2014 for renovation.

3. The calculation of the investment payback period does not take into consideration of the investments made in 2015 for renovation.

4. The investment payback period of each of CCR and CMB was derived based on the audited financial statements of AAP as both of these two restaurants were initially owned and operated by AAP during the relevant time.

The above historical breakeven period and investment payback period for our restaurants operated during the Track Record Period are not indicative of our future performance as our Group's revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond its control.

Set out below are the restaurants that had not achieved an investment payback within our initial planned payback period of 24 to 36 months as at the Latest Practicable Date:

Restaurant	**Reasons for not achieving investment payback period within 24 to 36 months from opening**	**Estimated year to achieve the investment payback period**
CCK	This restaurant was opened in 2013 and is located within an investment bank and operates as a staff canteen exclusively to the staff of the said investment bank. Therefore, CCK has lower revenue generating capabilities. For the two years ended 31 December 2015, CCK's operation margins were -9.8% and 17.4%, respectively.	2016
CSP	This restaurant was opened in 2011 and operates in location where it has higher customer traffic only on weekends and therefore has lower revenue generating capabilities. For the two years ended 31 December 2015, CSP's operation margins were -5.7% and -6.4%, respectively.	2026
CNW	This restaurant was opened in 2013 and is located in a commercial building where it has limited customer traffic on the weekends due to its limited operating hours and therefore has lower revenue generating capabilities. For the two years ended 31 December 2015, CNW's operation margins were -15.1% and -6.6%, respectively.	2021
CHP *(Note)*	This restaurant was opened in 2013 and was located in a flagship retail store of a furniture outlet where customer traffic was typically lower and therefore had lower revenue generating capabilities. For the two years ended 31 December 2015, CHP's operation margins were -32.0% and -45.8%, respectively.	closed in February 2016

Restaurant	Reasons for not achieving investment payback period within 24 to 36 months from opening	Estimated year to achieve the investment payback period
CRB	This restaurant was opened in 2014 and has yet to achieve investment payback as it has only been in operation since October 2014. For the two years ended 31 December 2015, CRB's operation margins were -99.2% and -1.8%, respectively.	2022
CSK	This restaurant was opened in 2010 and achieved investment payback in 64 months and the additional time required before we are able to achieve investment payback because it had a low customer traffic during the weekdays and therefore has lower revenue generating capabilities. For the two years ended 31 December 2015, CSK's operation margins were 2.1% and 0.9%, respectively.	N/A

Note: CHP was closed in February 2016.

CSP is estimated to achieve an investment payback period by 2026. This is mainly because CSP operates in Stanley where it has a higher customer traffic only on weekends and therefore it has lower revenue and cash flow generating capabilities. Furthermore, CSP has a larger licensed area of approximately 163 sq.m. which resulted in a higher initial investment cost.

CNW is estimated to achieve an investment payback period by 2021. This is mainly because CNW operates in a commercial building where it has limited customer traffic on weekends due to its limited operating hours and therefore it has lower revenue and cash flow generating capabilities.

CRB is estimated to achieve an investment payback period by 2022. This is mainly because CRB operates in Repulse Bay where it has a higher customer traffic only on weekends and therefore it has lower revenue and cash flow generating capabilities. Furthermore, CRB has a larger licensed area of approximately 130 sq.m. which resulted in a higher initial investment cost.

The above estimated investment payback period has assumed our Group maintains a stable performance and there is no material adverse change to the market conditions. However, taking into consideration the strategies which our Group will implement to enhance the operating performance of CSP, CNW and CRB, our Directors believe that the estimated investment payback period could be further shortened.

In addition, our Directors believe that factors such as (i) initial investment size; (ii) market reception; and (iii) timing of commencement of operation would also affect the time required for the investment payback. Generally, the greater the initial amount invested into a restaurant, the longer the period of time required for the restaurant to achieve investment payback. A new restaurant commences operation during the low season is likely to take a longer period of time to achieve breakeven. For further details on seasonality, please refer to the paragraph headed "Seasonality" in this section.

Franchise Agreement

To explore the business opportunities overseas for the Classified brand, on 15 April 2013, AAP (a private holding company which was held equally by Mr. Wong, Mr. Lo and Mr. Pong prior to their disposal of their entire interest in AAP to an Independent Third Party on 9 March 2015, details of which are set out in the section headed "History, Reorganisation and Development — Our Corporate History — Disposal of APP" in this prospectus.) as franchisor and the then registered holder of the Classified trademark (the "**Franchisor**") entered into a franchise agreement with PT Selera Kian Makmar ("**SKM**"), an Independent Third Party (the "**Franchisee**") for the right to use certain proprietary information in the operation of a franchise under the Classified brand in Indonesia for an initial term of five years from the date of the Franchise Agreement (the "**Business**"). On 4 May 2015, AAP entered into the Deed of Novation with Classified Limited, SKM and PT Sukses Bersama Selalu ("**SBS**"), pursuant to which (i) each of AAP and SKM agreed to novate, with effect from 10 March 2015 all its rights and obligations in and under the Franchise Agreement to Classified Limited and SBS, respectively; (ii) Classified Limited and SBS agreed to, from the date of the Deed of Novation, respectively assume all of the rights and obligations of AAP and SKM, in and under the Franchise Agreement; and (iii) AAP and SKM agreed to such substitution of the parties to the Franchise Agreement upon the terms and conditions of the Deed of Novation. Both SKM and SBS are subsidiaries of the same group.

The salient terms of the Franchise Agreement are as follows:

Term:	five years from the date of the Franchise Agreement.
Renewal:	the Franchise Agreement can be renewed for a further five years subject to, among other things, the Franchisee giving no less than six months' written notice to the Franchisor prior to the expiry of the Franchise Agreement and the Franchisee has satisfied the Franchisor's operational and other renewal criteria.
Franchise fees:	the Franchisee will pay an initial fee of HK$200,000 and a continuing fee payable on a monthly basis calculated based on 5% of revenues received by the Franchisee as payment for the products approved to be sold by the Franchisor.
Reports:	the Franchisee will submit on a monthly basis a statement of revenue to the Franchisor.
Geographical exclusivity:	no exclusive territory is granted to the Franchisee and the Franchisee is only granted a right to operate one restaurant using the Classified brand at one specified location in Indonesia and the Franchisor has the right to operate at locations other than the specified location.
Expansion targets:	no expansion targets are required by the Franchisee during the term of the Franchise Agreement.
Training:	at the Franchisee's cost, the Franchisor is required to provide training at least twice a year to the Franchisee.

Products:	the Franchisee is required to only prepare, market and sell products approved by the Franchisor. subject to giving sufficient notice to the Franchisee, the Franchisor may at any time change or withdraw any products that were previously approved by the Franchisor. the Franchisee is required to purchase approved products exclusively from suppliers and distributors approved in writing by the Franchisor.
Intellectual property:	the trademarks, service marks, system property and goodwill associated are the exclusive property of the Franchisor. the Franchisee will only use trademarks in such form or manner as approved by the Franchisor. the Franchisor will do nothing to infringe, prejudice, impair, damage or contest the validity of the trademarks, the system property, the goodwill associated with them or the ownership of them by the Franchisor and its affiliated companies.
Insurance:	the Franchisee is required at its cost maintain sufficient insurance for its business.
Termination:	the Franchisor has the right to terminate the Franchise Agreement by notice if, among other things: (a) the Franchisee is unable to pay its debts as and when they become due or becomes insolvent or a liquidator, receiver, manager, administrator or trustee in bankruptcy of the Franchisee is appointed, whether provisionally or finally, or an application or order for the winding up of the Franchisee is made or the Franchisee enters into composition or scheme of arrangement with its creditors; (b) the Franchisee breaches any of the terms of the Franchise Agreement; (c) the Franchisee commits any crime, offence or act which in the Franchisor's sole and absolute judgment is likely to adversely affect the goodwill of the Business; (d) the Franchisee moves business to a new location without prior written approval of the Franchisor; (e) the Franchisee abandons or ceases to operate the Business for more than three consecutive days without the Franchisor's written approval; and

(f) the Franchisee takes any action to infringe, prejudice, impair, damage or contest the validity of the trademarks or system property, the goodwill associated with them or the ownership of them by the Franchisor.

Income received from the Franchisee pursuant to the Franchise Agreement for the two years ended 31 December 2015 was approximately HK$0.3 million and HK$0.2 million, respectively, representing approximately 0.2% and 0.1% of our total revenue and was recorded as other income in our financial statements.

To ensure that the Franchisee operates in compliance with the Franchise Agreement and according to our Company's standard, we have arranged our staff members to conduct an annual site visit to the Franchisee's operation in Indonesia, hold regular calls with the Franchisee and provided an operational manual to the Franchisee for reference. During the Track Record Period and as of the Latest Practicable Date, we were not aware any of breach of the terms of the Franchise Agreement by the Franchisee.

As at the Latest Practicable Date, our Group was not in any discussions or negotiations with any parties for the opening of any other Classified franchised restaurant.

RESTAURANT AND FOOD FACTORY OPERATIONS AND MANAGEMENT

Reporting structure of our Group

Our Group's overall business strategies and operations are formulated by our Board. The daily operations of our Group are overseen and supervised by various heads of department and assisted by other staff in the department. Each of our restaurants is headed by a head chef or a restaurant manager who reports directly to our director of operations and he in turn reports to Mr. Alain Claude Decesse, chief executive officer of PRGML, one of our wholly-owned subsidiaries.

Pricing policy

The pricing of our food and services varies depending on the style of dining, for instance, casual dining as compared to full service dining, the menu being served and seasonality. The price of our menu at our full service restaurants comparing to that at our casual dining restaurants is generally higher. The items available at our CCK location are priced slightly lower as compared to our other Classified locations as, save for the payment of a nominal annual licence fee of HK$120, we do not pay any rental fees and the restaurant is only accessible by the employees of the relevant investment bank which offers the premises for the restaurant. Items on our breakfast menu, lunch menu and dinner menu are different and the items on the dinner menu are typically more expensive than those on our breakfast and lunch menus. On Hallmark holidays such as Valentine's Day, Mother's Day, Father's Day and seasonal holidays such as Christmas and New Year's Eve, we will also serve special or set menus at some of our restaurants and the pricing of these menus at these seasonal periods will typically be more expensive.

In general, in pricing our food and services, we take into account the costs of food ingredients, beverages and provision of services, target operating profit margin, general market trends, seasonal factors, spending patterns and purchasing power of customers, customers' value perception, other restaurant expenses and costs (such as labour costs, rental costs and utility expenses) and competition. Our head chefs and management will periodically review and change items on the menu. Items on our menu are highly dependent on the availability of ingredients at the relevant time.

For the two years ended 31 December 2015, our cost of raw materials and consumables used amounted to HK$37.8 million and HK$40.6 million, respectively, representing 25.0% and 23.1% of our revenue for such period, respectively. We achieved such decrease in cost of raw materials and consumables used as a percentage of our revenue through:

(i) the adjustments made to various items in our menus from three to 14 times during the Track Record Period, including (a) upward price adjustments of certain menu items; and/or (b) reengineering of our menu items through creating and/or removing menu items being offered and/or changing ingredients composition of a menu item (i.e. using local ingredients instead of imported ingredients) and/or portion size; and

(ii) sourcing of lower priced and/or alternative material ingredients through obtaining quotations from at least three suppliers taking into consideration of the pricing, quality of products, delivery plan efficiency and the after sales services by the suppliers, to ensure that our Group would benefit from the most competitive commercial terms.

Our bakery products are priced taking into consideration, among other things, the cost of ingredients, operating expenses and costs (such as labour costs and utility expenses), target operating profit margin, market demands and competition.

From time to time, we may offer discounts to our employees and employees of companies that have a business relationship with us and typically these discounts may range between 10% and 30% off our menu prices. Certain discounts require a minimum spending by the customer before he/she is entitled to enjoy such discounts. We also offer other promotions such as complimentary corkage, free coffee or size upgrade at some of our restaurants.

Seasonality

Our restaurant and food factory operations are affected by seasonality. For our full service restaurants, we typically achieve higher sales in major holidays such as Christmas and New Year's Eve. During this period, we also cater more to corporate events as compared to other periods during the year as many of our corporate clients will arrange for annual dinners and corporate dinners. We also typically experience lower restaurant activity in February as we believe many of our customers tend to dine-out less frequently after the major holidays. Further, our restaurant business is affected by frequent outbound travel prior to or during the Chinese New Year and during summer holidays, resulting in a decrease in customer traffic of our restaurants.

To counteract any effect that we may have in the low restaurant season, we may commence marketing campaigns. Further details of our marketing are set out in the paragraph headed "Marketing" in this section.

Settlement

The forms of payment that we accept at our restaurant operations may differ but in general we accept major credit cards, cash, prepaid coupons/cash vouchers and Octopus cards.

The table below sets out the breakdown of our revenue from restaurant operations by types of settlement during the Track Record Period:

	Year ended 31 December			
	2014		2015	
	HK$'000	*% of total restaurant revenue*	*HK$'000*	*% of total restaurant revenue*
Credit cards	78,787	56.1	86,956	52.6
Cash	53,618	38.2	50,452	30.5
Others*(Note)*	7,911	5.7	27,973	16.9
Total	140,316	100.0	165,381	100.0

Note: Others means bank transfers, prepaid coupon, cash vouchers, and Octopus cards.

Credit cards

For payment by customers using credit cards, we do not receive cash remittance from credit card issuers immediately upon charging the credit card but will normally receive remittance from the credit card issuers, net of service fees of between 1.6% and 2.9%, depending on the credit card issuers, on the seventh business day after the credit card transaction was approved. For the two years ended 31 December 2015, settlement by credit cards represented approximately 56.1% and 52.6% of our total revenue from restaurant operations, 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. During the Track Record Period, we had not experienced any fraudulent use by customers of stolen credit cards.

Cash

Whilst the majority of our revenue is settled by credit cards, we also receive a substantial proportion of settlement in cash due to the fact that we operate restaurants, especially for Classified Restaurants, which has a more casual dining style and also catering to takeaway food. For the two years ended 31 December 2015, settlement by cash represented approximately 38.2% and 30.5% of our revenue from restaurant operations, respectively. As our staff at each of our restaurants deal with cash on a daily basis, our Directors recognise the risk of cash mismanagement and we have: (i) installed a point of sale software system ("POS System") system at each of our restaurants; (ii) established a cash handling procedure which includes segregation of duties, reconciliation at the end of each day of the sales recorded through our POS System; (iii) performed spot checks at our restaurants conducted by our staff from our finance department; and (iv) on the first day of each new year, instructed our staff at each of our restaurants to carry out cash count. Subject to retaining cash of approximately HK$2,000 to HK$10,000, the balance of all cash collected from operation on each day is deposited into our bank account the following day or next available bank opening day by one of our staff of the relevant restaurant who will make a cash deposit during banks' opening times. Any differences between the sales recorded in the POS System and actual cash in the cash register are to be reimbursed from the staff responsible and on duty during that shift. During the Track Record Period, there was no incident of any material cash misappropriation. Our Group also maintains insurance in respect of cash kept at the restaurants. During the Track Record Period, we had not made any claims for loss of cash from our insurance policy.

Prepaid coupons and cash vouchers

As part of our Group's marketing strategies to draw in customers for our restaurants, we issued discount coupons through a "deal of the day" website and "group buying" website which allow our customers to redeem food and/or beverages at our restaurants. The discount coupon, prepaid coupons and cash vouchers are typically valid between three months to one year and are not further extendable or refundable. Only if special circumstances are met and with the approval of our senior management will we allow the use of expired coupons. The payment from customers who purchase these coupons are treated as deposits received on our Group's consolidated statement of financial position. The advance will only be recognised as our Group's revenue upon the redemption of the coupons by the customer. The amount of revenue derived from expiry of coupons for the two years ended 31 December 2015 was nil and HK$111,000, respectively. During the Track Record Period, we had not received any material complaints regarding our coupons.

For the two years ended 31 December 2015, other forms of settlement (which includes bank transfers, cheques, prepaid coupons, cash vouchers and Octopus cards) represented approximately 5.7% and 16.9% of our total revenue from our restaurant operations, respectively.

For our food factory operations, sales to our customers are generally given a credit term of 30 days from the date of invoice. During the Track Record Period, settlements from customers of our food factory were made mainly by bank transfers.

CUSTOMERS

During the Track Record Period, our Group's customers were mainly retail customers and event customers for our restaurant operations. Customers of our food factory operations include hotels, restaurants, clubs, coffee shops, cafe and supermarkets located in Hong Kong. The length of relationship with our top five customers ranges from less than one year to five years. Our largest customer and top five customers of our Group accounted for less than 5% and 30% of our Group's total revenue, respectively for the two years ended 31 December 2015. The top five customers of our Group accounted for approximately 2.4% and 2.1% of our total revenue for the two years ended 31 December 2015, respectively. The largest customer of our Group accounted for approximately 0.6% and 0.6% of our total revenue for the two years ended 31 December 2015, respectively.

To the best of our Directors' knowledge, having made reasonable enquiries, none of the Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has had any interest in our five largest customers during the Track Record Period.

Below sets out our target customers of the restaurants that we operated as at the Latest Practicable Date:

Name of restaurant	Target customers
Classified	casual diners and residents in the vicinity as we position our Classified brand as the neighbourhood restaurant
The Pawn	tourists and local residents looking for unique dining locations and quality food
The Fat Pig	group diners such as families or gathering of people looking to enjoy pork dishes cooked in different ways

For the two years ended 31 December 2015, we generated revenue of approximately HK$0.6 million and HK$1.1 million from related parties, representing approximately 0.4% and 0.6% of our total revenue, respectively.

MARKETING

Our Group's marketing team has five staff members, who are headed by our head of marketing. In addition to implementing our Group's marketing strategies, 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 and discussed internally to decide what actions may be taken to improve our food and/or services.

Our Directors believe that in order to successfully operate in the food and beverage industry in Hong Kong, we need to have a high publicity and consumer awareness on our brands and offer high quality of food and services to offer customers. As such, our Group has focused on marketing strategies to promote our Group's image, brand awareness and to enhance our Group's reputation, by ensuring the marketing activities are launched efficiently and effectively and to counteract any decline in business as a result of seasonality. All of our marketing activities are formulated in house. To reduce the need for additional marketing staff, on 1 April 2014 we started to outsource our public relations activities to a public relations company which assists us with, among other things, (i) development of press kit components; (ii) ongoing publicity generation and management; and (iii) media tracking and monitoring. This public relations company regularly provides us with news clipping reports from, among other things, local newspapers and the internet which give us important market information such as commentary on our restaurants.

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

— participation in dining promotions organised by major credit card companies. These promotions offer special discounts of between 20% and 40% to diners that settled bills at our participating restaurants with that particular credit card;

— placement of advertisements in food and lifestyle magazines;

— promotion of our Group's restaurants through newsletters and our own website and on social media websites;

— hosting of masterclasses such as Cheese and Wine Masterclass at some of our Classified Restaurants, which allows for foodies to learn more about and enjoy wine and cheeses sourced from around the world;

— offering at "Happy Hour" drinks at non-peak hours; and

— participation in social responsibility and sponsorship in charity events.

The amount of expenses budgeted each year for marketing and promotion is determined and approved by our senior management at the end of the year for the upcoming year and is based on the marketing budget forecast. The marketing activities are reviewed from time to time by our senior management to ensure their effectiveness. For the two years ended 31 December 2015, our Group's expenses on advertising and promotion amounted to approximately HK$1.9 million and HK$3.3 million, representing approximately 1.3% and 1.9% of our total revenue, respectively.

SUPPLIERS AND RAW MATERIALS

Our Group's aim is to offer our customers high quality food whilst protecting our environment. Our Group targets to source, among other things, its fresh ingredients, meat, seafood, fruits and vegetables from local suppliers. We believe that our chefs have the responsibility to educate and inform our customers and to provide them with sustainable alternatives.

To this extent, we require all of our suppliers to undergo a vetting process, whereby we contact the potential supplier to arrange a site visit to enable us to understand the operations and the condition of their premises. We also rely on word of mouth of other restaurant operators that we know to obtain feedback and recommendations on the quality of potential suppliers and their products. Finally, we will check to see if a supplier is able to deliver products within our required schedule, whether their format of goods is acceptable and whether the potential supplier has the appropriate delivery methods to maintain the quality of the foods during the delivery process (for instance, maintaining items at proper temperature). We have maintained a list of approved suppliers for food ingredients and beverage which comprise 120 suppliers as at the Latest Practicable Date.

With the exception of certain material ingredients such as coffee beans, alcoholic/non-alcoholic beverages which are sourced by our head office centrally, each of our restaurants has a pre-approved list of suppliers from which our chefs and procurement staff would source from to meet their daily consumption and subject to pre-approved monthly budget. Suppliers that are placed on our pre-approved list of suppliers have already undergone our vetting stage that requires a minimum of three quotations be obtained. In the event that certain items are out of stock and require replacement, procurement staff in each restaurant is allowed to make additional purchases. Individual items above HK$2,000 will require further approval from our Group's director of operations.

Suppliers

The raw materials and consumables that our Group requires for its operations can be classified as (i) food and baking ingredients; (ii) beverages (alcoholic and non-alcoholic); and (iii) others such as non-perishable goods including table clothes, cutlery and cooking equipment. During the Track Record Period, our five largest suppliers consisted of local suppliers that mainly supplied beverages (alcoholic and non-alcoholic), meats, vegetables and condiments. For the two years ended 31 December 2015, we sourced from over 171 and 114 suppliers, respectively. As at the Latest Practicable Date, we had established approximately five years of business relationship with each of our five largest suppliers for the Track Record Period and approximately five years of business relationship with our largest supplier for the Track Record Period.

In addition to sourcing some of our raw materials from Independent Third Parties, we also source a portion of our wine, as well as some of our tea and all bottled water (sparkling and still) from Altaya Wines and some cigars from Cubatabaco and Mr. Pong. Each of Altaya Wines and Cubatabaco is wholly-owned by Mr. Pong, one of our executive Directors, and his father. As such, Altaya Wines and Cubatabaco are connected persons of our Company.

The table below sets out details of the products that we sourced from Altaya Wines and Cubatabaco during the Track Record Period:

	Year ended 31 December			
Product	**2014**		**2015**	
	Purchase HK$'000	*% of total purchase*	*Purchase HK$'000*	*% of total purchase*
Wine, tea and bottled water	4,553	11.9	3,634	8.8
Cigar	25	0.1	56	0.1
Total	4,578	12.0	3,690	8.9

Subsequent to the Listing, purchases from Altaya Wines and Cubatabaco will constitute continuing connected transactions for our Company under the GEM Listing Rules. Details of the continuing connected transactions are set out in the section headed "Continuing Connected Transactions — Non-exempt continuing connected transactions" in this prospectus.

The below table sets out some information on our top five suppliers during the Track Record Period:

Year ended 31 December 2014

Name of supplier	**Approximate number of years of relationship**	**Ingredient supplied**	**Credit terms**	**Payment method**	**Total purchase**	**% of total purchase**
			(Days)		*HK$'000*	*%*
Altaya Wines and Cubatabaco	Four	Wine, tea, bottled water and cigars	30	Bank transfers	4,578	12.0
Supplier A	Four	Vegetables	30	Bank transfers	3,527	9.2
Supplier B	Four	Meat	30	Bank transfers	2,930	7.7
Supplier C	Four	Meat	30	Bank transfers	1,891	4.9
Supplier D	Four	Condiments	30	Bank transfers	1,708	4.5
Sub-total for our five largest suppliers					14,634	38.3
Other suppliers					23,589	61.7
Total					38,223	100.0

Year ended 31 December 2015

Name of supplier	**Approximate number of years of relationship**	**Ingredient supplied**	**Credit terms**	**Payment method**	**Total purchase**	**% of total purchase**
			(Days)		*(HK$'000)*	*%*
Supplier A	Five	Vegetables	30	Bank transfers	3,853	9.3
Altaya Wines and Cubatabaco	Five	Wine, tea, bottled water and cigars	30	Bank transfers	3,690	8.9
Supplier E	Five	Meat	30	Bank transfers	2,218	5.4
Supplier C	Five	Meat	30	Bank transfers	2,120	5.1
Supplier B	Five	Meat	30	Bank transfers	2,092	5.0
Sub-total for our five largest suppliers *(Note)*					13,973	33.8
Other suppliers					27,421	66.2
Total					41,394	100.0

Note: The figures may not add up due to rounding.

Save as disclosed below, our Group did not enter into other long-term contracts with our food ingredient suppliers and each of our restaurants purchase food ingredients on an as-required basis taking into consideration the amount of inventory that is required to sustain operations at least until the next scheduled delivery. Some of the main ingredients that we source vary from time to time depending on whether the ingredient is available or in season.

On 1 May 2014, we entered into a legally binding supply agreement ("**Coffee Beans Agreement**") with a coffee beans supplier ("**Coffee Beans Supplier**"), an Independent Third Party, to supply coffee beans to our Group. The Coffee Beans Agreement was renewed on 29 April 2016 for a fixed term of 24 months from 1 May 2016 to 30 April 2018 (both dates inclusive). Our Directors believe that by entering into a long term agreement for the supply of coffee beans, we are able to secure the supply and ensure our coffee is produced at a consistent quality for our customers. Pursuant to the Coffee Beans Agreement, we are required to purchase a minimum amount of coffee beans from the Coffee Beans Supplier, who will, in return, among other things, sponsor the use of various coffee equipment at our various restaurants during the term of the Coffee Beans Agreement. The price of the coffee beans is fixed during the term of the Coffee Beans Agreement. Prior to making the decision to renew the Coffee Beans Agreement, our Directors had obtained quotations from at least two other coffee beans suppliers to ensure that our Group would benefit from the most competitive commercial terms. We are subject to monthly minimum purchase requirement and also each order must be of minimum order size ("**MOQ**"). The Coffee Beans Supplier has the right to terminate the Coffee Beans Agreement if we do not meet the minimum monthly purchase requirement. Our Directors confirm that we have met the purchase requirements under the Coffee Beans Agreement. We are required to include the Coffee Beans Supplier's logo or coffee on all of our beverage menus. All sponsored coffee equipment is owned by the Coffee Beans Supplier but our Group is responsible for their daily cleaning and maintenance. Any damage to the sponsored coffee equipment is borne by our Group. Under the renewed Coffee Beans Agreement, we may enjoy rebate if we order certain amount of coffee beans. The payment term is 30 days and a 3% interest per month will be imposed for late and outstanding payment.

Based on our experience, the price of many food ingredients is prone to fluctuations, rendering the fixing of an agreed price for a long contractual term impractical. The ingredients used by our chefs to prepare the food items offered on our menus are not difficult to source or regularly available. We will regularly monitor and control the cost of major food ingredients by adjusting our menu items accordingly if certain ingredients are outside our preset budgets.

During the Track Record Period, none of our major suppliers ceased, or indicated that it would cease, its supply to us, and we did not experience any material delay or interruption in securing the supply of food ingredients from any major suppliers nor any difficulty or failure in securing sufficient quantities of food ingredients. We did not have any material dispute with any of our major suppliers during the Track Record Period. In view of this, our Directors believe that we will not experience any material difficulty in securing the supply of food ingredients from our major suppliers.

Save as disclosed above, our Directors confirm that there is no rebate arrangement with our suppliers and to the best of our Directors' knowledge, we had not encountered any incidents that any of our Directors or employees was involved in any bribery or kickback arrangements with our suppliers during the Track Record Period. To prevent any kickback arrangements with our suppliers, we have implemented certain policies, such as sourcing from pre-approved suppliers, settlement of purchases by our head office and setting out our policy on prevention of bribery and corruption in our employee handbook.

For the two years ended 31 December 2015, purchases from our five largest suppliers accounted for approximately 38.3% and 33.8% of our total purchases of raw materials and consumables consumed, respectively. During the same years, purchases from our largest supplier accounted for approximately 12.0% and 9.3% of our total purchases of raw materials and consumables, respectively. During the Track Record Period, none of our suppliers were one of our five largest customers.

Save for the purchases of certain products as mentioned above from Altaya Wines and Cubatabaco as at the Latest Practicable Date, to the knowledge of our Directors, none of our Directors or their respective close associates or any of our Shareholders owns more than 5% of the Shares in issue had any interest in any of our five largest suppliers for the Track Record Period. Other than Altaya Wines, Cubatabaco and Mr. Pong, all of our suppliers are Independent Third Parties.

Raw materials and consumables

Raw materials and consumables used by our restaurants and our food factory are food ingredients and beverages (both alcoholic and non-alcoholic). Our major food ingredients include meats, seafood, bread, vegetables, frozen food, cheese, condiments and other items such as eggs, dairy products and canned food. With exception to cheese ingredients, our raw materials and consumables are sourced from local suppliers that supply imported ingredients. A sensitivity analysis of the hypothetical fluctuation of costs of raw materials and consumables is set out in the section headed "Financial Information — Factors affecting our Group's results of operations and financial condition — Food and beverage prices — Hypothetical fluctuations" of this prospectus.

Credit and payment terms

We generally enjoy a credit term of 30 to 90 days after the monthly statement is issued. During the Track Record Period, most of the purchases from our suppliers were denominated and settled in HK dollars by cash, cheque or bank transfer.

Inventory management

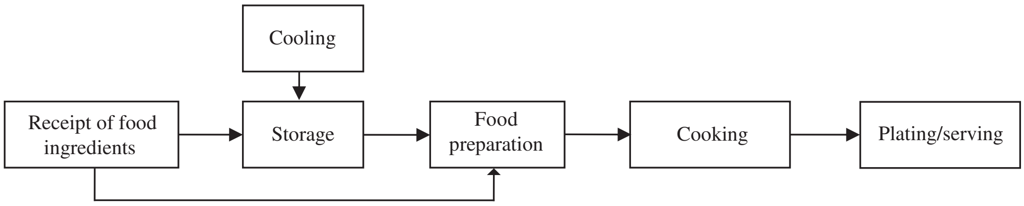
The materials that we purchase for our restaurants and food factory mainly include perishable items such as fresh food ingredients and non-perishable items such as table clothes, cutlery and cooking equipment. Our Directors believe that the ability to properly manage inventory, in particular, perishable items, will allow our Group to operate more efficiently and effectively. Our fresh ingredients typically have shelf life of several hours to several days; frozen food and dried food have a shelf life of approximately two to three months; alcoholic beverages have a shelf life of several months to several years; canned food have a shelf life of up to several years whilst some alcoholic beverages such as brandy, whiskey and vodka do not have stated shelf life. Although many of our materials purchased have a shelf life, our inventory turnover rate for our perishable items is shorter than the above shelf life thus allowing us to ensure quality and freshness of our ingredients used in our dishes. For our non-perishable items, they are replaced on an as-required basis, for instance, if items are damaged or unusable or do not meet our Group's required standard of quality.

Our inventory is managed on a first-in-first-out system. Our kitchen staff will, on a daily basis, and normally after the restaurant business hours, check on the availability of materials for the next day's operations and, if any items are insufficient, will make orders to our suppliers. For items ordered by the main office, the main office will arrange for delivery to required location where there is a shortage of these supplies for these items. Further, we pay particular attention to perishable items and, through management of our daily menus, incorporate these perishable items before they get spoiled or go foul to ensure that wastage is minimal. Any spoilt item or item which may pose a risk to our customers if eaten is disposed of.

FOOD ORDERING AND PREPARATION PROCESS AT OUR RESTAURANTS

We do not have any central kitchen for the preparation of our food ingredients and dishes and with exception to certain ready-to-sell drinks, bakery items and sandwiches, most of our items, in particular food items at our full service restaurants, are prepared upon order.

The diagram below illustrates the typical food preparation process at our restaurants:



Placement of purchase orders to receipt of food ingredients

The head chef and sous chef of each restaurant are responsible for monitoring the level of supplies regularly and deciding the types and quantities of food ingredients to be purchased. The head chef then places orders to the authorised suppliers directly. Upon delivery of the food ingredients, the head chef and sous chef or the designated person in charge at the respective restaurant will check the information on the delivery notes against the orders before confirming receipt of the food ingredients. Delivery notes and/or invoices are delivered to the accounts department of our Group afterwards. All purchases are supported by invoices provided by our suppliers. They will also check that ingredients received at delivery are of acceptable quality and sufficient quantity and they will also monitor the level of inventory ensuring that it is sufficient for daily operations. Ingredients that are insufficient will be reordered and if a certain ingredient is required on an urgent basis but cannot be obtained from the supplier on their regular delivery schedule, it will be purchased from reputable grocery stores. Some of our ingredients such as coffee, alcoholic beverages, water and teas are sourced by our main office. Details on our sourcing of our material ingredients are set out in the paragraph headed "Suppliers and raw materials" in this section.

Storage

If the proper quantity and quality checks are passed, the food ingredients are, unless immediately required as part of the food preparation process, put into storage. The senior kitchen staff of each of our restaurants is responsible for ensuring that the ingredients received are prepared for processing or properly put in storage.

Food preparation

All of our food ingredients and dishes are prepared at the respective restaurants as we do not operate a central kitchen. Preparation of our food ingredients and dishes is principally carried out by our junior kitchen staff and overseen by a more senior kitchen staff. In order to ensure efficiency and maintain quality control during the food preparation process, different tasks in food preparation process are allocated to different staff. Such division of labour will include washing, cutting, preparation and cooking.

Cooling

Any food items that have been prepared but are not required for immediate cooking will be put into cooling (i.e. refrigeration) to maintain freshness and quality as well as to minimise any chance of bacterial growth.

Cooking

Various kitchen staff of different seniority such as cooks, chef de parties, sous chef, head chef and executive chef will carry out the cooking of dishes. Each of our senior staff will monitor the junior staff.

Plating/serving

Once the ingredients have been properly cooked (if required), it is plated and checked by the head chef/sous chef for quality and presentation before being served to our customers.

Development of new dishes

Our Group's policy on the development of new dishes is to change menus in order to provide novelty and respond to, among other things, customer demand and change of customer trend. The menus at our restaurants require weekly/seasonal and/or quarterly changes and is developed by our head chefs, or in the case of The Pawn, by Mr. Tom Aikens. All new menus such as dishes, prices, format are subject to the approval of the chief executive officer of PRGML or our director of operations. The communication of such changes is discussed during our internal weekly operation meeting and backed up with a document that would list all new items and de-listed items.

QUALITY CONTROL

Quality control at our restaurants

We believe that our food and services quality is critical for our Group's success in the competitive food and beverage industry. Quality food served at our restaurants and quality services provided by our staff members are one of our strengths to maintain competitiveness. We have implemented a strict quality control system at all our restaurants which our staff members will strictly follow. Our director of operations together with a team of 39 staff members who have experience ranging from approximately five to 28 years in the food and beverage industry, are responsible for the overall implementation of our Group's food safety measures. Further, at each restaurant, the relevant front of house manager or assistant manager and back of house, head chef or sous chef are responsible on a daily basis to ensure hygiene and food quality, respectively.

Food quality

To ensure our quality of food, all ingredients purchased for the preparation of food dishes are only to be purchased from pre-approved suppliers as instructed by the chef-in-charge of the restaurant. The pre-approved supplier list contains the details of our suppliers including the relevant up-to-date business registration certificates and operational licences held by them under the statutory requirements. We maintain regular contact with our major suppliers and all ingredients delivered to us are inspected by our staff at the time of delivery to ensure they meet our quality standards. Those that do not meet our quality requirements are returned to the supplier. If a supplier fails to meet our quality standards persistently, we will consider replacing such supplier. During the Track Record Period, we did not replace any of our pre-approved suppliers due to their quality of supplies. Since a considerable amount of the ingredients that our restaurants purchase is perishable food items such as fresh meat, bread and vegetables, our chefs and managers of our restaurants that are responsible for purchasing such perishable food items will ensure that we only purchase sufficient amounts to avoid overstocking and wastage and as such will allow us to regularly use fresh ingredients in preparation of our food dishes. We did not engage any external party or testing agency to carry out inspections independently on our suppliers during the Track Record Period and up to the Latest Practicable Date, however, annual supplier evaluation will be performed by the chef-in-charge/restaurant managers to assess the quality and price of the ingredients supplied as well as the quality of service of the supplier.

In January 2016, our Group established the food hygiene guidelines, food code for restaurant management, and personal hygiene guidelines in the staff handbook to provide written references regarding proper food handling practices to our employees. Each of our restaurants (except CCK which is exempted from any licensing requirements) has certified hygiene supervisors and hygiene managers to meet the requirements prescribed by the FEHD, and to monitor the hygiene conditions of the restaurants. All raw food ingredients and semi-processed food ingredients are required to be stored in covered shelves, or refrigerators (i.e. depending on the nature of the food ingredients) with thermometers for monitoring the storage temperature. Kitchen staff will perform regular checking on the storage temperature to ensure the food ingredients are stored under the desired temperature. There are written guidelines to require that all food handlers must sterilize their hands before processing food ingredients and wear gloves when processing food ingredients. The chef-in-charge of the restaurant will provide on-the-job food processing and hygiene training to other kitchen staff on an on-going basis. Kitchen staff will perform cleaning work on the kitchen and complete the cleaning checklist regularly; some cleaning work have been outsourced to third party professional cleaning service providers as well, such as dish washing, pest control and restroom cleaning.

Preparation

The preparation of all food ingredients and dishes at our restaurants is principally carried out by our junior kitchen staff and overseen by a more senior kitchen staff. The food dishes after leaving the preparation area will be checked by the head chefs/executive chef in the kitchen before being passed to our servers to serve our customers. At our full service restaurants, our head chefs/executive chef will ensure that each dish is prepared in accordance with certain presentation requirements as well as being fit for human consumption. Any items that do not meet the standards set will be returned for preparation and/or cooking. To strengthen the food safety supervision at each of our Group's restaurants, we require our staff, in particular those who handle food during the preparation stages, to attend the Hygiene Manager and Hygiene Supervisor Scheme. Please refer to the paragraph headed "Business — Internal control and risk management measures" in this section for further details.

Customer services

An integral part of our restaurant business is the ability to properly manage customer service. If we are not able to manage our customers' expectations, this may have an adverse effect on drawing in customers to our restaurants and the reputation of our Group. To ensure that customer service is properly handled and provided, we have taken the following steps:

(i) staff training: all new employees, and in particular front of house staff, undergo a training to ensure that they are friendly and polite when dealing with customers. On-the-job training is also provided by our managers and more senior employees to junior employees and casual workers to ensure that quality of our service is maintained. For our full service restaurants, our restaurant managers will check whether they are satisfied with our dishes and services while our customers are having their meals at our restaurants;

(ii) complaint protocol: any customers' complaints received at the restaurants regarding our food or services are promptly dealt with by the restaurant staff on duty. He/she will try to fully understand the situation and appropriately, with the assistance of our restaurant manager, resolve the complaint. If the complaint arises due to our default, such as delays in serving food or unsatisfactory food quality, we will take steps to rectify such default and, on a case-by-case basis, may offer complementary drinks and/or food items such as desserts to our aggrieved customer. For complaints that are repetitive, of a material nature and which cannot be rectified internally, we may consider appointing external consultants to conduct a review of our quality control measures and provide solutions if necessary; and

(iii) guest feedback: to ensure that our customers have access to our management, we provide our Group's email contacts on our website, for customers to lodge feedback on their experience at our restaurants. Any emails received of such nature are appropriately handled by our marketing director and director of operations. At our full service restaurants we also provide for comment cards to be filled in by our customers.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaints in relation to food poisoning or any complaints filed by our customers to the Consumer Council and the Hong Kong Tourism Board. We were not aware of any incidence of customer complaint claiming material compensation that could have a material adverse impact on our business, results of operations and financial position during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, most of the customer complaints were related to quality of food and service.

Dining environment

To ensure that all our restaurants' dining environment are in acceptable conditions prior to restaurants' daily opening, our restaurant managers are required to go through a pre-opening checklist which covers various aspects, including, making sure that the kitchen and dining areas are clean and hygienic, getting the software system ready, preparing and replenishing the bar requirements, checking freshness of plants at tables and table settings and ensuring that the cutleries are tidy and clean. On daily closing, our manager on duty will also go through a closing checklist. Our Group also has engaged an independent professional service provider to provide regular pest control services and cleaning services at all of our restaurants.

Quality control of our food factory operations

Our Directors understand the importance of food safety and hygiene for our Group's food factory operations and therefore we are committed to ensuring quality and safe bakery goods are produced for our customers. To achieve this, we have implemented a strict hygiene policy which is required to be followed by our employees during our baking process. Through staff training and awareness, audits and implementation of HACCP, we try to minimize any risk of food contamination. Further, at each critical point of the baking process, starting from purchasing of raw materials to delivery, we have adopted hygiene procedures which focus on the importance of hygiene and safety. In addition to those measures adopted to ensure safety and hygiene during our baking process, after baking operations cease on a daily basis (or after an extended baking cycle during peak periods), we also implemented a detailed cleaning and sanitizing programme to remove food debris which may potentially cause growth of harmful bacteria and lead to an unsanitary working environment. This cleaning and sanitizing programme covers all areas of the food factory operations and specifies, among other things, the frequency of cleaning and steps that are to be taken.

Baked products produced at our food factory are delivered directly to our customers through our own transportation. To ensure the quality of our baked products, they are typically baked on the day before the date of delivery and delivered in the morning of the following day in accordance with the orders placed by our customers. Prior to the delivery of our products, a supervisor will conduct a visual quality control check on the baked products to ensure that they are ready for consumption. Any baked products that do not pass the quality control checks are disposed of. Once the products are delivered to our customers, we require our customers to acknowledge receipt and conduct a quality check. Any baked products that are found to have product defects or not of merchantable quality will be returned to us for disposal. During the Track Record Period and up to the Latest Practicable Date, we had not experienced a product recall or had any product liability claims regarding our baked products. Further, for our pre-packaged products, before delivery to our customers, we will ensure that they are in compliance with food labelling requirements in Hong Kong.

Supply chain

We require our suppliers and the products that they supply to our Group to meet our internal quality standards and the standards implemented by the relevant regulatory authorities in Hong Kong. To ensure that our suppliers maintain an acceptable quality, we will regularly meet and hold discussions with our suppliers regarding quality standard issues.

EXPANSION PLANS AND SITE SELECTION DEVELOPMENT

Since the establishment of our Group's first Classified restaurant in 2006 on Hollywood Road, we have grown to three restaurant brands in 12 locations as at the Latest Practicable Date. As part of our Group's strategy to continually expand and diversify its network of restaurants and to replace restaurant locations where the leases expired and could not be renewed, our Directors and senior management will take into consideration, among others, the following factors before deciding on the setting up of a restaurant on new locations:

- accessibility: we will consider the accessibility for pedestrians and vehicles and proximity to public transport;
- visibility: we will consider a location's ability to bring visibility to our brand;
- demographics: we will consider the demographics of the residents in the proposed and neighbouring restaurant location such as, among others, age groups, income levels and educational level;
- competition: we will consider the existing and potential restaurants (including cannibalism from our own restaurants) within the neighbouring geographical area that may compete with us in terms of, among other things, the number, type and size;
- rental costs: our ability to operate profitably based on the rental costs; and
- breakeven and payback periods: we will consider the time it may take for a new restaurant to achieve breakeven and payback periods.

In deciding whether a location is suitable for a new restaurant, we will also prepare a feasibility report internally which will cover matters such as budgeting, staffing requirements and pricing structure.

New restaurant development procedures

If a location is determined as suitable for a new restaurant of our existing brands or for a new brand to be created, we typically follow the following process:

1. **site selection**: there are two different channels where we may find an appropriate site for a proposed restaurant: (i) we may be approached by a property owner and/or property agents with potential sites that they have available for rent, or (ii) by own accord where we look for sites within a certain location, demographics or rent parameters;
2. **fact finding and feasibility studies**: with a location in mind, we will conduct a detailed research on, among other things, demographics, rental costs and consider whether the

proposed location is suitable for restaurant licensing purposes. We will also prepare a feasibility study which will set out information such as financial projections and the number of staff required. The results of this research and the feasibility study will be presented to our Directors for consideration and approval;

3. **decide restaurant concept and design**: once the Directors have approved a location, we will commence discussions with designers and architects to prepare initial design proposals to target the demographics of our proposed restaurant. Depending on the type of restaurant to be developed, the design may take between one month to three months to finalise. The design concept is presented to our Directors for consideration and approval;

4. **lease negotiation and execution**: if a site and concept is approved by our Directors, we will commence negotiations with the landlord taking into consideration, among other things, factors such as rental costs (base rent and turnover rent), comparable rents of similar size locations within the vicinity, potential increases in rents at expiry of a lease, and FEHD licensing requirements. If any major factors cannot be agreed to our satisfaction, we will cease further negotiations;

5. **finalise restaurant concept and design**: once a lease has been signed, we will continue discussions with designers and architects to finalise design, layout plans and commence the tender process decide on the appropriate consultants and contractors to be used. Deciding on the appropriate consultants and contractors will be primarily determined by a critical path based on the lead time towards site handover;

6. **apply for necessary licences**: we will then work with a consultant to apply for the necessary licences for the operation of the restaurant (among others, general restaurant licence, food factory licence, light refreshment restaurant licence, liquor licence, water pollution control licence and music licence as the case may require). For details on the licensing requirements, please refer to the section headed "Regulatory Overview" in this prospectus;

7. **source for necessary staff**: based on the staffing guide in the approved feasibility study, we will commence planning the amount of people that will be required, their respective positions, job titles, job specifications and the salary structure. With this in mind, we first look at the possibility of internal transfers and promotions. Once this has been determined we prepare a recruitment plan based on the timeline until site handover from main contractor;

8. **soft opening**: for all new restaurants we will always have a soft opening. If a grand opening is also proposed, the soft opening will typically be approximately one to three weeks before a grand opening. The soft opening is where the new restaurant operates with little promotion, to allow testing of operations, procedures, and facilities. Only when we are satisfied that our service, product and premises are up to the acceptable standards will we officially open for business; and

9. **grand opening**: we do not always have a grand opening for each restaurant and will depend on various factors including whether there is sufficient budget, proposed marketing plan and strategy.

The typical lead time from the delivery of premises to the actual opening of a restaurant will be approximately three months to six months.

To manage the supply needs of our new restaurant locations, our Group will source its ingredients from our pre-approved list of suppliers or through existing suppliers with whom we have signed supply agreements. Our Directors believe that our existing suppliers will be able to satisfy our ingredient requirements for our new restaurant locations.

To manage our staff requirements for our new locations, we will consider reallocating of staff within our existing operations and for additional staff requirements we will rely on our existing recruitment policy as disclosed in the paragraph headed "Employees—Recruiting" in this section.

Each of our new restaurants will adopt a similar reporting structure and quality control policy of our existing restaurants, details of which are set out in the paragraphs headed "Restaurant and food factory operations and management — Reporting structure of our Group" and "Quality Control" in this section.

INFORMATION TECHNOLOGY

To assist our directors and senior management to fully understand and analyse our Group performance, we have installed a POS system at all of our restaurants that captures extensive consumer spending data, including time and date of meal, location of guest's seat, quantities of each menu item sold, drinks consumption, individual order breakdown, types of payment. The information collected through the POS system is accessible and can be analysed by our Directors and senior management to allow them to make adjustments to, among other things, menus items and pricing.

AWARDS AND ACCOLADES

Our Directors believe that being recognised as providing quality food and service can be highly beneficial to boosting the image of our restaurants and increasing our table turnover rate. During the Track Record Period, our restaurants had received the following awards or accolades due to our high quality of food and standard of service:

Restaurant	Award/recognition	Year	Awarding body
Classified	• Southside Readers' Choice Awards 2014 — Best Food & Beverage — Best Coffee	2014	Southside Magazine
	• 10 Best Hong Kong Breakfasts: It's the Best Meal of the Day	N/A	USA Today 10 Best
The Pawn	• Hong Kong's Best Whisky Bars	2014	HK Magazine
	• Best New Bar — Honourable Mentions	2015	The Foodie Forks

Restaurant	Award/recognition	Year	Awarding body
	• Top 25 Bartenders Hong Kong and Macau	2015	Drinks World Asia
	• Michelin Guide Hong Kong and Macau 2016	2015	Michelin Guide
	• Hong Kong's Best Boozy Brunches	2015	The HK Hub
	• Hot in Hong Kong: 12 Best Restaurants for 2015	2015	CNN.com
	• Best Mixologist	2015	The Foodie Forks
	• Hong Kong's 10 Best Brunches	2016	The Culture Trip

COMPETITION

The food and beverage industry in Hong Kong in general is highly competitive and fragmented. According to the Ipsos Report, there were about 764 western full service restaurants and 1,430 casual restaurants operating in Hong Kong in 2015. Further, according to the Ipsos Report, in 2014 the total market size of the western full service and casual restaurants was approximately HK$10,326 million and HK$7,250 million, respectively. In 2015, the top five operators of full service restaurants and western casual restaurants only shared approximately 4.3% and 8.0% of the respective markets in Hong Kong in terms of number of restaurants. For full service restaurants, the top ranked company operated 13 locations whilst for casual restaurants, the top ranked brand had 41 locations. The food and beverage industry is also diverse with a significant number of competitors of different scale and market positioning, ranging from international restaurant chains to locally based enterprises, targeting customer groups with different demand and spending power, and offering a variety of cuisines and menu items. 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. Our Directors believe that the uniqueness of our brands, style of restaurants and being located at pedestrian street level have allowed us to set us apart from our competitors.

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

INSURANCE

As at the Latest Practicable Date, we maintained the following insurances which our Directors believe are adequate and in line with industry practice:

(i) employee's compensation insurance — this insurance is purchased pursuant to the requirements under the Employment Ordinance which requires employers to compensate their staff for accidents that happen in the workplace;

(ii) consequential loss insurance — this covers loss of profits arising from certain temporary business interruption;

(iii) money insurance — this covers loss of money at our restaurants and in transit;

(iv) all risk insurance — this covers, among other things, damage to property; and

(v) public liability insurance — this covers potential liability for any injury to property and persons that happens within our insured locations.

Save from the above insurances, we do not have any specific insurance relating to loss arising from food-borne diseases.

During the Track Record Period and as at the Latest Practicable Date, we had not made any material claims against any of the above mentioned insurance coverage. Prior to the Listing, we propose to obtain director's liability insurance for our Directors.

OUR PROPERTY INTERESTS

All of our Group's restaurants are operated on leased properties and licensed areas. As at the Latest Practicable Date, we also leased or licenced a total of 20 properties in Hong Kong, of which seven are used as our office and storage and 13 are used as the premises of restaurants or food factory. The lettable area of our leased properties and licenced area ranged from 2.2 sq.m. to 950.6 sq.m. Our Group's leases have initial lease terms of between one and five years and may have an option to renew for an additional two to four years. We have been notified by the landlord of one of our leased properties, which we use as storage, that he has received a building order from the Buildings Department requiring him to replace an unauthorized non-fire proof door. The building order was not a result of our Group's actions. We have been informed by the landlord that the unauthorised non-fire proof door has been replaced with a fire-proof door. Also, we have obtained an undertaking from him to fully indemnify our Group for potential loss and/or damage arising out or as a result of such building order. We have been advised by our Hong Kong legal counsel that as the building order was served against the landlord as the registered owner of the relevant property, any fine or penalty that is levied in relation to this building order shall only be directed at the relevant landlord against which the building order was served. As the leased property is not used for our restaurant operations, our Directors are of the opinion that there will not be any significant risk or damage to our business operations. The following table sets out details of the properties leased and occupied by Group's for its restaurants and food factory as at the Latest Practicable Date:

Restaurants and food factory

No	Restaurant name/usage	Address	FEHD Licensed area *(sq.m.) Approximate*	Rental type	Lease/licence start date	Lease/licence expiry date	Number of years for which the existing term can be renewed
1.	CSK	G/F & M/F 5 Sha Tsui Path Sai Kung New Territories Hong Kong	117	Basic rent	20 August 2014	19 August 2016 *(Note)*	Two
2.	CCK (Licence agreement)	Portion of 59/F, Cheung Kong Center 2 Queen's Road Central Hong Kong	N/A	Licence fee	2 October 2013	1 October 2016	N/A
3.	CTH	Shops A, B & C, G/F China Tower 1-9 Lin Fa Kung Street West Tai Hang Hong Kong	101	Basic rent	10 October 2013	9 October 2016	Two
4.	Food factory	Unit B, 9/F Kam Man Fung Factory Building 6 Hong Man St. Chai Wan Hong Kong	218	Basic rent	1 October 2014	31 October 2016	N/A
5.	CHV	Shop B, G/F Kam Yuk Mansion No. 13 Yuk Sau St Happy Valley Hong Kong	84	Basic rent	1 December 2013	30 November 2016	Three

No	Restaurant name/usage	Address	FEHD Licensed area *(sq.m.) Approximate*	Rental type	Lease/licence start date	Lease/licence expiry date	Number of years for which the existing term can be renewed
6.	CSP	Shop No. G08A G/F Commercial Centre Ma Hang Estate 23 & 33 Carmel Road Stanley Hong Kong	163	Basic rent or turnover rent, whichever is higher	15 July 2011	28 February 2017	N/A
7.	CMB	G/F, 31 Wing Fung St Wan Chai Hong Kong	48	Basic rent or turnover rent, whichever is higher	1 July 2013	30 June 2017	N/A
8.	CCR	Shop 1, G/F, 108 Hollywood Road Sheung Wan Hong Kong	40	Basic rent or turnover rent, whichever is higher	12 August 2014	11 August 2017	Two
9.	CRB	Shop no. 107 Level 1 of the Pulse No. 28 Beach Road Repulse Bay Hong Kong	129	Basic rent or turnover rent, whichever is higher	6 October 2014	5 October 2017	Three
10.	The Pawn	Shop 7, 1/F, Shop 11 2/F, Nos. 60, 60A, 62, 64 & 66 Johnston Road No. 18 Ship Street Wan Chai Hong Kong	519	Basic rent or turnover rent, whichever is higher	1 August 2014	31 July 2018	Four
		Roof at 3/F and portion of lift lobby at G/F, Nos. 60, 60A, 62, 64 & 66 Johnston Road No. 18 Ship Street Wan Chai Hong Kong	N/A	Licence fee	1 August 2014	31 July 2018	Four

No	Restaurant name/usage	Address	FEHD Licensed area *(sq.m.) Approximate*	Rental type	Lease/licence start date	Lease/licence expiry date	Number of years for which the existing term can be renewed
11.	CNW	Shop No. 1 1/F New World Tower 16-18 Queen's Road Central Hong Kong	68	Basic rent or turnover rent, whichever is the higher	31 October 2015	30 October 2018	N/A
		Licensed Area, 1/F New World Tower 16-18 Queen's Road Central Hong Kong	N/A	Licence Fee	31 October 2015	30 October 2018	N/A
12.	The Fat Pig	Shop No. 1105 11/F, Times Square Causeway Bay Hong Kong	519	Basic rent or turnover rent, whichever is the higher	1 September 2015	31 May 2020	N/A
		Flat roof Shop No.1105 11/F, Times Square Causeway Bay Hong Kong	47	Licence fee	1 September 2015	31 May 2020	N/A
13.	CEX	Shop 313, 3/F Exchange Square Podium, 8 Connaught Place Central Hong Kong	126	Basic rent or turnover rent, whichever is the higher	1 August 2015	31 July 2020	N/A

Note: Our Group is currently in discussion with the landlord for the renewal of the lease and has yet to enter into a new lease. The landlord has verbally agreed that the lease can be extended to January 2017.

As at the Latest Practicable Date, we had not received any indication from the landlords that they may not renew our leases or that there will be a substantial increase in rental fees which are not in line with market rates when the leases are subject to renewal.

LICENCES AND APPROVALS

Food related licencing regime

In addition to the licence required for the operation of a business in Hong Kong, we are also required to obtain specific licences for the operation of our restaurants pursuant to the PHMSO and FBR. Details of the relevant laws and regulations are set out in the section headed "Regulatory Overview" in this prospectus.

The below chart shows the types of licenses which we are required to obtain for the operation of our restaurants and food factory:

	Issuing authority	Classified Restaurants(Note 3)	The Pawn	The Fat Pig	CBCL
General restaurant licence	FEHD	√(Note 1)	√	√	N/A
Food factory licence	FEHD	√(Note 2)	N/A	N/A	√
Light refreshment restaurant licence	FEHD	√(Note 4)	N/A	N/A	N/A
Liquor licence	LLB	√(Note 5)	√	√	N/A

Notes:

1. The general restaurant licence is only required for CRB.

2. Each of CNW and CBCL has a food factory licence. In particular, CBCL is permitted to manufacture bakery products, frozen dough, cheese, salad, dessert and soup for wholesale.

3. Pursuant to section 4 of the FBR, as CCK provides canteen services exclusively for the employees of an investment bank, it is exempted from any licensing requirements.

4. Each of CCR, CEX, CHV, CMB, CSK, CSP, and CTH has a light refreshment restaurant licence.

5. CCK and CNW do not sell alcoholic beverages therefore they are not required to obtain liquor licences.

Licences for our Group's operation in Hong Kong

As of the Latest Practicable Date, our Group owned and operated 12 restaurants and a food factory in Hong Kong. Save as disclosed below and in the paragraphs headed "Legal proceedings" and "Non-compliance matters" in this section, as at the Latest Practicable Date, our Group had obtained (i) the relevant licences required for all of its restaurants and food factory in Hong Kong; and (ii) a liquor licence in respect of each of the restaurants which sells alcoholic beverages for consumption on the premises. Our Group will apply to renew the relevant licences as and when applicable. Our Directors are of the view that there are no impediments for us to renew the relevant licences.

Our Group confirms that as at the Latest Practicable Date, no demerit point had been registered against any of our Group's restaurants.

The table below sets out the details of our licences in respect of each of our Group's restaurants as at the Latest Practicable Date:

Type of licence	Restaurant/ food factory	Licence number	Licensee	Licenced area *(sq.m.)* *(approximately)*	Expiry date
Food factory licence	CNW	2918803724	Classified Limited	68	11 August 2017
	CBCL	2911803761	Classified Limited	218	7 March 2017
Light refreshment restaurant licence	CEX	3118803567	Classified Limited	126	1 June 2017
	CTH	3112803705	Classified Limited	101	2 June 2017
	CHV	3112803802	Classified Limited	84	20 July 2016 *(Note 1)*
	CMB	3112802623	Classified Limited	48	22 January 2017
	CSK	3198800492	Classified Limited	117	5 April 2017
	CCR	3118801251	Classified Limited	40	19 April 2017
	CSP	3115800327	Classified Limited	163	26 April 2017
General restaurant licence	CRB	2215801535	Classified Limited	129	11 August 2017
	The Pawn	2212803664	TPL	519	1 September 2017
	The Fat Pig *(Note 2)*	2212804977	SMLL	519	10 February 2017
Liquor licence *(Note 3)*	The Fat Pig	5212804415	RAU PACH Robert (Restaurant manager)	N/A	9 July 2018
	CSK	5298820262	LAW Conchita P (Supervisor)	N/A	11 October 2016
	CRB	5215820726	DEMIT Maria Jycel Jiji Dimaandal (Shop assistant)	N/A	12 January 2017
	CSP	5215820294	ESPIRITU Marlowe Villegas (Bartender)	N/A	18 April 2017
	CEX	5218820967	SARACANLAO Connie Garcia (Restaurant manager)	N/A	23 September 2017
	CMB	5212823973	TAMANG Alesh (Waiter)	N/A	8 October 2017
	CCR	5218800503	RUMBAUA Nezzar Ordonio (Waiter)	N/A	20 October 2017
	CTH	5212821597	LIMBU Sumeena (Waitress)	N/A	20 December 2017
	CHV	5212821700	MESA Flora Gersaniba (Junior supervisor)	N/A	19 January 2018
	The Pawn	5212802677	LAM Chi-Kan (Senior supervisor)	N/A	17 March 2018

Type of licence	Restaurant/ food factory	Licence number	Licensee	Licenced area *(sq.m.)* *(approximately)*	Expiry date
Water pollution control licence *(Note 4)*	The Fat Pig	WT00020969-2015	SMLL	N/A	31 January 2020
	CMB	WT00021232-2015	Classified Limited	N/A	31 March 2020
	CHV	WT00021045-2015	Classified Limited	N/A	31 March 2020
	CEX	WT00021191-2015	Classified Limited	N/A	31 March 2020
	CNW	WT00021234-2015	Classified Limited	N/A	30 April 2020
	CCR	WT00021459-2015	Classified Limited	N/A	30 April 2020
	CTH	WT00021404-2015	Classified Limited	N/A	30 April 2020
	CSP	WT00021400-2015	Classified Limited	N/A	30 April 2020
	CRB	WT00021411-2015	Classified Limited	N/A	30 April 2020
	The Pawn	WT00021386-2015	TPL	N/A	30 April 2020
	CSK	WT00021492-2015	Classified Limited	N/A	31 May 2020
	CBC	WT00022502-2015	CBCL	N/A	30 September 2020

Notes:

1. Our Group is in the process of renewing the licence.

2. The general restaurant licence for The Fat Pig also allows for outdoor seating accommodation with a licenced area of 46.50 sq.m.

3. All of the licensees have signed unconditional consents to sign transfer documents for the transfer of the liquor license in the event that they cease to be employed by our Group.

4. As advised by the legal counsel of our Company, CCK does not fall within the definition of a restaurant under the FBR and therefore is not required to obtain a water pollution control licence.

Usage of music

In addition to the licences mentioned above and in the course of our business, we play music and songs at our restaurants for the entertainment of our customers. The use of the music at our restaurants is subject to payment of licence fees. In Hong Kong, the licensing bodies for use of music and songs registered in the Copyright Licensing Bodies Registry of the Intellectual Property Department are CASH, PPSEAL and HKRIA.

As at the Latest Practicable Date, the following restaurants had been licensed by the HKRIA and PPSEAL for the use of music managed by the HKRIA and PPSEAL. Details of the licences are as follows:

		HKRIA		PPSEAL	
Restaurants	**Licensee**	**Licence number**	**Licensing period**	**Licence number**	**Licensing period**
CCR	Classified Limited	35349-RET-009-1965	1 December 2015 — 30 November 2016	L855664	1 November 2015 — 31 October 2016
CMB	Classified Limited	35350-RET-009-1965	1 December 2015 — 30 November 2016	L855665	1 November 2015 — 31 October 2016
CEX	Classified Limited	35351-RET-009-1965	1 December 2015 — 30 November 2016	L855666	1 November 2015 — 31 October 2016
CSK	Classified Limited	35354-RET-009-1965	1 December 2015 — 30 November 2016	L855668	1 November 2015 — 31 October 2016
CTH	Classified Limited	35356-RET-009-1965	1 December 2015 — 30 November 2016	L855670	1 November 2015 — 31 October 2016
CHV	Classified Limited	35352-RET-009-1965	1 December 2015 — 30 November 2016	L855667	1 November 2015 — 31 October 2016
CSP	Classified Limited	35355-RET-009-1965	1 December 2015 — 30 November 2016	L855669	1 November 2015 — 31 October 2016
CRB	Classified Limited	35353-RET-009-1965	1 December 2015 — 30 November 2016	L855663	1 November 2015 — 31 October 2016
SML	SMLL	35448-RET-009-0911	1 December 2015 — 30 November 2016	L855981	1 November 2015 — 31 October 2016
The Pawn	TPL	35449-RET-009-0921	1 December 2015 — 30 November 2016	L860145	1 November 2015 — 31 October 2016

Note: We do not broadcast any music at the premises where CNW and CCK are located and therefore they do not require to obtain the relevant licences from either HKRIA, PPSEAL or CASH. As at the Latest Practicable Date, we did not receive any notice from HKRIA, PPSEAL or CASH in respect of broadcasting unlicensed music at any of our restaurants. In December 2013, we entered into a music consultancy agreement ("**Music Consultancy Agreement**") for a period of 36 months commencing from 2 December 2013 to 1 December 2016 (both dates inclusive) with an independent music consultant to, among other things, advise on our restaurants' music strategy and liaise with record labels on licensing issues. Pursuant to the Music Consultancy Agreement, we were required to pay a monthly fee of HK$25,000 for the first 12-month period, HK$29,167 for the second 12-month period and HK$33,333 for the third 12-month period.

EMPLOYEES

Our Group's staff are all based in Hong Kong. As at the Latest Practicable Date our Group employed a total of 268 employees. A breakdown of our employees by function as at the Latest Practicable Date is set out below:

	As at Latest Practicable Date
Management	6
Human resources and administration	2
Sales and marketing	5
Finance and accounting	5
Procurement	4
Restaurant staff	
Chefs and kitchen staff	124
Floor staff	122
Total	268

Our Directors believe that the restaurant business is service-oriented and all of our staff members play an integral part in the successful development of our Group's restaurants. In particular, our Directors believe that priority must be given to the professional training and continual development of our floor staff to ensure that attentive, courteous service is given to our customers together with offering skilfully prepared dishes and delicious cuisine. As our restaurant business requires a considerable number of employees for our operations, our staff costs represents a substantial portion of our Group's expenses. 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. As at Latest Practicable Date, we had 64 casual workers.

Staff retention, award and encouragement

Further, our Directors believe that our Group's success is dependent on our ability to attract, motivate and retain a sufficient number of qualified employees, restaurant managers, service staff and in particular chefs. Our Directors believe that providing a caring working environment will help retain staff and encourage productivity.

In order to try and retain staff and to recognise their contribution and dedication to our Group, our Group has established a policy to promote and award employees with outstanding performance. The Group has established an employee of the month award applicable to our restaurant staff and a quarterly award applicable to only our senior management staff/restaurant managers. We have adopted an open door policy with our Group to encourage openness and transparency. In addition, we have conditionally adopted the Share Option Scheme to enable our Company to grant options to the participants in recognition of their contribution made or to be made to our Group. For more details, please refer to the section headed "Statutory and General Information — Share Option Scheme" in this prospectus.

For each of the two years ended 31 December 2015, the average annual turnover rates of our staff were approximately 78.1% and 70.3%, respectively, calculated by dividing the number of staff departed during the year by the total number of staff at the end of the year.

Promotion of safe working environment

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 are knowledgeable, 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, contained in our staff handbook, is 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, dealing with media and celebrities and staff development, training and evaluation. Our Group believes that our employee's job satisfaction is a critical factor to our restaurant operations' success, and therefore in our staff handbook we have also set out the procedures available to our employees if they have any grievances relating to their job.

Labour disputes, accidents and claims

During the Track Record Period and up to the Latest Practicable Date, we had 25 work-related accidents involving injuries caused by accidents arising out of employment and suffered by our employees, such as finger cut and sprained body parts. As at the Latest Practicable Date, out of the said 25 cases, 12 cases were still ongoing and all of which are fully covered by our employees' compensation insurance policy. Save as disclosed above, our Group did not experience any labour disputes, material insurance claims related to employees' injuries or any major work-related accidents, To facilitate our monitoring of our work injuries we maintain a record of all work injuries sustained by our staff. Of these claims, up to the Latest Practicable Date, 13 had been settled and none of these claims had led to any material insurance claims. The total amount of compensation paid to work-related injuries during our Track Record Period was approximately HK$0.2 million. As at the Latest Practicable Date, we had nine cases of accidents that were submitted for employment compensation and which had not yet resolved, details of which are set out in the paragraphs headed "Legal Proceedings" and "Incident at the Pawn" in this section.

We offer our employees competitive wages and other benefits including, among other things, medical benefits, meal allowance and transport allowance. Our Group's staff costs include all salaries and benefits payable to all staff, including executive Directors and were approximately HK$57.6 million and HK$62.2 million for the two years ended 31 December 2015, representing approximately 38.2% and 35.4% of our revenue, respectively. A sensitivity analysis of the hypothetical fluctuation of staff costs is set out in the section headed "Financial Information — Staff costs — Hypothetical fluctuation" in this prospectus.

Recruiting

Recruitment in the food and beverage industry is highly competitive, especially with respect to recruiting restaurant staff, including chefs, cashier, kitchen staff and floor staff. Our Group endeavours to offer competitive wages and benefits, discretionary bonuses, focused training and internal promotion opportunities to potential candidates.

During the Track Record Period, we mainly hired our staff from the open market through advertising in local newspaper, online job portals, through recruitment advertisement on our website and through recruitment agencies. For staff employed through recruitment agencies, we paid commissions to the recruitment agencies on successful hiring of staff introduced by the recruitment agency.

Mandatory provident fund

As required by Hong Kong laws, we have enrolled all of our staff in the MPF. Our Company has confirmed that we had complied with applicable labour and social welfare laws and regulations in the Hong Kong in all material respects, and had made relevant contributions in accordance with such laws and regulations during the Track Record Period.

As stated in the paragraph headed "Insurance" in this section, our Group maintains various insurance coverage in respect of our staff including occupational injury, medical and group accidental death.

ENVIRONMENTAL MATTERS

Our Group's operations are subject to environmental protection laws and regulations in Hong Kong. For details, please refer to the section headed "Regulatory Overview — Environmental Regulatory Compliance" in this prospectus. Further, our Directors believe that they should operate their food and beverage operations with social responsibility and as such should take into account factors that may affect the environment. As at the Latest Practicable Date, we had, where required, obtained water pollution licences for all of our restaurants. Our Group has also implemented policies within our Group to ensure that there is minimal wastage from our operations. For the two years ended 31 December 2015, 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$0.6 million and HK$0.7 million, 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. Our Directors expect that the cost of compliance with the applicable environmental laws and regulations for the year ending 31 December 2016 to be immaterial.

INTELLECTUAL PROPERTY RIGHTS

Our Directors believe that brand recognition, together with quality food and services, are vital to the success of our Group's operations. Our Group's restaurants operate under three trademarks owned by our Group, namely Classified, and SML trademarks. As such, our Group has taken steps for the registration of our trademarks in Hong Kong, being where all our restaurants (with exception to the Classified being operated in Indonesia under the Franchise Agreement) are operated. We have also entered into a licence agreement with Hethel Limited, a company owned by Mr. Tom Aikens for the use of the trademark "The Fat Pig". In addition, we are the registered owner of, among others, the domain name, www.classifiedgroup.com.hk. Please refer to the sub-section headed "Appendix IV — 2. Our intellectual property rights" of this prospectus for more details of our trademarks and domain names.

Our Directors confirm that during the Track Record Period, we were not involved in any proceedings in respect of, and we had not received any notice of claims of infringement of any intellectual property rights that may be threatened or pending, in which we may be involved whether as a claimant or as a respondent. Further, we have no knowledge of any restaurants passing themselves off as part of our Group by using same or similar names of the restaurants of our Group.

LEGAL PROCEEDINGS

In the ordinary course of business, our Group had been subject to a number of claims during the Track Record Period, including personal injury claims suffered by our employees. Our Directors are of the view that such claims against our Group are not uncommon in the food and beverage industry. As at the Latest Practicable Date, we had 11 ongoing employees' compensation cases, all of which are fully covered by our employees' compensation insurance policy.

Incident at The Pawn

On 7 May 2015, there was a fire incident at The Pawn (the "**Incident**"). To the best of our Directors' knowledge, having made reasonable enquiries, the possible cause of the Incident was that a pressurised can of oil spray was placed near an open stove and as a result, the pressurised can exploded. As a result of the Incident, three persons were injured. Two of the three injured persons were our employees (being the pastry chef and demi chef), whilst the third injured individual was at the time interviewing for a position at The Pawn and therefore she was not an employee of our Group. The three aforementioned individuals sustained burns and were taken to hospital to receive treatments. As at the Latest Practicable Date, the two injured employees in the Incident have resigned.

As at the Latest Practicable Date, our Group had not received any threats of legal action from any of these three injured individuals or their legal representatives.

On 5 November 2015, our Group received two summonses for failure to provide a safe working environment to our employees which is in breach of sections 6A(1), 6A(2)(b), 6A(2)(c) and 6A(3) of the Factories and Industrial Undertakings Ordinance, Cap 59 (the "**Summonses**"). On 12 February 2016, as a result of the discussions with the Labour Department, we pleaded guilty to one of the charges charged under the Factories and Industrial Undertakings Ordinance and were fined HK$12,000. As at the Latest Practicable Date, the fine had been fully paid. The second summons issued against our Group was withdrawn.

Subsequent to the Incident, we have enhanced our internal control by establishing a health and safety committee (comprising members of our senior management and operations staff) to oversee the review and implementation of our Group's health and safety policies and procedures which includes, among others:

- ensuring regular training is provided to all existing and new restaurant staff;
- arranging for external equipment supplier to check for potential gas leakages;
- putting up signs in the kitchen to remind staff that health and safety is critical at the workplace;
- establishing fire evacuation procedures; and
- regular reviews of our health and safety policies.

Save as disclosed above and as at the Latest Practicable Date, our Company and our Directors were not subject to any actual or threatened claims or litigation of material importance that may have material impact on our operations, financials and reputation.

NON-COMPLIANCE MATTERS

During the Track Record Period, our Group had failed to comply with certain laws and regulations. Save for the incidents of non-compliance as set forth below, our Directors are not aware of any historical and material non-compliance of our Group under applicable laws and regulations during the Track Record Period and as at the Latest Practicable Date.

Our Directors are of the view that (i) no provision is necessary to be made in respect of the immaterial non-compliance incidents set out below and (ii) these non-compliance incidents, whether individually or collectively, have not caused and will not have a material adverse effect on our business, results of operations and financial condition.

The following table summarises non-compliance incidents in relation to our Group's operations during the Track Record Period:

Particulars of non-compliance	Reasons for non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
CCK failed to obtain a Business Registration Certificate ("**BR Certificate**") from the commencement of business in October 2013 to 12 December 2014 as required under Section 5 of Business Registration Ordinance. Such non-compliance was discovered during the due diligence exercise in connection with the preparation of the Listing.	As CCK was operated as a staff canteen and was exempt from obtaining a food business licence, our former manager responsible for the opening of new restaurants genuinely believed that there was no need to apply for a BR Certificate.	Pursuant to Section 15, any person who fails to make any application required under Section 5 shall be liable to a fine of HK$5,000 and to imprisonment for one year.	A Business Registration Certificate for CCK was obtained on 12 December 2014 and as at the Latest Practicable Date, our Group had not received any notice from the Companies Registry in respect of the non-compliance. As advised by the legal counsel of our Company, as the business registration certificate has been obtained, the likelihood of a potential fine or criminal prosecution against our Directors and/or officer is remote.	Our Group has appointed Mr. Li Kai Leung, our company secretary, to oversee all of our Group's secretarial matters and to monitor future compliance with the Companies Ordinance. After the Listing, we will also engage legal advisers to provide regular updates on the legal and regulatory requirements applicable to our operations.

Particulars of non-compliance	Reasons for non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
CRB continued to operate in breach of Section 31(1) of the FBR between 27 May 2015 and 11 August 2015 when the provisional restaurant licence had expired on 26 May 2015 and before the general restaurant licence was obtained on 12 August 2015.	We were informed that the fire alarms installed in the relevant premises did not operate in accordance with the relevant fire services regulations. As the landlord is responsible for the maintenance of such fire services system, the landlord's failure to comply with the relevant fire regulations was out of our control which led to the delay in obtaining the general restaurant licence. Our Group continued to operate after the expiry of the provisional licence as one of our staff who was responsible for obtaining the general restaurant license failed to notify our senior management of this non-compliance as she believed this could be timely rectified.	The directors of Classified Limited shall be liable to maximum HK$50,000 fine and imprisonment for 6 months and HK$900 for each day pursuant to Section 35(3)(a) of the FBR.	A general restaurant licence was obtained on 12 August 2015 and there has been no warnings received nor any potential prosecution action taken against our Group during the non-compliance period and up to the Latest Practicable Date. As advised by the legal counsel of our Company, the risk of prosecution initiated against Classified Limited, its directors, and/or officers is remote as a result of such non-compliance since we are no longer in breach of Section 31(1) of the FBR.	Mr. Alain Claude Decesse ("**Mr. Decesse**"), chief executive officer of PRGML, will 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 has notified our senior management staff that the restaurants operated by our Group must not operate its business without valid licences. After the Listing, we will also engage legal advisers to provide regular updates on the legal and regulatory requirements applicable to our operations.

Particulars of non-compliance	Reasons for non-compliance	Legal consequences and maximum potential liabilities	Rectification actions taken and status	Measures adopted by our Group to prevent re-occurrence of the non-compliance and ensure continuing compliance
Our Group's restaurants and food factory did not obtain a water pollution control licence prior to the commencement of their respective business operations which involved discharging matter into communal sewer or communal drain in a water control zone contrary to Section 9 of the WPCO.	The omission was due to the inadvertent oversight of the external consultant engaged by our Group to handle licensing matters relating to our business operations. As advised by Ipsos, it is not uncommon for restaurant operators to engage external consultant to advise them on licensing related matters.	A person who commits an offence under Section 9 shall be liable to imprisonment for 6 months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000, and in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during which the offence has continued.	As at the Latest Practicable Date, our Group had already obtained all necessary water pollution control licences for all of our Group's restaurants (excluding CCK which does not fall under the definition of "food business" as defined in the FBR and therefore does not require a water pollution control licence as advised by the legal counsel of our Company) and food factory and our Group had not received any notice of prosecution from the EPD. As advised by the legal counsel of our Company, the risk of criminal prosecution against our Group, our Directors and/or officers for the past non-compliance in respect of the discharge of waste or polluting matter without a relevant licence is remote given that all relevant water pollution control licences have been duly obtained as at the Latest Practicable Date.	Mr. Decesse will 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. We will also seek legal advice from legal advisers on the legal and regulatory requirements relating to opening new restaurants in the future.

Internal control and risk management measures

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

In light of the past non-compliance incidents that occurred during the Track Record Period, we have engaged an independent internal control reviewer, an international reputable firm, (the "**Internal Control Reviewer**") in January 2016 to assist our Group and the Sole Sponsor to review and provide recommendations for improving and rectifying certain weakness of our internal control system according to the agreed-upon review procedures.

We make progress payments to the Internal Control Reviewer upon receipt of invoices. The scope of work includes reviewing, among others, (i) internal control system and procedures; (ii) food safety management; (iii) food and beverage licensing management; and (iv) workplace safety. The Internal Control Reviewer performed the work in relation to our internal controls and put forward recommendations.

Accordingly, we have modified and adopted certain new internal control procedures to enhance our internal control system, the implementation of which has been confirmed by the internal control report issued by our Internal Control Reviewer upon the conduct of the follow-up reviews took place between January 2016 and June 2016.

The table below sets out the major findings and implementation status of the recommendations.

Major findings	Recommendations	Status of implementation of recommendations
Internal control system and procedures		
• Formal monitoring mechanism of the design and effectiveness of internal control system and procedures was not established	We should ensure that our Group maintains sound and effective internal controls to safeguard shareholders' investment and our Group's assets as required by Section C.2 of Appendix 15 of the GEM Listing Rules. We should establish a mechanism to monitor our Group's internal control system (the "**Internal Control Policies and Accounting Manual**")	We will out-source the internal audit function to an external service provider. Internal Control Policies and Accounting Manual has been reviewed by the Internal Control Reviewer and will be approved and adopted by the Board of Directors prior to the Listing.
• A formal whistleblower mechanism had not been developed	We should develop a whistleblowing program, including an ethical hotline or an anonymous reporting infrastructure to enable direct reporting of information on any ethical issues by employees (the "**Whistleblowing Policy**").	The Whistleblowing Policy has been reviewed by the Internal Control Reviewer and will be approved and adopted by the Board of Directors prior to the Listing.

Major findings	Recommendations	Status of implementation of recommendations
• Formal mechanism in regards to regulatory compliance management was not established	We should establish a formal mechanism in regard to the regulatory compliance management and the policies and procedures, among other things, including (i) identification of relevant rules and regulations for compliance; (ii) communication and handling policy with governmental authorities; (iii) procedures in handling non-compliance issues raised by government; and (iv) internal reporting or escalation mechanism for communicating potential non-compliance issues to the management. (the "**Compliance Policy**") These policies and procedures should be reviewed and updated periodically by the management and communicated to relevant employees on a timely basis.	The Compliance Policy has been reviewed by the Internal Control Reviewer and will be approved and adopted by the Board of Directors prior to the Listing.
Food safety management		
• Incomprehensive food safety management policies and procedures for all restaurants within our Group	We should update and review periodically the food safety management policies and procedures (the "**Code**") and communicate to all relevant employees.	We have updated and implemented the Code since January 2016.
• Absence of formally approved supplier list for the selection of food sources and lack of vendors' approved operational licenses for all the restaurants of our Group	We should establish and approve a formal supplier list which should be reviewed on a regular basis. We should also obtain from the vendors all approved and up-to-date operational licenses (e.g. bakery license, food factory license and frozen confection factory license) which are to be properly maintained by our Group.	We have established and approved a vendor list documenting the information of the supplier since February 2016. Our procurement department had also obtained operational licenses of the vendors.
• Cleaning records for kitchen, washroom, walls and floors were not prepared by The Pawn	We should establish and maintain a cleaning schedule and record of the kitchen, washrooms, walls and floors of The Pawn. We should also review and evident the actual works done by signing off the record.	Since January 2016, we have started keeping record of the cleaning schedule and checklists at the Pawn which were properly signed off by the responsible staff.

Major findings	**Recommendations**	**Status of implementation of recommendations**
• Lack of formal written evidence to show that full and periodic food and personal hygiene training programs were provided to the food handlers of all restaurants	We should maintain all attendance record in writing by way of a signed confirmation of all the facilitator and attendants who attended full and periodic food and personal hygiene training sessions. If the employees attended courses organised by the FEHD or by institutions recognised by FEHD, we should also retain all the written training record of the employees.	Hygiene Manager/Supervisor Certificates of the staff are properly maintained by our Group since January 2016 and every restaurant has certified hygiene manager/ supervisor to monitor the food processing hygiene.
Food and beverage licensing management		
• Lack of detailed written policies and procedures for certain licensing management processes	We should establish a set of policies and procedures governing licensing management (the "**Licenses Management Policy**"), review periodically and communicate to all relevant employees.	We have established and implemented the Licenses Management Policy since January 2016.
• Policies and procedures for handling complaints were not established	We should establish a set of policies and procedures for handling complaints (the "**Complaints Management Policy**"), review periodically and communicate to all relevant employees.	We have established and implemented the Complaints Management Policy since January 2016.
• Lack of independent review of the license register	We should engage independent person to review the licence register on a regular basis to ensure that the accuracy and completeness of the information in the register and such review should be documented.	The licence register has been prepared, reviewed and approved by independent person on a monthly basis since January 2016.
Workplace safety		
• Lack of detailed written policies and procedures for crisis management procedures	We should develop a comprehensive set of crisis management policies (the "**Emergency Policy**"), review periodically and communicate to all relevant departments and employees.	We have developed and implemented the Emergency Policy since February 2016.

In addition, we have adopted the following measures based on the major findings to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal controls:

(i) since February 2016, we have set up an internal control committee to implement the internal control and risk management measures as recommended by the Internal Control Reviewer in order to ensure compliance with the GEM Listing Rules and the relevant Hong Kong laws and regulations;

(ii) we established our audit committee on 14 June 2016 which comprises three independent non-executive Directors, namely Mr. Chum Kwan Yue Desmond, Dr. Chan Kin Keung Eugene and Mr. Ng Chun Fai Frank, all of whom possess extensive experience in financial and/or general management. Our audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, our audit committee is empowered to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal controls or other matters;

(iii) we have currently engaged an external professional adviser to provide training to our Directors, senior management and personnel overseeing our Group's compliance matters on laws and regulations applicable to our restaurant operations; and

(iv) our Directors and other members of our senior management attended a training session in February 2016, which was conducted by our Company's Hong Kong legal advisers on the on-going obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance and the GEM Listing Rules.

Further, Mr. Wong, our executive Director, has been appointed as our Group's compliance officer to oversee compliance matters.

Internal control committee

Our Company established an internal control committee (the "**IC Committee**") on 15 February 2016 to oversee our Group's legal and compliance matters relating to restaurant operations and to implement the internal control and risk management measures as recommended by the Internal Control Reviewer in order to ensure compliance with the GEM Listing Rules and the relevant Hong Kong laws and regulations as well as to prevent recurrence of our historical non-compliances. The functions of the IC Committee include (i) monitoring and ensuring our Group's compliance with the Hong Kong laws, rules and regulations and applicable to our Group's operations; (ii) providing status reports to the Board of Directors on a regular basis; (iii) engaging external advisers where necessary; and (iv) taking all necessary measures as it thinks appropriate to ensure the aforesaid measures are properly implemented.

The IC Committee comprises three members including (i) Mr. Wong, the chairman of our Company, an executive Director and our compliance officer, (ii) Mr. Alain Claude Decesse ("**Mr. Decesse**"), our senior management and chief executive officer of PRGML; and (iii) Mr. Li Kai Leung ("**Mr. Li**"), our senior management, our financial controller and our company secretary. Mr. Wong was designated as the chairman to lead the IC Committee. For details on the biography of Mr. Wong, Mr. Decesse and Mr. Li, please refer to the section headed "Directors and Senior Management" in this prospectus.

As advised by the Internal Control Reviewer, after they considered our Group's historical non-compliances, our Company has established several internal control policies which will be formally adopted prior to the Listing. In particular, the Compliance Policy is established to monitor various legal and regulatory compliance. The IC Committee led by Mr. Wong will strictly follow and implement the Compliance Policy disclosed in the section headed "Non-Compliance Matters — Internal Control and Risk Management Measures" in this prospectus based on the recommendations of the Internal Control Reviewer. Each of our IC Committee members is each delegated with different roles as set out below:

(i) Mr. Decesse will oversee restaurant business matters including licensing requirements under the FBR and WPCO and to make sure each of our Group's restaurants has obtained all necessary licences at all time during business operations. He also will 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; and

(ii) Mr. Li, as our financial controller and our company secretary, will oversee the financial aspect of our Group as well as regulatory matters concerning the Companies Ordinance.

For details of the major findings and recommendations of the Internal Control Reviewer, please refer to the paragraph headed "Internal control and risk management measures" above in this section.

Indemnity from the Controlling Shareholders

Most of the non-compliance issues that occurred during the Track Record Period have been settled or rectified. However, a breach of section 111 and 122 of the Predecessor Companies Ordinance still poses a potential liability to our Group. Our Hong Kong legal counsel has advised us that the breaches of sections 111 and 122 of the Predecessor Companies Ordinance are very minor in terms of gravity; in the event of conviction, the likelihood of the imposition of a maximum sentence would be extremely remote; it would be extremely unlikely that custodial sentences would be imposed on any directors of the subsidiaries; and there are mitigating factors in favour of the subsidiaries and the directors which would reduce any fines which may be imposed by the sentencing magistrate.

In addition, our Controlling Shareholders have entered into a Deed of Indemnity with our Company to provide indemnities in respect of monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.

View of our Directors and the Sole Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors. Our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

The Sole Sponsor, after considering the above and having reviewed the internal control measures, concurs with the views of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents would not materially affect the suitability of our Directors under Rule 5.01 and Rule 5.02 of the GEM Listing Rules and the suitability of our Company under Rule 11.06 of the GEM Listing Rules.

OVERVIEW

The Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business. The following table sets forth the information regarding the members of the Board and our senior management:

Members of our Board

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. WONG Arnold Chi Chiu (黃子超先生)	42	Chairman and executive Director	Appointed as a Director on 24 October 2014 and re-designated as an executive Director on 26 February 2016	21 June 2005	Responsible for overseeing the overall financial matters of our Group and acting as the compliance officer of our Group; serving as a member and the chairman of the internal control committee	N/A
Mr. LO Yeung Kit Alan (羅揚傑先生)	36	Executive Director	Appointed as a Director on 24 October 2014 and re-designated as an executive Director on 26 February 2016	30 June 2005	Responsible for overseeing the overall marketing of our Group	N/A
Mr. PONG Kin Yee (龐建貽先生)	39	Executive Director	Appointed as a Director on 24 October 2014 and re-designated as an executive Director on 26 February 2016	30 June 2005	Responsible for the overall business development of our Group	N/A
Dr. CHAN Kin Keung Eugene (陳建強醫生)	52	Independent non-executive Director	Appointed as an independent non-executive Director on 14 June 2016	14 June 2016	Performing the role as independent non-executive director, chairman of the remuneration committee and a member of the audit committee and the nomination committee	N/A
Mr. CHUM Kwan Yue Desmond (覃君如先生)	43	Independent non-executive Director	Appointed as an independent non-executive Director on 14 June 2016	14 June 2016	Performing the role as independent non-executive director, chairman of the audit committee and a member of the remuneration committee and the nomination committee	N/A

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. NG Chun Fai, Frank (吳晉輝先生)	44	Independent non-executive Director	Appointed as an independent non-executive Director on 14 June 2016	14 June 2016	Performing the role as independent non-executive director, chairman of the nomination committee and a member of the remuneration committee and the audit committee	N/A

Members of our senior management

Name	Age	Position	Date of appointment of current position	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Alain Claude DECESSE	45	Chief executive officer of PRGML	24 August 2015	24 August 2015	Responsible for supervising and managing business operation of our Group's restaurants; serving as a member of the internal control committee	N/A
Mr. LI Kai Leung (李啟良先生)	42	Financial controller and company secretary	1 June 2014	14 September 2012	Responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance and corporate compliance matters; serving as a member of the internal control committee	N/A

DIRECTORS

Executive Directors

Mr. WONG Arnold Chi Chiu (黃子超先生), aged 42, is our Chairman and an executive Director and the compliance officer of our Company and one of the Controlling Shareholders. Mr. Wong is a member and the chairman of the internal control committee. He is also a director of all the subsidiaries of our Company. Mr. Wong co-founded our Group together with Mr. Lo and Mr. Pong in June 2005 and is primarily responsible for overseeing the overall financial matters of our Group. Mr. Wong graduated from St. Hugh's College, Oxford University, the United Kingdom with a bachelor's degree in Jurisprudence in June 1996. Prior to establishing our Group, Mr. Wong had three years and six years of experience in auditing and corporate finance, respectively. From August 1996 to August 1999, Mr. Wong worked at KPMG UK Limited, a professional service company that offers audit, tax and advisory services, as a trainee chartered accountant responsible for carrying out auditing tasks. From October 1999 to April 2003, Mr. Wong joined HSBC Markets (Asia) Limited, a banking and financial services organisation, as an investment banker where he handled many transactions, including mergers and acquisitions, initial public offerings and privatisations. From May 2003 to August 2004, Mr. Wong joined Henderson Land Real Estate Agency Limited, a property developer based in Hong Kong, as deputy general manager and was responsible for leading various merger and acquisition transactions; reviewing business plans and performing financial analysis.

Mr. Wong had not been a director in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. LO Yeung Kit, Alan (羅揚傑先生), aged 36, is an executive Director and one of the Controlling Shareholders. He is also a director of all the subsidiaries of our Company. Mr. Lo co-founded our Group together with Mr. Wong and Mr. Pong in June 2005 and is primarily responsible for overseeing the overall marketing of our Group. Mr. Lo graduated from Princeton University, the United States of America with a bachelor's degree in architecture in June 2003. Prior to establishing our Group, Mr. Lo have had several years of experience in the food and beverage and hospitality industry. From July 2003 to September 2004, Mr. Lo worked at Mandarin Oriental Hyde Park London, a luxury hotel in London, where his last position was management trainee responsible for assisting in the management of various restaurants within the hotel. Mr. Lo worked at Shangri-La International Hotels Management Limited, a luxury hotel group, as project coordinator from October 2004 to May 2006 and as assistant project manager from June 2006 to December 2006, where he was responsible for managing various projects for the hotel group.

In February 2007, Mr. Lo co-founded Blake's Real Estate Limited, a Hong Kong-based property development company focusing on boutique residential projects and of which he is also a director responsible for advising on the investment projects.

Mr. Lo actively participates in various advisory boards of the Hong Kong SAR Government. Between November 2008 and October 2014, Mr. Lo served as a member of Hong Kong Tourism Strategy Group. Between March 2012 and February 2013, Mr. Lo served as a member of the Greater Pearl River Delta Business Council and between 2009 and 2015, he served as the non-official member of the Business Facilitation Advisory Committee. Since January 2015, Mr. Lo has been a member of the Catering Industry Training Advisory Committee under Qualifications Framework of Education Bureau. Since April 2015, he has been a member of the Arts and Culture Advisory Committee of the Hong Kong International Airport. Since January 2016, Mr. Lo has been a serving member of the Liquor Licensing Board under the Food and Health Bureau.

Mr. Lo was a director of the following companies incorporated in Hong Kong prior to their respective dissolutions:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Merit Bright Limited (暉賢有限公司)	Event management	7 September 2012	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business
Sky Victory Industries Limited (天華實業有限公司)	Inactive	15 May 2015	Deregistration under section 750 of the Companies Ordinance	Never commenced business

Mr. Lo confirmed that there is no wrongful act on his part leading to the dissolutions of these companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. Lo had not been a director in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

Mr. PONG Kin Yee (龐建貽先生), aged 39, is an executive Director and one of the Controlling Shareholders. He is also a director of all the subsidiaries of our Company. Mr. Pong co-founded our Group together with Mr. Lo and Mr. Wong in June 2005 and is primarily responsible for our Group's business development. Mr. Pong graduated from the Massachusetts Institute of Technology, Cambridge, the United States of America with a bachelor's degree in materials science and engineering in June 2000.

In March 1999, Mr. Pong and his father co-founded Altaya Wines, a company that imports and distributes fine wines in Hong Kong. In October 1999, they co-founded Cubatabaco, a company that engages in the trading of cigars. In June 2011, they co-founded Etc Wine, a company that operates retail wine shops in Hong Kong. Mr. Pong is a director in these three companies where he is responsible for the sourcing of wine from international vineyards and the sourcing of cigars as well as developing and building sales network in Hong Kong, respectively. During the Track Record Period, our Group was a catering service provider of Altaya Wines and a bread and cheese supplier of Etc Wine while Altaya Wines and Cubatabaco were the suppliers of wine, tea, bottled water and cigars of our Group. For more information on the continuing connected transactions of Altaya Wines, Etc Wine and Cubatabaco, please refer to the sub-section headed "Continuing Connected Transactions — Non-exempt continuing connected transactions" of this prospectus.

Mr. Pong's contribution in the wine industry has been recognised by various awards and accolades he received in recent years, including the *Chevalier de l'Ordre du Mérite Agricole* awarded by the French Ministry of Agriculture in 2008 for his eminent services to gastronomy and French "Art de vivre" and the Decanter Power List 2013 in which Mr. Pong was selected as one of the top 50 most important people in the global wine industry. In May 2015, Mr. Pong was further awarded the *Chevalier de l'Ordre National du Mérite* by the President of the French Republic in recognition of his dedication to building business and cultural links between France and Hong Kong.

Mr. Pong also actively participates in various public advisory boards. Between 2011 and 2013, Mr. Pong served as a member of the Hong Kong Tourism Strategy Group. Since 2013, Mr. Pong has been a member of the Hong Kong Tourism Board. Mr. Pong is currently also a committee member of the Hong Kong-Europe Business Council, and the vice chairman of the Committee of the Cultural & Arts Research Group of The Y.Elites Group Association Limited as well as an Executive Committee member and a board member of The Community Chest of Hong Kong.

Mr. Pong was a director of the following company incorporated in Hong Kong prior to its dissolution:

Name of company	**Nature of business prior to dissolution**	**Date of dissolution**	**Means of dissolution**	**Reason for dissolution**
Champ State Limited (卓邦有限公司)	Investment holding	1 June 2007	Striking off under section 291 of the Predecessor Companies Ordinance	Ceased to carry on business

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

Mr. Pong had not been a director in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Independent non-executive Directors

Dr. CHAN Kin Keung Eugene (陳建強醫生), aged 52, was appointed as an independent non-executive Director on 14 June 2016. Dr. Chan received a bachelor's degree in dentistry from the University of Adelaide in Australia in May 1988 and a Fellowship Ad Eundem from the Royal College of Surgeons of England in February 2006. Dr. Chan is a registered dentist with The Dental Council of Hong Kong. In 2004, he was awarded the Ten Outstanding Young Persons Selection by the Junior Chamber International Hong Kong. In 2011, he was appointed as the Justice of the Peace by the Chief Executive of Hong Kong. Since 2007, Dr. Chan has been an honorary clinical associate professor of the Faculty of Medicine of The Chinese University of Hong Kong. Since 2011, Dr. Chan has also been a visiting professor of the Jinan University (暨南大學) in the PRC. In 2003, Dr. Chan was elected as the President of the Hong Kong Dental Association. Dr. Chan was a former part-time member of the Central Policy Unit of the Government of Hong Kong in 2005, 2008, 2009 and 2010 and a former non-official member of Commission on Strategic Development (Committee on Social Development and Quality of Life) from 2005 to 2007. In 2007, Dr. Chan was elected as the tenth session committee member of the Chinese People's Political Consultative Conference in Guangdong Province. Since 2010, Dr. Chan has been the member of the Board of Advisors of Radio Television Hong Kong and a member of the Basic Law Promotion Steering Committee. Since 2011, Dr. Chan has been the chairman of the Association of Hong Kong Professionals and its president since 2016. In 2013, he was appointed as a member of the Advisory Committee of School of Chinese Medicine of Hong Kong Baptist University, a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption, a member of Independent Police Complaints Council and a member of the Appeal Board on Public Meetings and Procession. Dr. Chan was appointed as a member of the Town Planning Board in April 2014 and a member of the Quality Education Fund Steering Committee in January 2015. Dr. Chan was appointed as an independent non-executive director and the chairman of the remuneration committee of PuraPharm Corporation Limited (a company listed on the main board of the Stock Exchange (stock code: 1498) and principally engaged in the research and development, production, marketing and sale of Chinese medicine) on 12 June 2015.

Dr. Chan was a director of the following companies incorporated in Hong Kong prior to their respective dissolutions:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Charming Development Limited (進明發展有限公司)	Inactive	12 December 2014	Deregistration under section 750 of the Companies Ordinance	Never commenced business
Global Power Investments Limited (世栢投資有限公司)	Property holding	22 May 2015	Deregistration under section 750 of the Companies Ordinance	Ceased to carry on business
Master Control Limited	Property holding	11 January 2002	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Max Choice Limited (宏彩有限公司)	Property holding	17 February 2012	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business
New Fond Investment Limited (新烽投資有限公司)	Property holding	19 October 2001	Striking off under section 291 of the Predecessor Companies Ordinance	Ceased to carry on business
Rich & Luck Investment Limited (富圖利投資有限公司)	Property holding	11 January 2002	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business
United Ocean Development Limited (合洋發展有限公司)	Inactive	5 June 2009	Deregistration under section 291AA of the Predecessor Companies Ordinance	Never commenced business
Wisdom Talent Trading Limited (智安貿易有限公司)	Property holding	9 November 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business
World Lucky Limited (偉利事有限公司)	Property holding	27 July 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business
United Distributors (Asia) Limited (亞洲聯合股份有限公司)	Trading of oral care products	11 March 2005	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business

Dr. Chan was also a director of the following company incorporated in Australia prior to its dissolution:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Fortune Investment Pty. Ltd	Property holding	21 August 2005	Voluntary deregistration of a company	Ceased to carry on business

Dr. Chan confirmed that there is no wrongful act on his part leading to the dissolutions of these companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Save as disclosed above, Dr. Chan had not been a director of any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. CHUM Kwan Yue Desmond (鄭君如先生), aged 43, was appointed as an independent non-executive Director on 14 June 2016. Mr. Chum obtained a bachelor's degree from Keble College, Oxford University, the United Kingdom in June 1996 with a BA in Oriental Studies (Japanese). Mr. Chum has approximately 18 years of experience in investment and hedge fund activities. He first joined Salomon Brothers as an associate in July 1996, a then investment bank in the US which was eventually acquired by Citigroup Inc. in 2003 after several acquisitions. Since then he was under the employment of Citigroup Global Market Asia Limited, a subsidiary of Citigroup Inc., a multinational investment banking and financial services corporation, and his last position was managing director responsible for heading up Great China investments within the Global Special Situations Group that invests in, among other things, real estate, debt and equity. Since September 2008, Mr. Chum has been a portfolio manager at Claren Road Asia Limited, a company that provides financial services, and is responsible for building and managing a portfolio of regional corporate and sovereign bonds. He has extensive experience in trading and investments in the Asia Pacific Region. Mr. Chum is also a holder of type 9 (asset management) licence issued by SFC. Mr. Chum was an independent non-executive director of Bingo Group Holdings Limited (比高集團控股有限公司) (formerly known as EMCOM International Limited (帝通國際有限公司)), a company listed on the GEM of the Stock Exchange (stock code: 8220) and principally engaged in movie production, licensing and derivatives, crossover marketing and provision of interactive contents and cinema investment and management, from August 2010 to September 2015. Since March 2009, he has been appointed as an independent non-executive director, since March 2012, a member of the nomination committee and since December 2013, a member and chairman of the audit committee of Kader Holdings Company Limited (a company listed on the main board of the Stock Exchange (stock code: 180) and principally engaged in the manufacture and trading of plastic, electronic and stuffed toys and model trains, property investment, and investment holding).

Mr. Chum was a director of the following companies incorporated in Hong Kong prior to their respective dissolutions:

Name of company	Nature of business prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Realink Investments Limited	Property holding	17 April 2015	Deregistration under section 750 of the Companies Ordinance	Ceased to carry on business
Pacific Privilege Limited	Trading	25 June 2004	Deregistration under section 291AA of the Predecessor Companies Ordinance	Ceased to carry on business

Mr. Chum confirmed that there is no wrongful act on his part leading to the dissolutions of these companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of such dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Save as disclosed above, Mr. Chum had not been a director of any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. NG Chun Fai Frank (吳晉輝先生), aged 44, was appointed as an independent non-executive Director on 14 June 2016. He received a Bachelor of Science degree in Economics from University College London, the United Kingdom, a Bachelor of Laws degree from City University London, the United Kingdom and a Postgraduate Diploma in Legal Practice from the College of Law, the United Kingdom in August 1992, June 1994 and 1995 respectively. He was admitted to the High Court of Hong Kong as a solicitor in November 1997 and in the Supreme Court of England and Wales as a solicitor in July 1998 and is currently a practising solicitor in Hong Kong. Mr. Ng has over 20 years of experience in the legal and finance industries. From October 1995 to July 1998, Mr. Ng was a solicitor at Mayer Brown JSM (formerly known as JSM from January 2008 to April 2010 and Johnson Stokes & Master until January 2008), a law firm based in Hong Kong, in the structured finance department. From August 1998 to June 2000, he was the debt capital market counsel at the law and compliance department at Merrill Lynch (Asia Pacific) Limited, an investment banking and financial services corporation. From June 2000 to August 2007, Mr. Ng was employed by JPMorgan Chase Bank, N.A., a global financial services firm based in the United States, where his last position was vice president and assistant general counsel in the legal department. From August 2007 to May 2014, Mr. Ng was the legal counsel and compliance officer of Shikumen Capital Management (HK) Limited, an independent investment firm based in Hong Kong with a greater China focus and the general counsel of BlackPine Private Equity Partners, a private equity firm specializing in special situations, distressed situations, restructuring, and late stage growth capital investments. He was responsible for overseeing both companies' legal and compliance matters including corporate governance, fund administration, transaction execution and due diligence. Since June 2014, Mr. Ng has been a managing director and head of legal and compliance at Crosby Securities Limited, a company that provides financial services ranging from institutional sales, research, corporate access, principal investment, financial products, corporate finance and asset management, where he is responsible for handling all legal and compliance matters. He is also a member of the Hong Kong Institute of Directors since April 2014.

Mr. Ng had not been a director of any other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with the appointment of our Directors.

SENIOR MANAGEMENT

Mr. DECESSE Alain Claude, aged 45, joined our Group in August 2015 as chief executive officer of PRGML. He is primarily responsible for supervising and managing business of our Group's restaurants as well as reporting to the Board of Directors of our Company. He is also a member of the internal control committee. In June 1988, Mr. Decesse obtained a Vocational Training Certificate — Restaurant Worker and Technical School Certificate — Hotel management/public authorities — Option B: Services, specialisation 1: Restaurant, both from Amiens Regional Education Authority, Ministry Education Republic of France. He has over 13 years of experience in the food and beverage industry mainly from working at restaurants in UK, Dubai and Asia. From 2002 to 2010, Mr. Decesse worked at various restaurants operated by Sweet Potato Ventures Ltd ("SPVL"), a UK based company that invests in and operate restaurants and leisure businesses. During his employment with SPVL, he was first employed as the general manager and then later became the operations director responsible for development and implementation of staff training manual programmes for approximately 250 staff, negotiation with suppliers and development of new restaurants. Mr. Decesse had worked for our Group between August 2010 and July 2013 as operation director responsible for overseeing various disciplines including finance, marketing, operations and human resources. From July 2013 to August 2015, he worked for Ikram Café LLC, a food and beverage company in Dubai, as general manager for its food and beverage division, where he was mainly responsible for, among other things, commercial negotiations for franchise arrangements, training and recruitment of staff, business strategies and expansion of food and beverage business and development of two restaurants in Dubai.

Mr. LI Kai Leung (李啟良先生), aged 43, joined our Group in September 2012 as finance manager and was promoted as assistant financial controller in January 2014 and was promoted to financial controller in February 2016. He is primarily responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters. He was appointed as company secretary of our Group on 26 February 2016 and is responsible for corporate compliance under the Companies Ordinance. He is also a member of the internal control committee. Mr. Li received a bachelor's degree in business studies from The City University of Hong Kong in July 1997. He has been an associate member of the Hong Kong Society of Accountants since April 2002 and a qualified member of the Association of Chartered Certified Accountants since May 2008. Mr. Li has over 16 years of experience in accounting. From August 2000 to May 2002, Mr. Li worked as the chief accountant and consultant for Techtree Limited, a trading company in Hong Kong, responsible for carrying out routine accounting duties and preparation for monthly financial statements. From June 2004 to September 2012, Mr. Li joined Miramar Hotel and Investment Company, Limited (a company listed on the main board of the Stock Exchange (stock code: 71) and principally engaged in property rental, hotels and serviced apartments, food and beverage operation and travel operation) as an accountant and subsequently an assistant finance manager, responsible for supervising group's accounting teams in preparation of monthly financial statements, interim and year-end financial reports.

None of our senior management currently holds, or in the past three years preceding the Latest Practicable Date held, any other directorships in any public companies the securities of which are listed on any securities markets in Hong Kong or overseas.

COMPANY SECRETARY

Mr. LI Kai Leung (李啟良先生) is the company secretary of our Company. Mr. Li's biography is set out in the paragraph headed "Senior Management" in this section above.

COMPLIANCE OFFICER

Mr. Wong is the compliance officer of our Company. Mr. Wong's biography is set out in the paragraph headed "Directors" in this section above.

NON-COMPETITION

Save as disclosed in this prospectus, each of our Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group. For further details, please refer to the paragraph headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" of this prospectus.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries in relation to the performance of our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Group regularly reviews and determines the remuneration and compensation packages of its Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After Listing, our Company's remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

The aggregate amounts of remuneration including salaries, contributions to pension schemes and directors' quarters rental and benefits in kind and discretionary bonuses which were paid or payable to our Directors for the two years ended 31 December 2015 were approximately HK$1.0 million and HK$0.9 million, respectively.

The aggregate amounts of remuneration including wages, salaries and bonus, provision for unutilised annual leave and pension costs which were paid by our Group to our five highest paid individuals for the two years ended 31 December 2015 were approximately HK$3.8 million and HK$3.7 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the Track Record Period. For additional information on our Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to note 7 to the Accountants' Report set out in Appendix I to this prospectus.

OUR GROUP'S RELATIONSHIP WITH STAFF

Our Group recognises the importance of a good relationship with its employees. The remuneration payable to the employees includes salaries and allowances. For details, please refer to the section headed "Business — Employees" in this prospectus.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the CG Code and the associated the GEM Listing Rules.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 14 June 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the CG Code have been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The audit committee of our Company consists of three members who are Mr. Chum Kwan Yue Desmond, Mr. Ng Chun Fai Frank and Dr. Chan Kin Keung Eugene. Mr. Chum Kwan Yue Desmond is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 14 June 2016 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with paragraph B1.2 of the CG Code have been adopted. The primary duties of the remuneration committee are to make recommendation to the board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Dr. Chan Kin Keung Eugene, Mr. Chum Kwan Yue Desmond and Mr. Ng Chun Fai Frank. Dr. Chan Kin Keung Eugene is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 14 June 2016. Written terms of reference in compliance with paragraph A5.2 of the CG Code have been adopted. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; access the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members who are Mr. Ng Chun Fai Frank, Mr. Chum Kwan Yue Desmond and Dr. Chan Kin Keung Eugene. Mr. Ng Chun Fai Frank is the chairman of the nomination committee.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

We have entered into a compliance adviser's agreement with the compliance adviser, the material terms of which we expect to be as follows:

(a) we have appointed the compliance adviser for the purpose of Rule 6A.19 of the GEM Listing Rules for a period commencing on the date of listing of our Shares on the Stock Exchange and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of publication of our financial results for the second full financial year after the Listing Date, unless terminated earlier in accordance with the terms of the compliance adviser's agreement;

(b) the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 6A of the GEM Listing Rules and advise us in the following circumstances:

    (i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the Shares; and

(c) we may terminate the appointment of the compliance adviser if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance adviser will have the right to terminate its appointment by giving not less than one month's notice to us or if we commit a material breach of the agreement.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the section headed "Share Option Scheme" in Appendix IV to this prospectus.

RETIREMENT BENEFIT SCHEME

In Hong Kong, we participate in mandatory provident fund scheme prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. Our Directors confirm that all our subsidiaries incorporated in Hong Kong have complied with the aforesaid laws and regulations throughout the Track Record Period and up to the Latest Practicable Date. Save as the aforesaid, we have not participated in any other pension schemes.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, Mr. Wong, Mr. Lo and Mr. Pong (through WGL, EFIL and PGL respectively) will each hold approximately 19.0% interest in our Company and in aggregate control approximately 57.0% of our Company's Shares in issue. WGL, EFIL and PGL are investment holding companies of Mr. Wong, Mr. Lo and Mr. Pong, respectively. As such, Mr. Wong, Mr. Lo and Mr. Pong will continue to remain as the dominating group of Shareholders which would continue to hold a controlling interest in our Company upon completion of the Placing and the Capitalisation Issue. Further, Mr. Wong, Mr. Lo and Mr. Pong have confirmed that since they became interested in and possessed voting rights (whether direct or indirect) in our Company and our subsidiaries, they have been acting in concert and voted in unanimous manner on any proposed resolution in respect of the management, development and operations of our Group's food and beverage operations.

During the Track Record Period, save as disclosed in this prospectus, our Group did not have any business dealings with the companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

Save as disclosed in the paragraph headed "Interests of Mrs. Lo in the restaurant business" in this section, our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, have confirmed that, none of the Controlling Shareholders, the Substantial Shareholders, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Company.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders after Listing.

Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Wong, Mr. Lo and Mr. Pong are our Controlling Shareholders. Nevertheless, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(b) 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 associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association; and

(c) all our senior management members are independent from our Controlling Shareholders. Our Group has established our own management, finance, human resources, administration, procurement, sales and marketing, quality control departments which are responsible for daily operations of our Group.

Operational independence

We do not share operation team, facilities and equipment with our Controlling Shareholders and their associates. Our Group has also established a set of internal control measures to facilitate the effective operations of our business. Our Group's customers and suppliers (save as those disclosed in the section headed "Continuing Connected Transactions" in this prospectus) are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their respective close associates and have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their associates. Save as disclosed in the section headed "Continuing Connected Transactions" of this prospectus and the related party transactions as set out in note 26 to the Accountants' Report in Appendix I to this prospectus, immediately after the Listing, there are no continuing connected transactions and related party transactions between our Group and our Controlling Shareholders and/or their associates. As such, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As of the Latest Practicable Date, our Group had certain banking facilities that were guaranteed by our Directors, details of which are set out in notes 23 and 26 to the Accountants' Report in Appendix I to this prospectus. Such guarantees will be released upon Listing and will be replaced by corporate guarantee from our Company. All guarantees were provided by our Controlling Shareholders. During the Track Record Period, our Group had certain amounts due to/from our Controlling Shareholders and/or companies controlled by our Controlling Shareholders. Please refer to note 18 to the Accountants' Report in Appendix I to this prospectus for further details. All amounts due from our Controlling Shareholders and/or companies controlled by our Controlling Shareholders, which are non-trade nature, will be fully settled before the Listing. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and its close associates.

INTERESTS OF MRS. LO IN THE RESTAURANT BUSINESS

As at the Latest Practicable Date, Mrs. Lo, the spouse of Mr. Lo, was interested in 89.8% interest in Giant Mind International Limited, which was interested in approximately 65.98% interest in Big Team Ventures Limited ("**Big Team**"), which holds the companies comprising the Jia Group. So far as our Directors are aware, Jia Group Holdings will, upon completion of a corporate reorganisation of the Jia Group, hold the companies comprising the Jia Group. The Jia Group is engaged in the business of restaurant operations in Hong Kong and Singapore and operated 10 restaurants in Hong Kong and one in Singapore as at the Latest Practicable Date. According to Ipsos, (i) Jia Group's Hong Kong restaurants had a total floor area of approximately 2,584 sq.m. and its Singapore restaurant had a total floor area of approximately 206.06 sq.m. (ii) during the two years ended 31 December 2015, Jia Group's revenue amounted to approximately HK$170.5 million and HK$206.5 million, respectively; and (iii) Jia Group recognised profit for the year amounted to approximately HK$4.3 million and HK$5.2 million for the two years ended 31 December 2015, respectively (excluding the listing expenses of HK$9.8 million for the year ended 31 December 2015). Mrs. Lo was also a chairperson, chief executive officer, executive director and a controlling shareholder of Jia Group Holdings as at the Latest Practicable Date. Particulars of the restaurants operated by the Jia Group as at the Latest Practicable Date are as follows:

No.	Name of the restaurant	Address	Holding company of the relevant restaurant	Cuisine
1.	208 Duecento Otto	Shop A, G/F & Portion of Shop A & B, 1/F, Tai Ping Mansion 208-214 Hollywood Road, Sheung Wan Hong Kong	Luck Wealthy Limited	Italian
2.	22 Ships	Shop No.6 G/F. Commercial Portion of J Residence 60 Johnston Road, Wan Chai, Hong Kong	Ideal Profit Corporation Limited	Spanish
3.	Duddell's	3/F & 4/F., No.1 Duddell Street Central, Hong Kong	Top Glorification Limited	Cantonese
4.	Chachawan	Major Portion of Lower Ground Floor & Cockloft 206 Hollywood Road, Sheung Wan, Hong Kong	Kingswide Limited	Thai
5.	Ham & Sherry	Shop 3-4, G/F., Pao Yip Building 1-7 Ship Street, Wan Chai, Hong Kong	Gain Long Corporation Limited	Spanish

No.	Name of the restaurant	Address	Holding company of the relevant restaurant	Cuisine
6.	Aberdeen Street Social	LG/F and G/F., JPC Building PMQ 35 Aberdeen Street, Hong Kong	Profit Holder Limited	British
7.	Meen & Rice	Shop No. 113, Level 1, The Pulse 28 Beach Road, Hong Kong	Capital Creative Limited	Cantonese
8.	Esquina Tapas Bar	16 Jiak Chuan Road, Singapore	Hidden Glory Limited	European
9.	Fishschool Restaurant	Shop 1, Upper Ground Floor True Light Building 100 Third Street, Sai Ying Pun, Hong Kong	More Earn Limited	Western style seafood
10.	Mak Mak	Shop 217A, Second Floor Landmark Atrium 15 Queen's Road Central, Hong Kong	Brightsome Investments Limited	Thai
11.	RHODA	Shop 1A Ground Floor, Upton, 180 Connaught Road West, Hong Kong	Pure Love Restaurant Limited	Western

Competition between our Group and the Jia Group

As shown above, both our Group and the Jia Group operate restaurant business. Our Directors consider that the extent of competition between the restaurants of our Group and those of the Jia Group is not an extreme case 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 Jia Group have been developed, managed and operated independently of each other as demonstrated below:

The Jia Group	**Our Group**
Founding and establishment of restaurants	
• Mrs. Lo confirmed to us that the history of the Jia Group dated back to 2009 when she, through Luck Wealthy Limited, contributed to the setting up of 208 Duecento Otto (which was opened in 2010), funded by her personal loans, secured from sources independent of Mr. Lo. The Jia Group has carried on its restaurant business independently from our Group.	• Our Group was founded in 2006 by Mr. Wong, Mr. Lo and Mr. Pong with their own financial resources before Mr. Lo and Mrs. Lo were married in September 2011. Our Group has carried on our restaurant business independently from the Jia Group.
Ownership	
• As at the Latest Practicable Date, Mrs. Lo was interested in 89.8% interest in Giant Mind International Limited, which was interested in approximately 65.98% interest in Big Team, which will be a wholly-owned subsidiary of Jia Group Holdings upon completion of corporate reorganisation of the Jia Group and hence Mrs. Lo will become a controlling shareholder of Jia Group Holdings. • Mr. Lo formerly had shareholding interests in the following subsidiaries of Jia Group Holdings: (a) *Victory Rich Global Group Limited ("**Victory Rich**")* - an indirect wholly-owned subsidiary of Jia Group Holdings. On 30 November 2012, Mr. Lo held 100% interests in Victory Rich. On 22 April 2013, Mr. Lo transferred his entire interest in Victory Rich to Oman International Investment Limited ("**Oman International**") which was then held as to 33.33% by Mr. Lo on trust for Mrs. Lo.	• As at the Latest Practicable Date, Mr. Wong, Mr. Lo and Mr. Pong were interested in an aggregate of 90% interest in our Company. • Mrs. Lo has never had any voting control in the shares of any member of our Group since the establishment of our Group.

The Jia Group | **Our Group**

(b) *Oman International* - an indirect wholly-owned subsidiary of Jia Group Holdings. On 29 March 2012, Mr. Lo held one share in Oman International, representing 100% interest in Oman International, on trust for Mrs. Lo. On 30 November 2012, the one share held by Mr. Lo represented 33.33% interest in Oman International. On 29 June 2015, Mr. Lo transferred the title to the said one share to Mrs. Lo.

(c) *Rising Mark Development Limited ("**Rising Mark**")* - an indirect wholly-owned subsidiary of Jia Group Holdings. On 13 May 2013, Mr. Lo held 30% interest in Incredible Resources Limited ("**Incredible Resources**") on trust for Mrs. Lo. Incredible Resources was one of the shareholders of Rising Mark. On 18 June 2015, Mr. Lo transferred the title to the said 30% interest in Incredible Resources to Mrs. Lo.

(d) *Ideal Profit Corporation Limited ("**Ideal Profit**")* - an indirect wholly-owned subsidiary of Jia Group Holdings. On 6 March 2012, Mr. Lo was interested in 50% interest in Many Good Limited ("**Many Good**") which was one of the shareholders of Ideal Profits. On 20 July 2012, Mr. Lo transferred the said 50% interest in Many Good to Mrs. Lo.

(e) *Kingswide Limited ("**Kingswide**")* - an indirect wholly-owned subsidiary of Jia Group Holdings. On 9 May 2013, Mr. Lo held 100% interest in Kingswide on trust for Mrs. Lo. On 29 June 2015, Mr. Lo transferred the title to the said 100% interest in Kingswide to Mrs. Lo.

The Jia Group	**Our Group**
As at the Latest Practicable Date, Mr. Lo did not hold any interest in the Jia Group.	
• As at the Latest Practicable Date, Ms. Lo Kit Yee Grace, who is Mr. Lo's sister, was interested in approximately 10.2% interest in Giant Mind International Limited ("**Giant Mind**") which in turn held approximately 65.98% interest in Big Team, a holding company of the Jia Group. Ms. Lo Kit Yee Grace confirmed to us that (i) she is the beneficial owner of the said 10.2% interest in Giant Mind and (ii) she does not hold such interest on behalf of Mr. Lo.	
• As at the Latest Practicable Date, Mr. Pong was interested in approximately 3.18% interest in Big Team, the holding company of the Jia Group. As at the Latest Practicable Date, Mr. Pong and his father indirectly held 33% and 67%, respectively, in Resto Holdings Limited ("**Resto Holdings**") which in turn held 2.39% in Big Team.	
• Save as disclosed above, none of our Controlling Shareholders and their respective close associates has any interest in the Jia Group and any other food and beverage businesses (other than the Controlling Shareholders' interests in our Group).	

The Jia Group	Our Group
Management and board composition	
• Mrs. Lo is a chairperson, chief executive officer and an executive director of Jia Group Holdings. • Mr. Lo was a director of the following subsidiaries of the Jia Group: (a) Mr. Lo was a director of Oman International, Victory Rich and Top Glorification Limited, which are indirect wholly-owned subsidiaries of Jia Group Holdings. Mr. Lo resigned as a director of such companies on 15 June 2015. (b) Mr. Lo was a director of Duddell's Hong Kong Limited, an indirect wholly-owned subsidiary of Jia Group Holdings. Mr. Lo resigned as a director of such company on 6 May 2015. (c) Mr. Lo was a director of Kingswide, an indirect wholly-owned subsidiary of Jia Group Holdings. Mr. Lo resigned as a director of such company on 26 June 2015. • Mr. Pong was a director of Top Glorification Limited, Victory Rich and Oman International, which are indirect wholly-owned subsidiaries of the Jia Group Holdings. Mr. Pong resigned as a director of such companies on 15 June 2015. Mr. Pong was a director of Duddell's Hong Kong Limited, which is an indirect wholly-owned subsidiary of the Jia Group Holdings. Mr. Pong resigned as a director of such company on 6 May 2015.	• During the Track Record Period and up to the Latest Practicable Date, neither Mrs. Lo nor any of the directors and management team of the Jia Group held any directorship and any positions or assumed any roles and responsibilities in our Group or were involved in the management or operations of any member of our Group or our restaurants. Our Group makes business decisions independently of the Jia Group.

The Jia Group	Our Group
• Mr. Lo and Mr. Pong confirmed to us that during their directorship of the above-mentioned companies, they did not assume any executive management role or participate in the day-to-day operation of any of those companies or restaurants associated with them. Mr. Lo was and remains a member of the arts committee that advises the management of Duddell's on curating Duddell's displays and events. Other than being a member of the arts committee of the Jia Group, Mr. Lo does not assume any day-to-day executive role in the Jia Group. Neither Mr. Pong, as a minority shareholder of Jia Group Holdings, nor Mr. Lo has the power to direct or materially influence the Jia Group's management, operations and/or development.	
• As at the Latest Practicable Date, there was no overlapping of management between the Jia Group and our Group. As at the Latest Practicable Date, none of our Directors or our Group's management team held any directorship and any positions or assumed any roles and responsibilities in the Jia Group or were involved in the management or operations of any member of the Jia Group or its restaurants. The Jia Group makes business decisions independently of our Group.	

The Jia Group	Our Group
Operational independence	
• Mrs. Lo confirmed that the Jia Group has a completely segregated internal control, financial, accounting, treasury management, procurement, sales and marketing, administration, information technology, legal and compliance functions that are entirely independent of those of our Group. In addition, the Jia Group does not use any of the trademarks or other intellectual property rights owned by our Group.	• Our Directors confirmed that our Group has a completely segregated internal control, financial, accounting, treasury management, procurement, sales and marketing, administration, information technology, legal and compliance functions that are entirely independent of those of the Jia Group. In addition, our Group does not use any of the trademarks or other intellectual property rights owned by the Jia Group.
• There is a complete separation of staff and the respective staff members of the Jia Group and our Group were not on the payroll of the other. Mrs. Lo confirmed that the Jia Group has an independent team of staff to handle its day-to-day operations independently of our Group.	• There is a complete separation of staff and the respective staff members of the Jia Group and our Group were not on the payroll of the other. We have an independent team of staff to handle our day-to-day operations independently of the Jia Group.
• Mrs. Lo confirmed that save as disclosed below, the Jia Group has independent access to suppliers for purchase of materials required for its restaurant operations. Although the Jia Group and our Group engaged common suppliers during the Track Record Period and these suppliers are likely to be engaged by the Jia Group and our Group in the future, the Jia Group will deal with these suppliers independently on arm's length basis. Moreover, the prices and contract terms for sourcing materials from suppliers are negotiated by the procurement personnel of the Jia Group independently of those of our Group.	• Our Directors confirmed that the Jia Group has independent access to suppliers for purchase of materials required for its restaurant operations. Although the Jia Group and our Group engaged common suppliers during the Track Record Period and these suppliers are likely to be engaged by the Jia Group and our Group in the future, these suppliers are commonly engaged by restaurants in Hong Kong and our Group will deal with these suppliers independently on arm's length basis. Moreover, the prices and contract terms for sourcing materials from suppliers are negotiated by the procurement personnel of our Group independently of those of the Jia Group.

The Jia Group	Our Group
• The Jia Group purchased from time to time bread and cheese from our Group. For the two years ended 31 December 2015, the costs attributable to purchase of bread and cheese from our Group amounted to approximately HK$64,000 and HK$156,000, respectively. Mrs. Lo confirmed that the transaction amounts for purchase of bread and cheese from our Group for the two years ending 31 December 2017 are not expected to exceed the de minimis threshold under Chapter 20 of the GEM Listing Rules. For details of these transactions, please refer to the section headed "Continuing Connected transactions — Exempt continuing connected transactions — Sale of bread and cheese to Big Team Group" in this prospectus. Save as disclosed above, there is no continuing connected transaction between the Jia Group and our Group.	• Our Group supplied from time to time bread and cheese to the Jia Group. For the two years ended 31 December 2015, revenue attributable to supply of these materials to the Jia Group represented approximately 0.04% and 0.09% of our revenue, respectively. Our Directors expect that the transaction amount for supply of bread and cheese to the Jia Group will remain immaterial in the future. For details of these transactions, please refer to the section headed "Continuing Connected transactions — Exempt continuing connected transactions — Sale of bread and cheese to Big Team Group" in this prospectus. Save as disclosed above, there is no continuing connected transaction between the Jia Group and our Group.
Business model	
• The history of the Jia Group dates back to 2009 when Mrs. Lo, through Luck Wealthy Limited, contributed to the setting up of 208 Duecento Otto (which was opened in 2010). Since its establishment, the Jia Group has focused on operating independent full-service restaurants, each operating and being marketed independently of all of the others under discrete brands.	• Our Group mainly operates a 10-restaurant chain developed over time since 2006 when the first "Classified" restaurant was set up. The chain is operated and marketed under a unified "Classified" brand. We also operate two full service restaurants, namely, The Pawn and The Fat Pig, details of which are set out in the section headed "Business — Our restaurants".

The Jia Group	Our Group
Cuisines, menu and themes	
• Each of the restaurants of the Jia Group has a distinctive cuisine focus, including Spanish, Chinese, Thai, British, Italian cuisine or seafood focused, and offers a menu, theme and decor unique to that restaurant. • The only restaurant of the Jia Group that serves British cuisine is Aberdeen Street Social located at PMQ, Sheung Wan whereas "The Pawn", our British cuisine themed restaurant is located in Wan Chai. Further, Aberdeen Street Social offers fine dining which is not available at "The Pawn".	• Our "Classified" chain offers western casual dining including but without limitation to burgers, pasta and salads and offers a standardised menu and restaurant decor. • "The Pawn" in Wan Chai offer modern British style cuisine and "The Fat Pig" offers pork-focused British cuisine. • Our Directors believe that restaurants of our Group appeal to customers seeking the kind of dining experience and cuisine which are different from those of the Jia Group.

Set out below is a comparison between restaurants operated by our Group and the Jia Group in Hong Kong by location and cuisine:

District	Restaurants operated by the Jia Group (cuisine)	Restaurants operated by our Group (cuisine)
Central and Western	Seven restaurants: - 208 Duecento Otto (Italian) - Duddell's (Cantonese) - Chachawan (Thai) - Aberdeen Street Social (British) - Fishschool Restaurant (Western style seafood) - Mak Mak (Thai) - RHODA (Western style)	Four restaurants: - Classified: CCR,CEX, CNW and CCK (Western casual dining)
Wan Chai	Two restaurants: - 22 Ships (Spanish) - Ham & Sherry (Spanish)	Five restaurants: - Classified: CMB, CTH and CHV (Western casual dining) - The Pawn (Modern British) - The Fat Pig (British)
Southern	One restaurant: - Meen & Rice (Cantonese)	Two restaurants: - Classified: CSP and CRB (Western casual dining)
Sai Kung	Nil	One restaurant: - Classified: CSK (Western casual dining)

In the Central and Western district, our Group operates four Classified restaurants and the Jia Group operated seven restaurants as at the Latest Practicable Date. However, cuisine served by Classified restaurants are different from the Jia Group's Duddell's, Chachawan Mak Mak which serve Asian cuisine. Although 208 Duecento Otto, Aberdeen Street Social and Fishschool Restaurant serve western-style cuisine, their average spending per customer per meal were approximately 141% to 230% higher than Classified restaurants' average spending per customer per meal of HK$130 for the year ended 31 December 2015 according to Ipsos. This indicates that Classified restaurants, on the one hand, and 208 Duecento Otto, Aberdeen Street Social and Fishschool Restaurant, on the other hand, are targeting customers of different spending power or habit. When compared with RHODA which is a full service restaurant newly opened in June 2016, our Group does not operate any high-end full service restaurant in the Central and Western district. Further, RHODA differs from our Group's restaurants as its operating hours are from 6 p.m. to 12 a.m. whereas Classified restaurants target all day dining and also the price of RHODA's main dishes ranges from HK$128 to HK$948 per item as compared to our Group with an average spending per customer per meal for the year ended 31 December 2015 of HK$130. This also indicates that Classified restaurants and RHODA are targeting customers of different spending power or habit.

In the Wan Chai district, our Group operated five restaurants and the Jia Group operated two restaurants as at the Latest Practicable Date. However, they serve different cuisines. Our Group serves western casual dining and British cuisine whereas the Jia Group serves Spanish cuisine of which their differences are self-explanatory. Furthermore, Ham & Sherry and 22 Ships' average spending per customer per meal were approximately 112% to 217% higher than Classified restaurants' average spending per customer per meal of HK$130 for the year ended 31 December 2015 according to Ipsos. This indicated that Classified restaurants' and Jia Group's Ham & Sherry and 22 Ships are targeting customers of different spending power or habit.

In the Southern district, our Group operated two restaurants and the Jia Group operated one restaurant as at the Latest Practicable Date. However, they serve different cuisine as our Group serves western casual dining whereas the Jia Group serves Cantonese cuisine; and in Sai Kung district, the Jia Group does not operate any restaurant.

As shown above, even though some of our restaurants and those of the Jia Group are operated within the same districts (except Sai Kung), they appeal to customers seeking different dining experience and cuisine.

The Jia Group	**Our Group**
Financial independence	
• Mrs. Lo confirmed that the Jia Group has a financial system entirely independent of our Group. During the Track Record Period, there is no arrangement involving provision of guarantee, security and/or other form of financial assistance provided to the Jia Group by our Controlling Shareholders or any members of our Group.	• Our Directors confirmed that our Group has a financial system entirely independent of the Jia Group. During the Track Record Period, there was no arrangement involving provision of guarantee, security and/or other form of financial assistance provided to our Group by Mrs. Lo or any members of the Jia Group.

The Jia Group	Our Group
• Mrs. Lo confirmed that there was no sharing of banking facilities between our Group and the Jia Group.	• Our Directors confirmed that there was no sharing of banking facilities between our Group and the Jia Group.

On the basis of the above, having considered that:

(i) our Group and the Jia Group were founded at a time before Mr. Lo and Mrs. Lo were married (i.e. before Mrs. Lo became a close associate of Mr. Lo);

(ii) Mrs. Lo founded the Jia Group with her own financial resources and other investors secured from sources independent of Mr. Lo whereas our Group was founded by our Co-founders with their own financial resources independently of Mrs. Lo and the Jia Group;

(iii) our Group and the Jia Group are not under common control. As at the Latest Practicable Date, save as Mrs. Lo's controlling interest in the Jia Group and Mr. Pong's minority interest in Big Team (a holding company of the Jia Group) as disclosed above, none of our Controlling Shareholders and their respective close associates had any interest in the Jia Group. Mrs. Lo has never had any voting control in the shares of any member of our Group;

(iv) as at the Latest Practicable Date, there was no overlapping of directorship and management between the Jia Group and our Group;

(v) our Group has been operated and managed independently of the Jia Group with completely segregated internal control, financial, accounting, treasury management, procurement, sales and marketing, administration, information technology, legal and compliance functions;

(vi) our Group has a different business model as we mainly operate a 10-restaurant chain under a unified "Classified" brand whereas the Jia Group mainly focuses on operating independent full-service restaurants under discrete brands;

(vii) our restaurants and those of the Jia Group serve substantially different cuisine with different customer appeal; and

(viii) our Group and the Jia Group are financially independent of each other,

given the independence of development, management and operations between our Group and the Jia Group from inception and different investor interests in the Jia Group, our Controlling Shareholders do not consider it desirable or appropriate to seek to merge the two groups. Mrs. Lo also confirmed that she does not have any intention for the two groups to be merged at any time.

Save as disclosed above, our Controlling Shareholders and their respective close associates do not have interests in any other restaurants or food and beverage business.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST WITH THE JIA GROUP

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing actual or potential conflict of interests between our Group and the Jia Group have been adopted by our Company and will be taken:

a) our independent non-executive Directors will be responsible for deciding and given authority to decide, without attendance by any Directors with beneficial or conflict interest, in any matters that have actual or potential conflict of interest with the Jia Group;

b) in the event that there is a conflict of interest in the operations of our Group and the Jia Group, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to the Board. Pursuant to the Articles of Association, should a Director have any material interests in the matter, he/she shall not attend any meeting to consider or decide on such matter, he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting;

c) our Directors ensure that any material conflict or potential conflict involving the Jia Group will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting (excluding Mr. Lo) will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;

d) each of our Directors have undergone a director's training, which has set out and explained to them the fiduciary duty they owe to our Group as a director; and

e) our independent non-executive Directors will also conduct an annual review on the effectiveness of such internal control measures implemented to avoid any actual or potential conflict of interest with the Jia Group and will be entitled to seek independent professional advice from external parties at our Company's cost when they consider necessary. The basis and result of annual review will be disclosed in the annual report of our Company.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a "**Covenantor**" and collectively, the "**Covenantors**") entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors have, among other things, irrevocably and unconditionally, jointly and severally, warrants and undertakes to our Company (for ourselves and as trustee for each of our subsidiaries) that at any time during the Effective Period (as defined below):

(a) he/it will not, and will procure any Covenantor and his/its associates (each a "**Controlled Person**" and collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the "**Controlled Company**") not to, except through any member of our Group, directly or indirectly (whether, on its own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through anybody corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on business or grants franchise from time to time ("**Restricted Business**");

(b) if each of the Covenantors is offered or becomes aware of any project or any new business opportunity relating to the Restricted Business (the "**New Business Opportunity**"), whether directly or indirectly:

   (i) the Covenantors shall promptly in event not later than seven (7) days notify our Company in writing of such New Business Opportunity;

   (ii) such written notice shall include all information together with any documents possessed by it or its close associates in respect of the New Business Opportunity to enable our Company to evaluate the merit of the New Business Opportunity and all reasonable assistance as requested by our Company to enable our Company to come to an informed assessment of such New Business Opportunity;

   (iii) the Covenantors shall use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates;

   (iv) upon receipt of the written notice from the Covenantors, the independent non-executive Directors shall consider whether it is in the interest of our Company and the Shareholders as a whole to pursue the New Business Opportunity. For the avoidance of doubt, the Covenantors and their close associates (other than our Group) will not be entitled to pursue such New Business Opportunity unless the New Business Opportunity is declined by our Group or our Company does not proceed with such New Business Opportunity within one month from the date of the written notice;

(v) if our Company has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the "**30-day Offering Period**") of receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the thirty (30) business days to a maximum of sixty (60) business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period;

(vi) if there is any disagreement between the Covenantors and our Company as to whether any New Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Businesses, the matter shall be determined by the independent non-executive Directors whose decision shall be final and binding.

(c) (i) in the event that any Controlled Persons wishes to transfer or otherwise dispose of the Existing Businesses to a third party, the Controlled Persons shall deliver a written notice ("**Offer Notice**") to our Company setting forth its intention to sell or transfer the Existing Businesses to a third party, the identity of the third party, the price at which the Existing Businesses is to be sold or transferred and any other material terms;

(ii) the Offer Notice shall constitute, for a period of twenty-one (21) calendar days from the date on which it shall have been deemed given, an irrevocable and exclusive offer to sell to our Company, the Existing Businesses on the same terms as to the third party purchaser. If our Company notifies the Controlled Persons in writing of its intention to acquire the Existing Businesses, the Controlled Persons shall procure that the Existing Businesses is sold/transferred to our Company or our subsidiaries on the terms and conditions of the Offer Notice; and

(iii) upon expiration of the 21 day period in clause (c) (ii) above, if no written acceptance of the offer in the Offer Notice is acceptable by our Company, the Controlled Persons shall have ninety (90) days to enter into a definitive agreement with and to effect the transfer to the third party buyer, for cash, and at a price not less than that stated in the Offer Notice, and upon terms not otherwise more favourable to the transferee or transferees than those specified in the Offer Notice. In the event such transfer is not consummated within such ninety (90) day period, the Controlled Persons shall not be permitted to sell the Existing Businesses without again complying with each of the requirements of those provisions in clause (c) (i) to (iii).

The restrictions which each of the Covenantors have agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the following circumstances:

(a) the holding of or interests in shares or other securities by any of the Covenantors and/or his/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

  (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or

  (ii) the total number of the shares held by any of the Covenantors and his/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantor and his/its close associates together hold;

(b) Mr. Lo acting as a member of the arts committee in Jia Group Holdings;

(c) Mr. Pong having a shareholding interest in Jia Group Holdings provided that Mr. Pong's interest in Jia Group Holdings shall not exceed 5% of the issued shares of Jia Group Holdings from time to time; and

(d) holding of interest in the Jia Group held by Mrs. Lo from time to time and her role as a chairperson, chief executive officer, executive director of Jia Group Holdings and its subsidiaries (for the avoidance of doubt, including the operation and any future expansion of the Jia Group).

The non-competition undertaking will take effect (the "**Effective Period**") from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on GEM.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

(1) the Articles provide that a Director shall absent himself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;

(2) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders;

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

(4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition of the Controlling Shareholders in the annual reports of our Company;

(5) our Controlling Shareholders will make an annual declaration on compliance with their Deed of Non-Competition in the annual report of our Company;

(6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and

(7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-Competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

We have entered, and will enter, into certain agreements with entities that will constitute our connected persons and such arrangements will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules following the Listing on the Stock Exchange.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are made in the ordinary and usual course of our business and on normal commercial terms and each of the relevant percentage ratios (other than the profits ratio) of the aggregate transaction value on an annual basis is less than 5% and the annual transaction value for each of the following transactions is less than HK$3 million. Accordingly, the following transactions fall within the de minimis rule under Rule 20.74(1) of the GEM Listing Rules and are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

1. Sales consultancy services from Leader Asia Pacific

During the Track Record Period, our Group paid a consultancy fee to Leader Asia Pacific Limited for the provision of sales consultancy services to CBCL pursuant to a sales consultancy agreement dated 3 December 2013 entered into between the two parties (the "**Sales Consultancy Agreement**") for a term of three years from 1 January 2014 to 31 December 2016. The terms of the Sales Consultancy Agreement were negotiated on an arm's length basis and on normal commercial terms between the relevant parties. For the two years ended 31 December 2015, the total amount incurred by our Group under the Sales Consultancy Agreement were HK$654,000 and HK$660,000, respectively. Our Directors estimate the amount payable for the year ending 31 December 2016 under the Sales Consultancy Agreement is approximately HK$660,000, which is based on the fixed amount as set out in the Sales Consultancy Agreement. As at the Latest Practicable Date, Leader Asia Pacific held a 15% interest in CBCL, a subsidiary of our Company. As such, Leader Asia Pacific Limited is a connected person of our Company at the subsidiary level for the purpose of the GEM Listing Rules. Accordingly, the Sales Consultancy Agreement will constitute exempt continuing connected transactions for our Company under Chapter 20 of GEM Listing Rules upon Listing.

2. Sale of bread and cheese to Big Team Group

During the Track Record Period, our food factory has sold bread and cheese (the "**Product**") to certain restaurants operated by Big Team Ventures Limited and its subsidiaries (collectively, the "**Big Team Group**"). On 15 January 2016, our Group entered into a supply agreement with Maxmount Global Limited, a subsidiary of Big Team Ventures Limited (the "**Big Team Supply Agreement**"), for the two financial years ending 31 December 2017 in respect of the sale and purchase of the Products. Pursuant to the Big Team Supply Agreement, our Group has agreed to sell and Big Team Group has agreed to purchase the Products on normal commercial terms. The costs will be charged based on the items and quantity of the Products ordered by the Big Team Group. For the two years ended 31 December 2015, the annual transaction amounts of the Products were HK$64,000 and HK$156,000, respectively. Our Directors estimate that the amount of Products to be sold by us to the restaurants operated by the Big Team Group for the two years ending 31 December 2017 will not exceed HK$170,000 and HK$187,000, respectively. This estimate is based on the historical amount of sales to the Big Team Group with an annual 10% increment. As at the Latest Practicable Date, Big Team

Ventures Limited, the holding company of the Big Team Group is owned as to 59.25% by Mrs. Lo, the spouse of Mr. Alan Lo, our executive Director. As such, Big Team Group is a connected person of our Company for the purpose of the GEM Listing Rules and the transactions under the Big Team Supply Agreement will constitute exempt continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are made in the ordinary and usual course of our business and on normal commercial terms. Our Directors currently expect that, pursuant to Chapter 20 of the GEM Listing Rules, all applicable percentage ratios (other than the profits ratio) of the relevant transactions are expected to exceed 0.1% but less than 5% on an annual basis. Accordingly, the following transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Background

During the Track Record Period, our Group has (i) sourced wines, tea and bottled water from Altaya Wines (the "**Goods**"); (ii) sourced cigars from Cubatabaco; (iii) provided catering services to Altaya Wines; and (iv) sold bread and cheese (the "**Products**") to Etc Wine. Mr. Pong, one of our executive Directors, and his father own the entire issued shares in each of Altaya Wines, Cubatabaco and Etc Wine. As such, each of Altaya Wines, Cubatabaco and Etc Wine is an associate of Mr. Pong for the purpose of the GEM Listing Rules and is a connected person of our Company. Accordingly, the transactions entered into with these companies will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

Historical Figures

The table below sets out the historical aggregate annual transaction amounts with Altaya Wines, Cubatabaco and Etc Wine during the Track Record Period:

		Historical transaction amounts for the year ended 31 December	
		2014	**2015**
		(HK$'000) *(approx.)*	*(HK$'000)* *(approx.)*
(a)	Cost of the purchases of wines, tea and bottled water from Altaya Wines	4,553	3,634
(b)	Cost of the purchases of cigars from Cubatabaco	25	56
(c)	Revenue from the catering services provided to Altaya Wines	17	234
(d)	Revenue from the sales of the Products to Etc Wine	—	4
	Aggregate transaction amounts:	4,595	3,928

Master Agreements

In respect of the transactions with Altaya Wines, Cubatabaco and Etc Wine (the "**Pong Related Companies**"), our Group entered into the following master agreements (collectively, "**Master Agreements**"):

(a) on 14 June 2016, our Group entered into a purchase agreement with Altaya Wines from the date of Listing to 31 December 2018 in respect of the purchase of Goods from Altaya Wines (the "**Wine Purchase Agreement**");

(b) on 14 June 2016, our Group entered into a purchase agreement with Cubatabaco from the date of Listing to 31 December 2018 in respect of the purchase of cigars from Cubatabaco (the "**Cigar Agreement**");

(c) on 14 June 2016, our Group entered into a service agreement with Altaya Wines from the date of Listing to 31 December 2018 in respect of the provision of catering services to Altaya Wines (the "**Catering Services Agreement**"); and

(d) on 14 June 2016, our Group entered into a sales agreement with Etc Wine Shop from the date of Listing to 31 December 2018 in respect of the sale of the Products to Etc Wine (the "**Etc Supply Agreement**").

Pricing Policy

The price of the goods sold to our Group under the relevant Master Agreements, and the price of the products and services we sell/provide under the relevant Master Agreements to the Pong Related Companies will be based on price lists and quotations provided by the parties to Master Agreements. Our Directors consider that the price and terms offered by the Pong Related Companies in each of the Master Agreements and the price and terms offered by us to the Pong Related Companies are fair and reasonable and not less favourable than those offered by other Independent Third Parties. To ensure that the pricing in each of the Master Agreements are on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders, for the relevant Master Agreements where we purchase from the Pong Related Companies, we will also obtain quotations from two other independent parties that provide similar products or services and, for the sales of goods or provision of services to the Pong Related Companies, we will ensure that the price and terms are no less favourable to our Group than those offered to independent customers.

Annual caps for future transactions

For the three financial years ending 31 December 2016, 2017 and 2018, the maximum aggregate annual transaction amounts under the Master Agreements shall not exceed the following caps:

	Proposed annual cap for the year ending 31 December		
	2016	**2017**	**2018**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
	(approx.)	*(approx.)*	*(approx.)*
Cost of the purchases of wines, tea and bottled water from Altaya Wines	4,000	4,120	4,244
Cost of the purchases of cigars from Cubatabaco	60	62	64
Revenue from the sales of catering services provided to Altaya Wines	300	310	320
Revenue from the sales of the Products to Etc Wine	10	10	11
Aggregate transaction amounts:	4,370	4,502	4,639

Basis of Caps

The basis of the annual caps for each of the Master Agreements are determined as follow:

(a) In respect of the Wine Purchase Agreement, our Directors had taken into consideration (i) historical transaction amounts; (ii) the expected increment of market prices of the Goods supplied under the Wine Purchase Agreement of 3% per annum; and (iii) the projected increase in demand for the Goods in contemplation of the expansion of our Group's restaurants.

(b) In respect of the Cigar Agreement, our Directors had taken into consideration (i) historical transaction amounts; (ii) the expected increment of market prices of cigars supplied under the Cigar Agreement of 3% per annum; and (iii) the expected demand for cigars from our customers.

(c) In respect of the Catering Services Agreement, our Directors had taken into consideration (i) historical transaction amounts; (ii) the expected increment of the costs of food and beverage under the Catering Services Agreement of 3% per annum; and (iii) the expected demand for our catering services from Altaya Wines.

(d) In respect of the Etc Supply Agreement, our Directors had taken into consideration (i) historical transaction amounts; (ii) the expected increment of the costs of the Products under the Etc Supply Agreement of 3% per annum; and (iii) the expected demand for the Products from Etc Wine.

WAIVER FROM THE STOCK EXCHANGE

Since each of the relevant percentage ratios (other than the profits ratio) of the proposed aggregate annual caps under the Master Agreements is expected to exceed 0.1% but less than 5%, the Master Agreements fall within the ambit of Rule 20.74(2) of GEM Listing Rules and will, in the absence of a waiver, be subject to the reporting, announcement and annual review requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of GEM Listing Rules. Given the recurring nature of the transactions contemplated under the Master Agreements, our Directors consider that compliance with the announcement requirement would be burdensome and would add unnecessary administrative costs to our Company. Pursuant to Rule 20.103 we have therefore applied for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under GEM Listing Rules for the non-exempt continuing connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that all the non-exempt continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole. The proposed aggregate annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions described above, has conducted due diligence by discussing these transactions with our Company, and has obtained various representations and confirmation from our Company and our Directors. Based on the Sole Sponsor's due diligence, the Sole Sponsor is of the view that: (i) the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed aggregate annual caps of such non-exempt continuing connected transactions mentioned above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing (without taking into account the Shares which may be allotted and issued pursuant to the exercise of share option that may be granted under the Share Option Scheme and the Offer Size Adjustment Option), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 or any other member of our Group:

Name	**Capacity/ Nature of interest**	**Number of Shares held immediately after the Placing and the Capitalisation Issue**	**Approximate percentage of shareholding immediately after the Placing and the Capitalisation Issue** *(Note 1)*
WGL	Beneficial owner	76,000,000 (L)	19.0%
Mr. Wong	Interest in controlled corporation *(Note 2)*	76,000,000 (L)	19.0%
Ms. Lee Yuen Ching Charmaine	Interest of spouse *(Note 2)*	76,000,000 (L)	19.0%
EFIL	Beneficial owner	76,000,000 (L)	19.0%
Mr. Lo	Interest in controlled corporation *(Note 3)*	76,000,000 (L)	19.0%
Mrs. Lo	Interest of spouse *(Note 3)*	76,000,000 (L)	19.0%
PGL	Beneficial owner	76,000,000 (L)	19.0%
Mr. Pong	Interest in controlled corporation *(Note 4)*	76,000,000 (L)	19.0%
Ms. Cheng Chi Man	Interest of spouse *(Note 4)*	76,000,000 (L)	19.0%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. Mr. Wong beneficially owns 100% equity interest in WGL. Therefore, Mr. Wong is deemed to be interested in 76,000,000 Shares held by WGL. Ms. Lee Yuen Ching Charmaine, the spouse of Mr. Wong, is deemed to be interested in all the Shares Mr. Wong is interested in pursuant to the SFO.

3. Mr. Lo beneficially owns 100% equity interest in EFIL. Therefore, Mr. Lo is deemed to be interested in 76,000,000 Shares held by EFIL. Mrs. Lo, being the spouse of Mr. Lo, is deemed to be interested in all the Shares Mr. Lo is interested in pursuant to the SFO.

4. Mr. Pong beneficially owns 100% equity interest in PGL. Therefore, Mr. Pong is deemed to be interested in 76,000,000 Shares held by PGL. Ms. Cheng Chi Man, the spouse of Mr. Pong, is deemed to be interested in all the Shares Mr. Pong is interested in pursuant to the SFO.

Persons interested in 10% or more of the nominal value of the share capital of other members of our Group

Name	Name of member of our Group	Number of Shares held	Approximate percentage of shareholding
Leader Asia Pacific Limited	CBCL	1,500	15%

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Placing and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of share option that may be granted under the Share Option Scheme and the Offer Size Adjustment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, details of which are set out under the sub-section headed "Underwriting — Undertakings" in this prospectus below. Each of our Controlling Shareholders has also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of GEM Listing Rules. Each of the Controlling Shareholders has further voluntarily undertaken to our Company, the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers for an additional 12 months commencing on the date on which the undertaking under 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 and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would together cease to be our Controlling Shareholders. For further details, please refer to the section headed "Underwriting" in this prospectus.

Assuming the Placing becomes unconditional and without taking into account any Shares which may be allotted and issued upon the exercise of any options to be granted under the Share Option Scheme and the Offer Size Adjustment Option, the authorised and issued share capital of our Company immediately following the Capitalisation Issue and the Placing will be as follows:

		Nominal value
		HK$
Authorised share capital:		
800,000,000	Shares	8,000,000

Shares of HK$0.01 each in issue and to be issued, fully paid or credited as fully paid:

		Nominal value
		HK$
100	Shares in issue	1
319,999,900	Shares to be issued upon completion of the Capitalisation Issue	3,199,999
80,000,000	New Shares to be allotted and issued pursuant to the Placing	800,000
400,000,000	Shares in total	4,000,000

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and the issue of Shares pursuant to the Placing and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

CIRCUMSTANCES WHERE GENERAL MEETING AND CLASS MEETING OF THE COMPANY ARE REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the GEM Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by our Board.

- our Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company (the "requisitionist") shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit our Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed "Appendix IV — Statutory and General Information — D. Share Option Scheme" of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares in the aggregate number not exceeding:

(a) 20% of the number of Shares in issue immediately following the completion of the Placing and Capitalisation Issue (not including Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option); and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, scrip dividends or similar arrangements or options granted or to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

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

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by the Articles or any applicable law of the Cayman Islands;

(iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs the earliest.

Further information on this general mandate is set forth under the paragraph headed "Appendix IV — Statutory and General Information — A. Further Information about our Company — 4. Resolutions in writing of all the Shareholders passed on 14 June 2016" of this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the Placing" of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of our Shares in issue immediately following completion of the Placing and the Capitalisation Issue (not including Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme and the Offer Size Adjustment Option).

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with GEM Listing Rules and all applicable laws.

This general mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of the Repurchase Mandate, please see the section headed "Statutory and General Information — A. Further information about our Company — 4. Resolutions in writing of all the Shareholders passed on 14 June 2016" in Appendix IV to this prospectus.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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 our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section "Risk Factors" of this prospectus.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a Hong Kong based food and beverage group established in 2006. We own and operate three brands of casual and full service restaurants offering a variety of western cuisines. As at the Latest Practicable Date, we owned and operated 12 restaurants under three different brands, including Classified, The Pawn and SML.

Our restaurants can be categorised into three lines of business: (1) 10 casual dining restaurants under the "Classified" brand, (2) a full service restaurant under the "The Pawn" brand which offered modern British cuisine, and (3) a full service restaurant under the "SML" brand which offered pork-focused British cuisine.

In additional to our restaurants, we also own and operate a food factory that supplies cheeses, bread and other bakery products to our restaurants and other corporate customers such as hotels, restaurants, clubs, coffee shops, cafe and supermarkets.

Our revenue for the years ended 31 December 2014 and 2015 were HK$150.9 million and HK$175.7 million, respectively. Our profit and total comprehensive income for the years ended 31 December 2014 and 2015 were HK$2.6 million and HK$2.8 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 24 October 2014 as an exempted company with limited liability. Pursuant to the Reorganisation as described in the sub-section headed "History, reorganisation and development — Reorganisation" of this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 31 March 2015. Our Company and its subsidiaries have been under the common control of Mr. Wong, Mr. Lo and Mr. Pong, our Controlling Shareholders throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. Accordingly, the financial information have been prepared under the principles of merger accounting as if the current group structure has been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" of this prospectus and those set forth below.

Economic growth and condition of Hong Kong and Hong Kong regulatory environment for restaurant business

As with the exception of a franchised "Classified" brand operation in Indonesia, all of our restaurants are located in Hong Kong, the results of our operations are vulnerable to the economy of Hong Kong. Therefore, if Hong Kong experiences any adverse economic conditions due to circumstances beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if local authorities adopt regulations that place additional restrictions or burdens on our Group or on the food and beverage industry in general, our overall business and results of operations may be materially and adversely affected.

Growth of the food and beverage market in Hong Kong

Our future growth and prospects depend on the growth of Hong Kong food and beverage market. As a result of the steady economic growth, Hong Kong has experienced a stable increase in per capita disposable income as well as a growth trend in dining out, both of which drive the growth in Hong Kong the food and beverage market.

The number of restaurants in our restaurants network and ramp-up period for newly opened restaurants

We generate substantially all of our revenue from food and beverage sales at our restaurants. Food and beverage sales are affected by the number of our restaurants in operation and the number of total operating days of our restaurants, which in turn are affected by the openings, temporary suspension of operations due to renovation and closings of our restaurants.

The following table sets forth the number of our restaurants in operation, by brands, as at the dates indicated.

	As at 31 December	
	2014	**2015**
Number of restaurants		
Classified	11	11
The Pawn	1	1
SML(Note)	1	1
Total	13	13

Note: SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.

We launched CRB in November 2014 and our number of restaurants remained constant for the year ended 31 December 2015. Furthermore, The Pawn was temporarily closed for renovation in July 2014 and was reopened in October 2014 and SML was temporarily closed for renovation in August 2015 and reopened in November 2015 as The Fat Pig by SML.

The table below sets forth information on revenue and number of restaurants for our restaurants in operations throughout each period indicated and restaurants newly opened during the applicable periods.

	Restaurants in operation throughout the period	**Restaurant newly opened during the period**	**Total**
	(HK$'000, except number of restaurants)		
Year ended 31 December 2014			
Revenue	139,623	693(1)	140,316
Percentage of total revenue (%)	99.5	0.5	100.0
Number of restaurants	12	1	13
Year ended 31 December 2015			
Revenue	164,413	—	164,413
Percentage of total revenue (%)	100.0	—	100.0
Number of restaurants	13	—	13

Notes:

(1) CRB was launched in November 2014.

(2) Revenue of HK$968,000 generated from sales of festive food was excluded from the total revenue generated from the relevant restaurant operations for the year ended 31 December 2015.

We invest capital expenditures and incur operating expenses including promotion and advertising expenses to build a customer base by increasing awareness before opening a new restaurant. A new restaurant generally generates lower profit margin due to lower sales and higher startup operating costs in the initial stage and requires a ramp-up period to achieve target sales. The amount of time it takes for each new restaurant to reach planned operating levels, breakeven point and reach payback point varies. For details of the breakeven and payback periods of our restaurants, please see the paragraph headed "Business — Operational performance of our restaurants — Breakeven period and investment payback period" in this prospectus.

We opened one new Classified restaurant, CRB, in November 2014. CRB took approximately five months to achieve a breakeven point, which is the first month in which the monthly revenue of a restaurant is able to cover its monthly expenses on an accounting basis. As at 31 December 2015, CRB had not achieved a payback point, which we consider is the time when the accumulated net cash inflow since a restaurant's commencement of operation is able to cover the total investment amount including incurred capital expenditures from our internal resources, shareholders' loan and ongoing cash and non-cash operating expenses.

We intend to open two new Classified restaurants in Hong Kong during the two years ending 31 December 2017. The number of new restaurants we intend to open during any period may affect our overall results of operations and our ability to successfully open new restaurants in the future is subject to a number of uncertainties. If we are not able to attract enough customers to our new restaurants, our financial performance may be adversely affected.

Comparable restaurant sales

Comparable restaurant sales for a given fiscal year refer to the revenue of all restaurants qualified as comparable restaurants during that year. We define comparable restaurants as restaurants that were operating throughout the periods under comparison. For example, the comparable restaurants for the two years ended 31 December 2015 are restaurants that were open throughout both the year ended 31 December 2014 and the year ended 31 December 2015. Comparable restaurant sales are primarily affected by the average number of invoices per table per day and the average spending per invoice. We are focused on increasing comparable restaurant sales by driving through a variety of initiatives, including continuously introducing new and innovative menu offerings, upgrading the decoration of existing restaurants. The table below sets forth our comparable restaurant sales over the Track Record Period:

	For the year ended 31 December	
	2014	**2015**
Number of comparable restaurants		
Classified	10	11
The Pawn	1	1
SML[(Note)]	1	1
Total number	12	13

Note: SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.

	For the year ended 31 December 2014	2015
Comparable restaurants sales	*HK$'000*	*HK$'000*
Classified[1]	78,561	92,073
The Pawn	31,176	50,257
SML[2]	29,886	22,083
Total sales	139,623	164,413
Daily average revenue per comparable restaurant	*HK$'000*	*HK$'000*
Classified[1]	23	24
The Pawn	117	138
SML[2]	82	80
Overall daily average revenue	35	37
Percentage increase/(decrease) of comparable restaurants sales during comparable periods		
Classified[1]		17.2%
The Pawn		61.2%
SML[2]		(26.1)%
Overall increase		17.8%

Notes:

(1) Revenue of HK$968,000 generated from sales of festive food was excluded from the total revenue generated from the Classified Restaurants for the year ended 31 December 2015.

(2) SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.

The increase in overall daily average revenue by 5.7% from HK$35,000 for the year ended 31 December 2014 to HK$37,000 for the year ended 31 December 2015 was primarily due to an increase in number of customer visits and an increase in the overall average spending per customer per meal driven by Classified and The Pawn for the year ended 31 December 2015.

Customer traffic and average spending per customer

Our business is significantly affected by changes in customer traffic and average spending per customer. We estimate and record the customer count through our point-of-sale systems at each restaurant. Average spending per customer is a measure of our restaurant sales divided by the customer count of the relevant restaurants during the same period. The customer traffic and average spending per customer at our restaurants are affected by, among other things, macroeconomic factors, our menu mix and pricing, changes in discretionary spending patterns and consumer tastes, and lifestyle trends of the general public.

The following table sets forth the estimated seated turnover rate and estimated average spending per customer per meal of comparable restaurants during the Track Record Period:

	Year ended 31 December	
	2014	**2015**
Number of comparable restaurants		
Classified	10	11
The Pawn[(4)]	1	1
SML[(3)]	1	1
Total number	12	13
Seat turnover rate of comparable restaurants[(1)]		
Classified	4.2	4.2
The Pawn[(4)]	2.2	2.2
SML[(3)]	2.2	1.9
Overall average seat turnover rate	3.4	3.4
Average spending per customer per meal[(2)]	*HK$*	*HK$*
Classified	124	130
The Pawn[(4)]	290	371
SML[(3)]	223	252
Overall average spending per customer per meal	159	177

Notes:

(1) Seat turnover rate is calculated by dividing the number of customer visits by the outcome of multiplying the number of seating and the number of operation days of the relevant comparable restaurants during the year.

(2) Average spending per meal per customer is calculated by dividing the total revenue by the number of customer visits of the relevant comparable restaurants during the year.

(3) SML was closed for renovation in August 2015 and re-opened in November 2015 as The Fat Pig by SML.

(4) The Pawn was closed for renovation in July 2014 and re-opened in October 2014.

The seat turnover rate remained stable during the Track Record Period. However, the overall average spending per customer per meal increased from HK$159 for the year ended 31 December 2014 to HK$177 for the year ended 31 December 2015 was primarily due to the increase in the average spending per customer per meal of The Pawn resulting from the price upward adjustments since the completion of its renovation upgrade in October 2014.

Our profitability is affected in part by our ability to successfully grow revenue from our existing restaurants. We are committed to further enhance our financial performance by achieving higher same-store sales growth through initiatives such as, enhance dining experience to attract repeat customers and attract more customers during non-peak hours to increase customer traffic and average customer spending.

Our pricing policy in response to the changing market conditions

In deciding the prices for each menu item, we take into account the costs of food ingredients, beverages and provision of services, target operating profit margin, general market trends, seasonal factors, spending patterns and purchasing power of customers. The price of each menu item also depends on the ability of our Group to continue to reach the target customers and to pass on the cost increase to our customers. Further details of our pricing policy is set out in the paragraph headed "Business — Pricing Policy" of this prospectus. If we fail to attract the target customers or to adjust its pricing strategy in response to the changing market environment, the operating results and financial performance of our Group could be affected.

We charge similar prices for same beverage and food items across different restaurants under the Classified brand except CCK where a discount of approximately 5% is offered off our normal price. This discount is offered at CCK as this restaurant is only available to employees of an investment bank which offer rent at nominal fee of HK$120 per year to us.

Food and beverages are the major raw materials purchased by our Group. We source food ingredients, such as meats, seafood, bread, vegetables and frozen food from local suppliers, we have not entered into any long-term contract with our food ingredients suppliers, except for coffee beans, wines and beverages, and therefore we are not able to control the price levels of food ingredients. The costs of food ingredients and price fluctuations will have a direct impact on our profitability.

Staff costs

Restaurant operations are highly service-oriented on the floor and also labour intensive in the kitchen and staff costs were the largest component of our operating expenses. The staff costs have significant impact on our profitability and our success, to a considerable extent, depends upon our ability to attract, motivate, train and retain our qualified employees, including restaurant floor and kitchen staff. As employee attrition levels tend to be higher in the food and beverage industry, we offer competitive remuneration packages, career development and promotion opportunities to our staff. Our staff costs increased by 8.0%, from HK$57.6 million for the year ended 31 December 2014 to HK$62.2 million for the year ended 31 December 2015, representing 38.2% and 35.4% of our revenue for the respective year. As a percentage of revenue, our staff costs remained relatively stable during the Track Record Period.

In view of the local labour laws on the minimum wages, the statutory minimum wage in Hong Kong increased from HK$30.0 per hour in 2013 to HK$32.5 per hour in 2015. The salary level in Hong Kong and the catering service industry is expected to maintain an upward trend. We believe the resulting upward pressure on our total staff costs as a percentage of total revenue could be mitigated by (i) increasing productivity of the staff and enhancing our efficiency by providing various on the job training programs (ii) minimising staff turnover by implementing various employee retention initiatives to promote employee loyalty and motivate the employees; and (iii) optimizing staff mix by internal promotions, transfers and re-allocations of employees from existing restaurants.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5% and 10% for the two years ended 31 December 2015, which correspond to the range of historical fluctuations of our staff costs during the Track Record Period.

Hypothetical Fluctuation	+5%	-5%	+10%	-10%
Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 December 2014				
	HK$	*HK$*	*HK$*	*HK$*
Change in staff costs	2,879	(2,879)	5,758	(5,758)
Change in profit before taxation	(2,879)	2,879	(5,758)	5,758
Change in profit after taxation	(2,404)	2,404	(4,808)	4,808
Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 December 2015				
	HK$	*HK$*	*HK$*	*HK$*
Change in staff costs	3,108	(3,108)	6,217	(6,217)
Change in profit before taxation	(3,108)	3,108	(6,217)	6,217
Change in profit after taxation	(2,596)	2,596	(5,191)	5,191

Food and beverage prices

The cost of raw materials and consumables used is the second largest component of our operating expenses and the food and beverage prices have direct impact on our cost of raw materials and consumables used, which in turn affect our results of operations. Our cost of raw materials and consumables used increased by 7.5%, from HK$37.8 million for the year ended 31 December 2014 to HK$40.6 million for the year ended 31 December 2015, representing 25.0% and 23.1% of our revenue for the respective years. The principal food ingredients used in our operations are, but not limited to, meats, seafood, bread and flour, frozen food, vegetables and condiments. We have devoted substantial efforts to secure sufficient supply of these ingredients that meet our quality standards and at competitive prices. For details, please refer to the sub-section headed "Business — Suppliers and Raw Materials" of this prospectus. However, despite the various initiatives we have undertaken, the price and supply of these ingredients are nonetheless subject to a number of factors that are beyond our control, including availability and demand as food and beverage are primarily determined at market prices in Hong Kong.

With exception to cheese ingredients, our food ingredients and beverages (both alcoholic and non-alcoholic) are sourced from local suppliers that supply imported ingredients. According to Ipsos, consumer price indices of major ingredients used by western restaurants have generally increased during the Track Record Period. In addition, any appreciation of foreign currencies of countries from which our raw materials and food ingredients are sourced against the Hong Kong dollar increases our purchasing costs. However, our Group is currently not exposed to any material foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong dollars. In response to this trend, we have, among other things, optimized our menu and increased prices of selected menu items, introduced higher margin menu items, screened additional suppliers for food ingredients with similar quality but at lower prices and enhanced relationships with our major suppliers to secure better pricing. Our cost of raw materials and consumables used as a percentage of revenue will continue to be a key performance indicator of the overall efficiency and profitability of our business operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of raw materials and consumables used on our profit before tax and our profit for the year during the Track Record Period. Fluctuations are assumed to be 5% and 10% for the years ended 31 December 2014 and 2015, which correspond to the range of historical fluctuations of our cost of raw materials and consumables used during the Track Record Period.

Hypothetical Fluctuation	+5%	-5%	+10%	-10%
Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 December 2014				
Change in cost of raw materials and consumables used	1,888	(1,888)	3,776	(3,776)
Change in profit before taxation	(1,888)	1,888	(3,776)	3,776
Change in profit after taxation	(1,576)	1,576	(3,153)	3,153
Impact on certain consolidated statements of profit or loss and other comprehensive income items for the year ended 31 December 2015				
Change in cost of raw materials and consumables used	2,029	(2,029)	4,058	(4,058)
Change in profit before taxation	(2,029)	2,029	(4,058)	4,058
Change in profit after taxation	(1,694)	1,694	(3,388)	3,388

Property rentals and related expenses

We operate all of our restaurants on leased or licensed premises, and the changes in the level of rental or licence fee expenses will have direct impact our profitability. The costs of leasing and maintaining our restaurants, food factory, storage and office premises are reflected in our property rentals and related expenses. Our property rentals and related expenses increased by 23.1% from HK$24.0 million for the year ended 31 December 2014 to HK$29.6 million for the year ended 31 December 2015, representing 15.9% and 16.8% of our revenue for the respective years.

A particular restaurant's rental expenses normally vary depending on the size and location of the restaurant. CCK is operated under a licensing arrangement at a nominal license fee of HK$120 per year and is located on the premises of an investment bank with a licensed area of approximately 19 square meters. Most of our restaurant's leases have initial fixed lease terms of one to five years, with some granting us an option to renew such lease terms upon re-negotiation of rental prices and other rental terms.

Our storage and office premises leases provide for fixed rent. Most of our restaurant leases require the rent to be determined as a sum of a specified fixed amount and a contingent amount calculated based on a fixed percentage, ranged from 10% to 15%, of the monthly turnover if monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreements. Further, some of the rental rates may be subject to rent escalation clauses. We have no preference as to entering into leases with fixed or contingent rent. For every lease that our Group enters into, we will consider whether the rental expense, taking into account whether it is on fixed or contingent terms, as a percentage of our expected revenue to be derived by the restaurant in question, is within the range acceptable by us, taking into account the expected customer traffic and expected average spending of each customer. As we intend to continue to open new restaurants and expand our restaurant network, we expect our property rental and related expenses for our restaurants to increase generally in the future.

Seasonality

We experience seasonal fluctuations in our revenue as the spending patterns vary on seasonal basis. Our revenue is usually higher during certain holiday periods, such as Christmas holiday and the New Year holiday, than those for the remaining months of the year. Generally, our revenue during Chinese New Year and summer holiday is usually lower than those for the remaining months of the year, mainly due to frequent outbound travel during the holidays, resulting in a decrease in the customer count in our restaurants during such period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, carrying amounts of assets and liabilities, and the disclosure of contingent liabilities at the end of each of the two years ended 31 December 2015. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant.

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

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information that our management considers to be critical in the portrayal of the financial position and results of operations.

Revenue recognition

We measure revenue at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount. We recognize revenue from our restaurant operations when our catering services have been rendered and from sale of bakery products, food and other operating items when the good and other operating items are delivered to our customers.

Property, plant and equipment

During the Track Record Period, our property, plant and equipment comprised leasehold improvements, furniture and fixtures, kitchen equipment, computer equipment and a motor vehicle. Our property, plant and equipment, are stated at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any. 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 over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each financial year end, with the effect of any changes in estimate accounted for a prospective basis. 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 proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is determined as estimated selling prices less any estimated costs to be incurred up to such sale. We estimate the net realizable value for inventories based primarily on the current market conditions and the historical experience of selling products of a similar nature.

Impairment of loans and receivables

We assess at the end of each financial year whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Our deferred tax assets amounted to HK$3.1 million and HK$2.8 million as at 31 December 2014 and 2015, respectively.

RESULTS OF OPERATION OF OUR GROUP

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2015, as derived from the Accountants' Report of our Group in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Revenue	150,933	175,717
Other income	1,056	845
Other losses	(1,209)	(596)
Raw materials and consumables used	(37,756)	(40,578)
Staff costs	(57,583)	(62,168)
Depreciation	(5,452)	(8,240)
Property rentals and related expenses	(24,013)	(29,557)
Utility expenses	(4,498)	(4,892)
Advertising and promotion expenses	(1,900)	(3,346)
Other expenses	(16,780)	(22,401)
Finance costs	(219)	(451)
Profit before taxation	2,579	4,333
Income tax credit (expense)	8	(1,513)
Profit and total comprehensive income for the year	2,587	2,820
Profit (loss) and total comprehensive income (expense) for the year attributable to		
- owners of our Company	2,606	2,936
- non-controlling interests	(19)	(116)
	2,587	2,820

Revenue

We generate our revenue from restaurant and food factory operations, which were recognised net of discount, during the Track Record Period. Our revenue from restaurant operations during the Track Record Period was generated from sales of food and beverages at our restaurants under our three brands in Hong Kong. Our revenue from our food factory operations during the Track Record Period was generated from sales of bakery products through our Group's restaurants and to other third parties such as hotels, restaurants, clubs, coffee shops, cafes and supermarkets.

The following table sets forth the breakdown of our revenue from our restaurant operations by brands, and revenue from our food factory operations for the periods indicated.

	Year ended 31 December			
	2014		**2015**	
		% of total revenue		**% of total revenue**
	HK$'000	*%*	*HK$'000*	*%*
Restaurant operations				
Classified	79,254	52.5	93,041	52.9
The Pawn[(1)]	31,176	20.7	50,257	28.6
SML[(2)]	29,886	19.8	22,083	12.6
	140,316	93.0	165,381	94.1
Food factory operations	10,617	7.0	10,336	5.9
Total	150,933	100.0	175,717	100.0

Notes:

(1) Temporary suspension of operations from July 2014 to October 2014 for renovation.

(2) Temporary suspension of operations from August 2015 to November 2015 for renovation.

In terms of revenue contributions, our top five restaurants contributed 63.1% and 61.9% of our total revenue for each of the years ended 31 December 2014 and 2015, respectively.

Our customer checks at our restaurants are primarily settled by way of credit card and cash. The other settlement methods include the settlement by bank transfers, prepaid coupons, cash vouchers and octopus cards. The following table sets forth the approximate percentages of our revenue from restaurant operations settled by various settlement methods during the Track Record Period.

	Year ended 31 December			
	2014		2015	
		% of total revenue		% of total revenue
	HK$'000	*%*	*HK$'000*	*%*
Credit cards	78,787	56.1	86,956	52.6
Cash	53,618	38.2	50,452	30.5
Others	7,911	5.7	27,973	16.9
Total	140,316	100.0	165,381	100.0

Our revenue from food factory is mainly credit sales and settled by cheques and bank transfers.

Other income

Our other income primarily consists of promotion income, franchise fee income, bank interest income and others. Promotion income represents income received from banks on various credit card promotion campaigns and events. Franchise fee income represents income received from the franchisee for the franchisee to operate a Classified restaurant in Indonesia. Others primarily include income recognised from forfeited prepaid coupons and cash vouchers and forfeited deposits due to cancellation of event sales. The following table sets forth the components of our other income for the periods indicated:

	Year ended 31 December	
	2014	2015
	HK$'000	*HK$'000*
Promotion income	646	296
Franchise fee income	296	194
Bank interest income	59	1
Others	55	354
Total	1,056	845

Other losses

Other losses comprise loss on disposal/written-off of property plant and equipment and allowance for bad and doubtful debts. Our other losses amounted to HK$1.2 million and HK$0.6 million for the years ended 31 December 2014 and 2015, respectively. Allowance for bad and doubtful debts amounted to nil and HK$0.3 million for the two years ended 31 December 2015, respectively.

Loss on disposal/written-off of property plant and equipment for the two years ended 31 December 2015 amounted to HK$1.2 million and HK$0.3 million mainly represented the loss on written off of the leasehold improvements for The Pawn's renovation in 2014 and SML's renovation and relocation of our office premises in 2015, respectively.

Raw materials and consumables used

Our cost of raw materials and consumable used primarily represents the cost of all the food ingredients and beverages used in our operations. Raw materials and consumables used is the second largest component of our operating expenses. The principal food ingredients used in our operations includes meat, seafood, bread and flour, vegetable, and condiments. For the two years ended 31 December 2015, our raw materials and consumables used amounted to HK$37.8 million and HK$40.6 million, respectively, representing 25.0% and 23.1% of our revenue for such periods, respectively.

Staff costs

Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits payable to all our employees. Staff costs is the largest component of our operating expenses. The average number of our full-time employees increased by 14, or 5.4%, from 257 for the year ended 31 December 2014 to 271 for the year ended 31 December 2015. Our staff costs amounted to HK$57.6 million and HK$62.2 million for the years ended 31 December 2014 and 2015, respectively, representing 38.2% and 35.4% of our revenue for such periods, respectively.

Staff costs is the largest component of our operating expenses. The table below sets forth the staff costs by category during the Track Record Period:

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Salaries and other benefits	54,260	58,680
Directors' remuneration	1,000	907
Retirement benefit scheme contributions	2,323	2,581
Total	57,583	62,168

Property rentals and related expenses

Our property rentals and related expenses primarily represent the rental payments under operating leases and property management fee paid for our restaurants, food factory, office premises and storage spaces. The property rentals and related expenses are the third largest component of our operating expenses. For the two years ended 31 December 2015, property rentals and related expenses amounted to approximately HK$24.0 million and HK$29.6 million and accounted for approximately 15.9% and 16.8% of our revenue for such periods, respectively.

For the two years ended 31 December 2015, of the total number of restaurant leases, we had three, eight and two of our restaurant leases that were subject to fixed rents, contingent rents and rent free arrangements, respectively.

The following table sets forth a breakdown of our property rental expenses for such restaurants by category of rent.

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Fixed rent	18,139	23,861
Contingent rent[(1)]	2,170	1,545
Rent free[(2)]	—	—
Total	20,309	25,406

Notes:

(1) Contingent rent includes total rental expenses of all restaurants with leases containing any type of contingency clauses.

(2) CHP and CCK were operated under licence agreements. They were not subject to any rent but a licence fee of nil and HK$120, respectively. CHP closed in February 2016.

Our restaurant leases typically have initial lease terms of between one and five years, with some lease agreements contain an option for us to renew such lease terms for periods ranging from two to four years, exercisable at our discretion. The following table summarizes the terms of our current leases for our restaurants as at the Latest Practicable Date and related information.

	By 31 December 2016	Beyond 31 December 2016	Total
Number of restaurants with leases expiring			
Option to renew	3	3	6
No option to renew	1	5	6
Total	4	8	12

As at the Latest Practicable Date, four leases for our operating restaurants will expire on or prior to 31 December, 2016. We are in the process of negotiating for all of the four leases. Our Directors do not foresee any material difficulties in renewing such leases.

Utility expenses

Our utilities expenses primarily consist of expenses incurred for electricity, gas and water utilities. For the two years ended 31 December 2015, our utility expenses amounted to HK$4.5 million and HK$4.9 million, respectively, representing 3.0% and 2.8% of our revenue for such periods, respectively.

Advertising and promotion expenses

Our advertising and promotion expenses mainly consist of consultancy fee paid to a consulting firm specialized in marketing to provide comprehensive solutions of our marketing strategy, advertising expenses, food tasting promotion and printing of marketing collateral. For the two years ended 31 December 2015, our advertising and promotion expenses amounted to HK$1.9 million and HK$3.3 million, respectively, representing 1.3% and 1.9% of our revenue for such periods, respectively.

Depreciation

Our depreciation represents depreciation charges for our property, plant and equipment which comprise leasehold improvements, furniture and fixtures, kitchen equipment, computer equipment and a motor vehicle. For the two years ended 31 December 2015, our depreciation amounted to HK$5.5 million and HK$8.2 million, respectively, representing 3.6% and 4.7% of our revenue for such periods, respectively.

Other expenses

Other expenses primarily consist of cleaning and decoration expenses for our restaurants, credit card commission, consumables and supplies, travelling and entertainment expenses, repair and maintenance and legal and professional expenses. The following table sets forth a breakdown of our other expenses during the Track Record Period:

	Year ended 31 December			
	2014		**2015**	
	HK$'000	*%*	*HK$'000*	*%*
Cleaning and decoration	2,718	16.2	3,017	13.5
Consumables and supplies	2,557	15.2	3,688	16.5
Credit card commission	1,793	10.7	1,967	8.8
Insurance	758	4.5	677	3.0
Legal and professional fees	2,067	12.3	2,597	11.6
Listing expenses	1,000	6.0	3,500	15.6
Office and administrative expenses	709	4.2	1,130	5.0
Postage, printing and stationery	569	3.4	607	2.7
Repair and maintenance	1,374	8.2	1,623	7.2
Music and performance	637	3.8	828	3.7
Travelling and entertainment expenses	2,010	12.0	2,028	9.1
Others	588	3.5	739	3.3
Total	16,780	100.0	22,401	100.0

For the two years ended 31 December 2015, the other expenses amounted to HK$16.8 million and HK$22.4 million, respectively, representing 11.1% and 12.7% of our revenue for such periods, respectively.

Finance costs

Our finance costs represent interest expenses on bank borrowings and obligation under finance lease. For the two years ended 31 December 2015, our finance costs amounted to HK$0.2 million and HK$0.5 million, respectively.

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Interest on:		
bank borrowings wholly repayable within five years	209	443
obligation under finance lease wholly repayable within five years	10	8
Total	219	451

As at 31 December 2015, our bank borrowings amounted to HK$26.3 million and our obligation under finance lease of HK$0.1 million represented lease for a motor vehicle.

Income tax credit/expense

Our operations in Hong Kong are subject to Hong Kong profits tax of 16.5% on estimated assessable profit arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. For more details, please see note 12 to the Accountants' Report set out in Appendix I to this prospectus. We had a tax credit of HK$8,000 for the year ended 31 December 2014, which was primarily due to the tax credit recognized from the written-off of the leasehold improvements due to renovation upgrade of The Pawn which partially offset the tax expenses and such recognition of tax credit was of one-off in nature. Our effective tax rate for operations in Hong Kong was 34.9% for the year ended 31 December 2015 which was higher than the profits tax rate of 16.5% in Hong Kong. This was primarily due to some non-deductible expenses, including listing expenses, incurred and tax effect of tax losses not recognised during the year ended 31 December 2015.

RESULTS OF OPERATIONS OF OUR GROUP

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased by HK$24.8 million, or 16.4%, from approximately HK$150.9 million for the year ended 31 December 2014 to HK$175.7 million for the year ended 31 December 2015.

Our revenue generated from restaurant operations increased by HK$25.1 million, or 17.9% from approximately HK$140.3 million, to HK$165.4 million for the year ended 31 December 2015. The increase was primarily due to (i) HK$10.6 million increase in revenue reflecting full year result of CRB which was opened in November 2014; and (ii) HK$19.1 million increase in revenue reflecting full year result of The Pawn which was temporarily closed for renovation in July 2014 and was re-opened in October 2014. The increase was partially offset by the decrease in revenue from SML by HK$7.8 million due to the temporary closure for renovation from August 2015 to November 2015.

Our revenue generated from food factory operations during the year remained relatively stable.

Other income

Our other income decreased by HK$0.2 million, or 20.0%, from HK$1.0 million for the year ended 31 December 2014 to HK$0.8 million for the year ended 31 December 2015, primarily resulting from a decrease in income from credit card promotion programs with banks by HK$0.4 million and a decrease in franchise fee by HK$0.1 million.

Other losses

Our other losses decreased by HK$0.6 million, or 50.7%, from HK$1.2 million for the year ended 31 December 2014 to HK$0.6 million for the year ended 31 December 2015 was primarily due to the decrease in loss on disposal/written-off of property, plant and equipment by HK$0.9 million. The Group recognised HK$1.2 million loss on disposal/written-off of property, plant and equipment because of the renovation upgrade of The Pawn during the year ended 31 December 2014.

Cost of raw materials and consumables used

Our costs of raw materials and consumables used increased by HK$2.8 million, or 7.5%, from HK$37.8 million for the year ended 31 December 2014 to HK$40.6 million for the year ended 31 December 2015. The increase was generally in line with the increase of the revenue of our Group for the year ended 31 December 2015. The increase was primarily due to increases in the costs of food ingredients and beverages and wines amounted to HK$1.2 million and HK$1.6 million for the year ended 31 December 2015, respectively. Our revenue growth of 16.4% was higher than our cost of raw materials and consumables used growth of 7.5% for the year ended 31 December 2015, which was mainly due to (i) menu price upward adjustments and (ii) reengineering of our menu during the year ended 31 December 2015 to improve our profit margin.

Staff costs

Our staff costs increased by HK$4.6 million, or 8.0%, from HK$57.6 million for the year ended 31 December 2014 to HK$62.2 million for the year ended 31 December 2015. The increase in staff costs was primarily due to an increase in the average headcounts for the year ended 31 December 2015.

Depreciation

Our depreciation increased by HK$2.8 million, or 51.1%, from HK$5.4 million for the year ended 31 December 2014 to HK$8.2 million for the year ended 31 December 2015. The increase was primarily due to the full year effect of depreciation incurred for additional leasehold improvements, furniture and fixtures purchased for The Pawn's renovation upgrade.

Property rentals and related expenses

Our property rentals and related expenses increased by HK$5.6 million, or 23.1% from HK$24.0 million for the year ended 2014 to HK$29.6 million for the year ended 2015. The increase was primarily due to (i) the opening of CRB in November 2014 and (ii) renewal of new leases for CCR and The Pawn in the second half of 2014 reflecting the full year effect for the year ended 31 December 2015.

Utility expenses

Our utilities expenses increased by HK$0.4 million, or 8.8% from HK$4.5 million for the year ended 31 December 2014 to HK$4.9 million for the year ended 31 December 2015, which was generally in line with the increasing trend in revenue from restaurant operations.

Advertising and promotion expenses

Our advertising and promotion expenses increased by HK$1.4 million, or 76.1%, from HK$1.9 million for the year ended 31 December 2014 to HK$3.3 million for the year ended 31 December 2015, primarily as a result of the more marketing and promotion during 2015 for The Pawn's re-opening after its renovation upgrade in October 2014 and the re-opening of SML in November 2015.

Other expenses

Our other expenses increased by HK$5.6 million, or 33.5%, from HK$16.8 million for the year ended 31 December 2014 to HK$22.4 million for the year ended 31 December 2015. The increase was primarily due to the increase in expenses for consumables and supplies by HK$1.1 million mainly resulting from full year operations of CRB and The Pawn for the year ended 31 December 2015 and the increase in listing expenses by HK$2.5 million.

Finance costs

Our finance costs increased by HK$0.3 million, or 105.9% from HK$0.2 million for the year ended 31 December 2014 to HK$0.5 million for the year ended 31 December 2015. The increase was primarily due to the full year effect of interests paid for the bank borrowings of HK$20.0 million raised by us in the third quarter of 2014, respectively.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by HK$1.7 million, or 68.0%, from HK$2.6 million for the year ended 31 December 2014 to HK$4.3 million for the year ended 31 December 2015.

Income tax expense

We had a tax credit of HK$8,000 for the year ended 31 December 2014 which was primarily due to the tax credit from the written-off of the leasehold improvement by The Pawn for its renovation upgrade which partially offset the tax expenses for the year ended 31 December 2014. We incurred income tax expense of HK$1.5 million for the year ended 31 December 2015. Our effective income tax rate for the year ended 31 December 2015 was 34.9% which was resulting from an increase in assessable profits mainly due to increase in non-tax deductible listing expenses and tax effect of tax losses not recognised.

Profit attributable to owners of our Company

As a result of the cumulative effect of the above factors, our profit attributable to owners of our Company increased by HK$0.3 million, or 12.8%, from HK$2.6 million for the year ended 31 December 2014 to HK$2.9 million for the year ended 31 December 2015.

The net profit margins of the Group were 1.7% and 1.6% for the two years ended 31 December 2015, respectively. The low net profit margin achieved by our Group during the Track Record Period was mainly due to the temporary suspension of its operations at The Pawn and SML which were initially opened in 2008 and 2009, respectively, for renovation upgrades from July 2014 to October 2014 and from August 2015 to November 2015, respectively. While these restaurants were unable to generate revenues, expenses (such as rental and staff costs) continued to be incurred during these renovation periods and consequently, our Group's profit margin was lower than the case when such restaurants were open for business.

The renovation of The Pawn and SML had material negative impact on the Group's net profit margins for the year ended 31 December 2014 and the year ended 31 December 2015, respectively. This was because The Pawn accounted for 20.7% (given its temporary suspension of operations from July 2014 to October 2014 for renovation) and 28.6% of the Group's revenue for the two years ended 31 December 2015, respectively, and SML accounted for 19.8% and 12.6% (given its temporary suspension of operations from August 2015 to November 2015 for renovation) of the Group's revenue for the two years ended 31 December 2015, respectively. Our Directors believe that, our Group had a relatively higher staff costs and property rentals and related expenses as a percentage of revenue during the Track Record Period because (i) most of our restaurants are located on street level or in commercial buildings in prime locations and/or popular touristic areas; and (ii) as we are required to consistently deliver high quality food in an enjoyable environment, served by English speaking, good and attentive floor staff, we offer competitive remuneration package to recruit and retain restaurant staff, including chefs, cashier, kitchen staff and floor staff. As staff costs is the largest component of our Group's operating expenses and property rentals and related expenses is the third largest component of our Group's operating expenses, our Directors believe that the relatively higher staff cost and property rentals and related expenses also had negative impact on our Group's net profit margins during the Track Record Period. In addition, our Group incurred listing expenses of HK$1.0 million and HK$3.5 million for the two years ended 31 December 2015, respectively. The listing expenses were not within the ordinary and usual course of our restaurant operations and if we excluded the listing expenses from our results, the net profit margins of the Group would have become 2.4% and 3.6% for the two years ended 31 December 2015, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from our Controlling Shareholders, bank borrowings and internally generated funds from our operating activities. We had net cash used in operating activities of approximately HK$0.9 million and net cash from operating activities of HK$11.1 million for the years ended 31 December 2014 and 2015, respectively. We require cash primarily for general working capital needs and capital expenditures for opening and upgrading restaurants in Hong Kong. As of 31 December 2014, 31 December 2015 and 30 April 2016, we had bank balances and cash of HK$15.8 million, HK$17.1 million and HK$7.2 million, respectively. Substantially all of our Group's cash and cash equivalents are held in Hong Kong dollars.

We expect to finance our working capital requirements and the planned capital expenditures for the 12 months following the date of this prospectus with the following sources of funding:

(i) net cash inflows to be generated from our operating activities;

(ii) the cash and cash equivalents available, which were HK$7.2 million as at 30 April 2016, and available banking facilities; and

(iii) net proceeds to be received by our Group from the Placing.

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

For more information on our expected capital expenditure requirements, please refer to the sub-section headed "Financial Information — Capital expenditure" of this prospectus.

Cash flows of our Group

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Net cash (used in) from operating activities	(890)	11,122
Net cash used in investing activities	(22,341)	(15,634)
Net cash from financing activities	13,974	5,776
Net (decrease) increase in cash and cash equivalents	(9,257)	1,264
Cash and cash equivalents at beginning of the year	25,055	15,798
Cash and cash equivalents at end of the year	15,798	17,062

Net cash (used in) from operating activities

Our cash inflow from operating activities is principally derived from the receipts from our restaurant and food factory operations. Our operating expenses comprised mainly cost of food ingredients and beverage, property rentals and staff costs. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for income tax paid, finance costs and interest income, non-cash items and changes in working capital.

For the year ended 31 December 2015, we had net cash from operating activities of approximately HK$11.1 million and profit before taxation of HK$4.3 million. Adjustments primarily include depreciation of property, plant and equipment in the amount of HK$8.2 million, resulting in operating cash flows before changes in working capital of HK$13.6 million. Changes in working capital represented a net use of HK$1.1 million of cash, primarily attributable by an increase in inventories of HK$0.8 million, increase in prepayments, deposits and other receivables of HK$2.9 million and a decrease in amount due to a related company of HK$0.4 million. Our inventories increased for the year ended 31 December 2015 as we held more buffer stocks of beverage and wines. The increase in prepayments, deposits and other receivables was primarily due to the additional rental deposits for the renewals of the tenancy agreements for our office premises and warehouse and SML of its restaurant premises during the year ended 31 December 2015, and the deposit for SML's previous lease was not refunded as at 31 December 2015. These cash outflows were primarily offset by an increase in trade and other payables and accrued charges of HK$3.4 million. The increase in trade and other payables and accrued charges was primarily due to increases in purchase of our inventories of food ingredients and beverages as reflected in the increase in cost of raw materials and consumables used. We paid income tax of HK$1.4 million in the year ended 31 December 2015.

For the year ended 31 December 2014, we had net cash used in operating activities of approximately HK$0.9 million. Profit before taxation for the year ended 31 December 2014 was HK$2.6 million. Adjustments primarily include depreciation of property, plant and equipment in the amount of HK$5.5 million and loss on disposal/written off of property, plant and equipment in the amount of HK$1.2 million, resulting in operating cash flows before changes in working capital of HK$9.4 million. Changes in working capital represented a net use of HK$8.6 million of cash, primarily attributable by an increase in trade and other receivables, deposits and prepayments of HK7.7 million. The increase in trade and other receivables, deposits and prepayments was primarily due to (i) an additional rental deposits required by the new landlord of the Pawn's restaurant premises of HK$3.0 million during the year ended 31 December 2014 and (ii) increase in deferred/prepaid listing expenses of HK$2.9 million. We paid income tax of HK$1.7 million in the year ended 31 December 2014.

For illustration, the table below shows the summary of the adjusted cash flows from operating activities before the changes in working capital after excluding listing expenses during the Track Record Period:

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Profit before taxation	2,579	4,333
Adjustments for:		
Depreciation of property, plant and equipment	5,452	8,240
Loss on disposal/written-off of property, plant and equipment	1,209	341
Allowance for bad and doubtful debts	—	255
Interest income	(59)	(1)
Finance costs	219	451
Operating cash flows before movements in working capital	9,400	13,619
Add: Listing expenses	1,000	3,500
Adjusted cash flow	10,400	17,119

As shown in the table above, our Group is able to meet the minimum cash flow requirements under Rule 11.12A of the GEM Listing Rules.

Net cash used in investing activities

Our cash used in investing activities mainly consists of the purchases of property, plant and equipment and advance to related companies and directors. Our cash flow from investing activities mainly represents repayment from related companies and directors

For the year ended 31 December 2015, we had net cash used in investing activities of HK$15.6 million, which was primarily due to purchases of property, plant and equipment in the amount of HK$12.7 million mainly for renovation of SML during the year and net advance to directors in the amount of HK$2.2 million.

For the year ended 31 December 2014, we had net cash used in investing activities of HK$22.3 million, which was primarily due to purchases of property, plant and equipment in the amount of HK$22.0 million mainly for The Pawn's renovation upgrade during the year and net advance to related companies in the amount of HK$1.4 million. These cash outflows were partially offset by withdrawal of pledged bank deposits of HK$1.2 million which was released by the former landlord of the Pawn's restaurant premises after the premises was sold to the new landlord.

Net cash from financing activities

Our cash inflows from financing activities mainly consist of proceeds from bank borrowings for general working capital and renovation of SML and issue of new shares of our Company. Our cash used in financing activities mainly consist of repayments of borrowings, and repayment of amounts due to related parties and directors.

For the year ended 31 December 2015, we had net cash from financing activities of HK$5.8 million, which primarily consisted of proceeds from bank borrowing of a term loan of HK$6.3 million for the renovation of SML, partially offset by the payment of interest paid for the bank borrowings and obligation under finance lease in the amount of HK$0.5 million.

For the year ended 31 December 2014, we had net cash from financing activities of HK$14.0 million, which primarily consisted of proceeds from bank borrowing of HK$20.0 million from revolving bank facilities for general working capital, and issue of new shares of our Company of HK$10.0 million from the Pre-IPO Investor. These cash inflows were partially offset by repayment of bank borrowings of HK$3.0 million and net repayment to related companies and directors of HK$11.1 million and HK$1.7 million, respectively.

WORKING CAPITAL

The table below sets forth the breakdown of our current assets and current liabilities as at 31 December 2014, 31 December 2015 and 30 April 2016.

	As at 31 December		As at 30 April
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current assets			
Inventories	2,834	3,650	3,419
Trade receivables	2,845	3,058	10,300
Prepayments, deposits and other receivables	6,866	7,856	7,123
Amounts due from related companies	12,289	398	295
Amounts due from directors	2,677	17,823	22,433
Tax recoverable	553	1,139	1,139
Bank balances and cash	15,798	17,062	7,202
Total current assets	43,862	50,986	51,911
Current liabilities			
Trade payables	5,945	7,768	5,381
Other payables and accrued charges	11,994	13,026	15,826
Amounts due to related companies	1,177	810	425
Amount due to a non-controlling shareholder of a subsidiary	52	52	52
Tax payable	—	340	954
Obligation under finance lease	57	59	—
Bank borrowings	20,000	26,259	27,204
Total current liabilities	39,225	48,314	49,842
Net current assets	4,637	2,672	2,069

Our total current assets as at 31 December 2014, 31 December 2015 and 30 April 2016 amounted to approximately HK$43.9 million, HK$51.0 million and HK$51.9 million, respectively, which primarily consisted of inventories, trade and other receivables, deposits and prepayments, amounts due from related companies and directors, and bank balances and cash. Our total current liabilities as at 31 December 2014, 31 December 2015 and 30 April 2016 amounted to HK$39.2 million, HK$48.3 million and HK$49.8 million, respectively, with trade and other payables and accrual charges, amounts due to related companies and bank borrowings being our major current liabilities components.

Our net current assets position decreased by HK$0.6 million, from HK$2.7 million as at 31 December 2015 to HK$2.1 million as at 30 April 2016, was primarily due to the decrease in bank balances and cash and the increase in other payables and accrued charges, which was partially offset by the increase in trade receivables and amounts due from directors.

Our net current assets position decreased by HK$1.9 million, from HK$4.6 million as at 31 December 2014 to HK$2.7 million as at 31 December 2015, was primarily due to the increase in bank borrowings of a term loan of HK$6.3 million for the renovation work and the purchase of new equipment for SML during the year ended 31 December 2015.

See "Financial Information — Discussion of selected statements of financial position items" for a discussion of various current assets and current liabilities items.

DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised leasehold improvements, furniture and fixtures, kitchen equipment, computer equipment and a motor vehicle. As at 31 December 2014 and 2015, our property, plant and equipment were HK$27.8 million and HK$31.8 million, respectively. The increase in property, plant and equipment of HK$4.0 million, or 14.5%, was primarily due to the increase in leasehold improvements and equipment for the renovation of SML in 2015, which was partially offset by our disposals or written off of leasehold improvements, furniture and fixtures.

Inventories

Our inventories mainly comprised food and beverages used in our restaurant and food factory operations as well as other consumables for restaurant operations. The following table sets out information on our inventory balances and inventory turnover days as at 31 December 2014 and 2015:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Food	947	1,008
Beverage and wines	1,031	1,757
Consumables	787	808
Others	69	77
Total	2,834	3,650
Inventories turnover days(1)	25.1	29.2

(1) We calculate inventory turnover days by dividing average inventory by cost of raw materials and consumables used and multiplied 365 days for each of the years ended 31 December 2014 and 2015. Average inventory is calculated by dividing by two sum of inventory at the beginning of the period plus the inventory at the end of the period.

Our inventories increased by HK$0.8 million, or 28.8%, from HK$2.8 million as at 31 December 2014 to HK$3.7 million as at 31 December 2015. The increase was primarily due to an increase in the level of buffer stocks of beverage and wines. Our inventories turnover days were 25.1 days and 29.2 days as at 31 December 2014 and 2015, respectively, which was mainly due to the increase in turnover days of beverage and wines.

As at 30 April 2016, HK$2.7 million of our HK$3.7 million inventories as at 31 December 2015 were subsequently utilized.

Trade receivables

During the Track Record Period, our trade receivables primarily comprised (i) receivables from banks in connection with credit card payments made by our restaurant customers and (ii) receivables from our food factory operations. The table below sets forth our trade receivables by operations, net of bad and doubtful debts allowance, during the Track Record Period:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Restaurant operations	822	1,473
Food factory operations	2,023	1,585
Total	2,845	3,058

An aging analysis of our trade receivables, based on the invoice date, as at 31 December 2014 and 2015, is as follows:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Within 30 days	1,788	2,350
31 to 60 days	637	536
61 to 90 days	420	117
Over 90 days	—	310
Total	2,845	3,313
Less: Allowance for bad and doubtful debts	—	(255)
	2,845	3,058
Trade receivables turnover days(1)	6.8	6.1

(1) We calculate trade receivables turnover days by dividing average trade receivables by revenue and multiplied 365 days for each of the years ended 31 December 2014 and 2015. Average trade receivables is calculated by dividing by two the sum of trade receivables, net of bad and doubtful debts allowance, at the beginning of the period and trade receivables at the end of the period.

Our trade receivables increased by HK$0.2 million, or 7.5%, from HK$2.8 million as at 31 December 2014 to HK$3.1 million as at 31 December 2015 primarily due to increase in our revenue. We provided allowance for bad and doubtful debts for the year ended 31 December 2014 and 2015 of nil and HK$0.3 million, respectively, which was because some customers of our food factory had been in severe financial difficulties in repaying their outstanding balances. As at 31 December 2014 and 31 December 2015, HK$0.4 million and HK$0.2 million of our trade receivables from food factory operations were due over 60 days for which we have not provided for impairment loss. Such amount was not impaired because the counterparties do not have historical default of payments.

Our trade receivables turnover days remained relatively stable at 6.8 days and 6.1 days as at 31 December 2014 and 2015, respectively.

As at 30 April 2016, HK$2.6 million of our HK$3.1 million trade receivables as at 31 December 2015 have been subsequently settled.

Prepayment, deposits and other receivables

Our prepayments, deposits and other receivables consisted of non-current portion and current portion. The non-current portion consisted of rental deposits, utility deposits and restatement work deposits for the leasing of the Group's lease properties with leases expiring beyond 31 December 2016. The restatement work deposit was paid to the landlord of the property leased by TPL for the reinstatement of the premises upon expiration of the lease. Our non-current deposits increased by HK$1.5 million, or 20.4%, from HK$7.3 million as at 31 December 2014 to HK$8.8 million as at 31 December 2015. The current portion primarily represented prepayments for various licences, consumables, consultancy fee and listing expenses, rental and utility deposits paid for our leased properties with leases expiring before 31 December 2016. The table below sets forth the information of our prepayment, deposits and other receivables by non-current portion and current portion as at 31 December 2014 and 2015:

	As at 31 December	
	2014	**2015**
Non-current portion	*HK$'000*	*HK$'000*
Rental deposits	5,762	7,427
Utility deposits	924	748
Reinstatement work deposit	614	614
	7,300	8,789

Current portion	As at 31 December 2014 HK$'000	2015 HK$'000
Prepayments	2,295	2,679
Deferred/prepaid listing expenses	2,886	1,781
Rental deposit	985	2,525
Utility deposits	105	276
Other deposits	595	595
Total	6,866	7,856

The increase in the non-current portion of the rental deposits was mainly attributable to the addition deposits for renewals of the tenancy agreements for PRGML of its office premises and warehouse and SML of its restaurant premises during the year ended 31 December 2015. Our current portion of deposits and prepayment increased by HK$1.0 million, or 14.4%, from HK$6.9 million as at 31 December 2014 to HK$7.9 million as at 31 December 2015 was primarily due to the increase in rental deposit of HK$1.5 million. The increase was mainly attributable to the deposit for SML's previous lease was not refunded as at 31 December 2015, which was reclassified from the non-current portion as at 31 December 2014 to the current portion as at 31 December 2015.

Amounts due from related companies and directors

The following table sets forth an analysis of the amounts due from related companies and directors as at 31 December 2014 and 2015:

	As at 31 December 2014 HK$'000	2015 HK$'000
Related companies		
- Non-trade nature	12,281	102
- Trade nature	8	296
Sub-total	12,289	398
Directors (non-trade nature)	2,677	17,823
Total	14,966	18,221

Our amounts due from related companies mainly represented advances to related companies, which amounted to HK$12.3 million and HK$0.4 million as at 31 December 2014 and 2015, respectively. Such amounts are interest-free, unsecured and repayable on demand. Included in the amounts due from related companies, there were balances of HK$8,000 and HK$0.3 million as at 31 December 2014 and 2015 primarily due to the sale of bakery products to and catering income from our related companies during the years ended 31 December 2014 and 2015. All of those amounts due from related companies in non-trade nature will be fully settled prior to the Listing.

Our amounts due from Directors mainly represented advances to the Controlling Shareholders, which amounted to HK$2.7 million and HK$17.8 million as at 31 December 2014 and 2015, respectively. On 9 March 2015, the amount due from AAP of HK$12.9 million was assigned to the Co-founders based on a deed of assignment dated on 9 March 2015, therefore the balance of HK$12.9 million was classified from amounts due from related companies in non-trade nature to amounts due from directors. Such amounts are interest-free, unsecured and repayable on demand. All of these amounts due from directors will be fully settled prior to the Listing.

Trade payables

During the Track Record Period, our trade payables primarily related to our purchases of food ingredients and beverages. The payment terms granted to us by our suppliers are generally 30 to 90 days after the monthly statement is issued. The table below sets out an aging analysis of our trade payables and our trade payables turnover days as at 31 December 2014 and 2015.

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Within 30 days	4,683	4,072
31 to 60 days	939	3,146
61 to 90 days	204	69
Over 90 days	119	481
Total	5,945	7,768
Trade payables turnover days(1)	71.7	61.7

(1) We calculate trade payables turnover days by dividing average trade payables by cost of raw materials and consumables used and multiplied 365 days for each of the years ended 31 December 2014 and 2015. Average trade payables is calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

Our trade payables increased by HK$1.8 million, or 30.7%, from HK$5.9 million as at 31 December 2014 to HK$7.8 million as at 31 December 2015. The increase was primarily due to the increase in purchases of our inventories of food ingredients and beverages as reflected in the increase in cost of raw materials and consumables used.

Our trade payables turnover days were 71.7 days and 61.7 days as at 31 December 2014 and 2015, respectively, which is in line with credit period.

As at 30 April 2016, all of our trade payables of HK$7.8 million as at 31 December 2015 have been subsequently settled.

Other payables and accrued charges

Our other payables and accrued charges mainly comprised accruals for staff related costs, accruals for utilities, and deferred rental. The increase in other payables and accrued charges of HK$1.0 million, or 8.6%, from HK$12.0 million as at 31 December 2014 to HK$13.0 million as at 31 December 2015 was primarily due to an increase in deferred rental recognized from the rent free periods granted by the landlords which was partially offset by a decrease in accrued staff cost.

Amounts due to related companies

The following table sets forth an analysis of the amounts due to related companies as at 31 December 2014 and 2015:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Related companies		
- Non-trade nature	—	25
- Trade nature	1,177	785
Total	1,177	810

Our amounts due to related companies primarily related to our purchase of wines. Such amounts are interest-free, unsecured and repayable on demand. All of the these amounts due to related companies in non-trade nature will be fully settled prior to the Listing.

INDEBTEDNESS

Borrowings

As at 31 December 2014 and 2015, our borrowings mainly consisted of bank borrowings and finance lease liabilities. The following table sets forth a breakdown of our bank borrowings by scheduled repayment dates set out in the loan agreements as at the dates indicated:

	As at 31 December		As at 30 April
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Within one year	20,000	21,269	21,557
Within a period of more than one years but not exceeding two years	—	1,269	1,557
Within a period of more than two years but not exceeding five years	—	3,721	4,090
	20,000	26,259	27,204

All of our bank borrowings were denominated in Hong Kong dollar and the effective interest rates as at 31 December 2014 and 2015 were 2.14% and 2.28% per annum, respectively. As at 31 December 2014, our bank borrowings in the amount of HK$20.0 million comprised solely of a revolving loan at floating rate. We currently anticipate that the utilisation level of such revolving loan will remain stable. Such loan was unsecured and guaranteed by certain of our group entities and the Controlling Shareholders. As at 31 December 2015, we additionally obtained a term loan of HK$6.3 million. The loan is for the renovation of SML. Such loan was unsecured with repayment on demand clause and was guaranteed by the Co-founders. As at 30 April 2016, our term loan of HK$1.6 million which is currently scheduled to be repaid within one year and we expect to repay such amount in accordance with the repayment schedule.

Obligation under finance lease

Our Group has leased a motor vehicle under finance lease arrangement with an outstanding principal amount of HK$0.1 million as at 31 December 2015. The table below set out our obligations under a finance lease as at the dates indicated:

	As at 31 December		As at 30 April
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Current liabilities	57	59	—
Non-current liabilities	142	83	—
	199	142	—

Our obligation under finance lease as at 31 December 2014 and 2015 comprised primarily of a finance lease for the purchase of a motor vehicle used to transport our bakery products from the factory to our restaurants and other customers. The finance lease is secured by the relevant motor vehicle and guaranteed by Mr. Wong. Our finance lease liabilities are denominated in Hong Kong dollars and the effective annual interest rates during the Track Record Period was approximately 2.25%. The finance lease was fully repaid on 19 February 2016.

As at 30 April 2016, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to HK$27.3 million, consisted of (i) unsecured and guaranteed bank borrowings in the amount of HK$27.2 million and (ii) unsecured and unguaranteed amount due to a non-controlling shareholder of a subsidiary in the amount of HK$0.1 million. The effective interest rate of bank borrowings was 2.29% per annum, respectively. We had an unutilised banking facility of HK$3.2 million which was an unutilised term loan granted by a bank for the renovation of SML only and therefore it cannot be used as general working capital of the Group. There are no material covenants relating to these outstanding indebtedness. Our Directors have confirmed that there has been no material change in our indebtedness since 31 December 2015 up to the Latest Practicable Date.

Save as disclosed above and apart from intra-group liabilities, as at 30 April 2016, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, we currently do not have any external debt financing plan.

CAPITAL EXPENDITURES

Our capital expenditure during our Track Record Period primarily related to expenditures on (i) leasehold improvements for our new restaurants and for the renovation of our existing restaurants; (ii) maintenance of existing restaurants; and (iii) purchase of furniture, fixtures and equipment used in our operations. Our total cash outflow for capital expenditures, including cash used in purchasing property, plant and equipment, amounted to HK$22.0 million and HK$12.7 million for the two years ended 31 December 2015, respectively.

We anticipate that our future capital expenditures will increase as we open new restaurants, renovate existing restaurants and expand our operations. Our projected capital expenditures for the two years ending 31 December 2017 are expect approximately HK$14.8 million and HK$9.5 million, respectively. We expect that our planned capital expenditures for the two years ending 31 December 2017 will be primarily used for the of equipment for our expansion plans for opening of new restaurants and a central kitchen, and renovation of our existing restaurants and replacement of utensils in Hong Kong. In addition, we expect that, for opening of new Classified restaurants and establishment of a new central kitchen, working capital and rental deposit in the sum of HK$1.5 million and HK$1.0 million will be required for the two years ending 31 December 2017, respectively. As such, the capital expenditure requirement for our Group's implementation plans is expected to amount to approximately HK$26.8 million, of which approximately HK$20.8 million or 77.6% is expected to be financed by the net proceeds from the Placing and the remaining balance of HK$6.0

million for carrying out the renovation and refurbishment of CMB, CCR and CRB is expected to be financed from our internal resources. We believe we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilize for such actual capital expenditure. As at 30 April 2016, we had HK$7.2 million in cash and cash equivalents available and net amounts due from related companies and directors totaled HK$22.3 million which will be fully settled prior to the Listing. Furthermore, during the Track Record Period, we had total net cash from operating activities of approximately HK$10.2 million.

Our expansion plans in Hong Kong for the two years ending 31 December 2017 and the related projected capital expenditures (including working capital and rental deposit) are summarised as follows:

	From the Latest Practicable Date to 30 June 2016	**For the six months ending 31 December 2016**	**For the six months ending 30 June 2017**	**For the six months ending 31 December 2017**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure for opening of new Classified restaurants	—	3,500	—	3,500	7,000
Capital expenditure for a central kitchen	—	3,500	—	—	3,500
Renovation cost for existing restaurants and replacement of utensils	—	7,800	1,000	5,000	13,800
Working capital and rental deposit	—	1,500	—	1,000	2,500
	—	16,300	1,000	9,500	26,800

From 1 January 2016 to the Latest Practicable Date, we did not incur any capital expenditures for the aforementioned expansion plan. See the section of "Business strategies and use of proceeds — Implementation plans" of this prospectus for a detailed description of our expansion plans. We did not have any capital commitment as at 31 December 2015.

Our planned capital expenditures are projections only and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We may make necessary adjustments depending on the existing market conditions and status of the various expansion plans.

OPERATING LEASE COMMITMENTS

We lease the premises for our restaurants, food factory, office premises and storage spaces under operating lease arrangements. The following table sets forth our future minimum lease payments under non-cancellable operating leases as at 31 December 2014 and 2015.

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Within one year	17,571	23,769
In the second to fifth year inclusive	29,557	42,294
	47,128	66,063

CONTINGENT LIABILITIES

As at the Latest Practicable Date, other than disclosed in the section entitled "Business—Legal proceedings" of this prospectus, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, we did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 26 to the Accountants' Report to Appendix I to this prospectus, our Directors confirm that each transaction set forth therein were conducted in accordance with terms as agreed between us and the respective related parties, were conducted on an arm's length basis and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

Other than bank balances with variable interest rate, we have no other significant interest bearing assets. We do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly. Variable-rate bank borrowings and bank balances expose us to cash flow interest rate risk and our exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR plus a spread arising from our variable-rate bank borrowings. Obligations under finance lease and non-interest bearing amounts due from directors, and amounts due from/to related companies expose us to fair value interest rate risk. We currently do not have a specific interest rate hedging policy to manage our interest rate risk and have not entered into interest rate swaps and/or contracts to hedge our exposure, but will closely monitor our interest rate risk exposure in the future. The interest rates and terms of repayments of borrowings are disclosed in note 33 to the Accountants' Report as set out in Appendix I to this prospectus.

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 comprise amounts due from directors and related companies. Our management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigates the effects of fluctuations in cash flows.

As at 31 December 2015, there were repayment on demand clauses attached with our revolving loan and term loan amounted to HK$26.3 million. Taking into account of our financial position, we do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. We believe that such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at/for the year ended 31 December	
	2014	**2015**
Profitability ratios		
Net profit margin(1) (%)	1.7	1.6
Return on equity(2) (%)	6.2	6.5
Return on total assets(3) (%)	3.2	3.0
Liquidity ratios		
Current ratio(4) (times)	1.1	1.1
Quick ratio(5) (times)	1.0	1.0
Capital adequacy ratios		
Gearing ratio(6) (%)	48.8	59.7
Interest coverage ratio(7) (times)	12.8	10.6

(1) Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

(2) Return on equity is calculated by dividing profit for the year attributable to owners of our Company by shareholders' equity at the end of the respective year and multiplying the resulting value by 100%.

(3) Return on total assets is calculated based on the net profit for the year divided by the total assets at the end of the respective year and multiplying the resulting value by 100%.

(4) Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.

(5) Quick ratio is calculated based on the total current assets (excluding inventory) at the end of the year divided by the total current liabilities of the respective year.

(6) Gearing ratio is calculated based on the total debt at the end of the year divided by total equity at the end of the year. Total debt includes payables incurred not in the ordinary course of business (being bank borrowings, obligation under finance lease, amount due to a non-controlling shareholder and amounts due to related companies of non-trade nature).

(7) Interest coverage ratio is calculated by dividing profit before interest and tax by finance costs.

Net profit margin

Our net profit margin remained relatively stable during the Track Record Period.

Return on equity

Our return on equity increased from 6.2% in 2014 to 6.5% in 2015. The increase was primarily due to the increase in revenue.

Return on total assets

Our return on assets decreased from 3.2% in 2014 to 3.0% in 2015. The decrease was primarily due to the increase in total assets. The increase was mainly attributable to the increases in property, plant and equipment and amounts due from directors. The effect was partially offset by the decrease in amounts due from related companies.

Current ratio

Our current ratio remained stable during the Track Record Period.

Quick ratio

Our quick ratio remained stable during the Track Record Period.

Gearing ratio

Our gearing ratio increased from 48.8% in 2014 to 59.7% in 2015. The increase was primarily due to the increase in bank borrowings of HK$6.3 million for the renovation of SML.

Interest coverage ratio

Our interest coverage ratio decreased from 12.8 in 2014 to 10.6 in 2015. The decrease was primarily due to the increase in finance costs mainly attributable to the full year effect of the bank borrowings of HK$20.0 million raised during the year ended 31 December 2014.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period and up to the Latest Practicable Date, we did not declare any dividends.

After the completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Board. Our Company does not currently have a fixed dividend policy. The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among others, our result of operations, cash flows and financial condition, general business conditions and strategies, our operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong and other factors.

LISTING EXPENSES

Our estimated listing expenses primarily consist of underwriting commissions in addition to professional fees paid to the Sole Sponsor, legal advisors and the reporting accountant for their services rendered in relation to the Listing and Placing. Assuming the Offer Size Adjustment Option is not exercised and assuming a Placing Price of HK$0.50 per Share, being the mid-point of our indicative price range for the Placing stated in this prospectus, the total listing expenses will be HK$20.6 million, of which HK$3.2 million will be borne by the Selling Shareholders. The listing expenses to be borne by the Company are estimated to be approximately HK$17.4 million, of which approximately HK$4.2 million is directly attributable to the issue of New Shares and is expected to be capitalised after the Listing. The remaining amount of approximately HK$13.2 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK$1.0 million and HK$3.5 million were recognised in our Group's consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2015, respectively, and approximately HK$8.7 million is expected to be charged for the year ending 31 December 2016. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO LISTING EXPENSES

Our net profit for the year ending 31 December 2016 will have a considerable reduction due to the incurrence of listing expenses in 2016. Our financial performance for the year ending 31 December 2016 will be affected by such expenses as compared with our financial performance for the year ended 31 December 2015.

DISTRIBUTABLE RESERVE

As at 31 December 2015, our Company did not have reserve available for distribution to its Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets and is based on the audited consolidated net assets attributable to owners of our Company as at 31 December 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2015	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on a Placing Price of HK$0.45 per share	44,867	23,238	68,105	0.17
Based on a Placing Price of HK$0.55 per share	44,867	30,998	75,865	0.19

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 80,000,000 New Shares at the Placing Price of lower limit and upper limit of HK$0.45 and HK$0.55 per Placing Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred by our Group since 1 January 2016. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 December 2015 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2015.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

REASONS FOR THE PLACING

Our Directors believe that the Listing will enhance the Group's profile and recognition. In addition, the Board is also of the view that despite the fact that the estimated net proceeds from the Placing (based on the midpoint of the indicative Placing Price range) only amount to approximately HK$22.6 million, the Listing and the Placing will provide our Company with additional channel to raise capital for its future business expansion and long-term development, and expand and diversify our Company's capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company. The net proceeds from the Placing of the Placing Shares will strengthen our Group's financial position.

NO MATERIAL ADVERSE CHANGE

The impact of the listing expenses on our profit and loss accounts have posted a material adverse change in the financial or trading position or prospect of our Group since 31 December 2015 (being the date the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of the listing expenses on the financial performance of our Group for the year ending 31 December 2016.

Save as disclosed above, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospects of our Group since 31 December 2015 (being the date of which our Group's latest audited financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 December 2015 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

BUSINESS OBJECTIVES

As at the Latest Practicable Date, we owned and operated 12 restaurants under three different brands, including the Classified restaurants, The Pawn and SML, throughout Hong Kong. Our business philosophy is to offer quality food and attentive services at our restaurants. The primary objectives of our Group are to maintain our competitiveness in the food and beverage industry in Hong Kong and strengthen our positions by capturing a larger market shares in Hong Kong.

BUSINESS STRATEGIES

Please refer to the section headed "Business — Business strategies" in this prospectus for our Group's business strategies.

IMPLEMENTATION PLANS

In pursuance of the business objectives set forth above, the implementation plans of our Group are set forth below for each of the six-month period until 31 December 2018. For details, please refer to the section headed "Business — Business Strategies" in this prospectus. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraphs headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus.

From the Latest Practicable Date to 30 June 2016

Business strategies	Use of proceeds	Implementation plan
Expanding Classified brand to different locations	Nil	— Identifying location for new Classified restaurant
Establishing a new central kitchen for Classified restaurants	Nil	— Identifying location for the new central kitchen
Enhancing and upgrading existing restaurant facilities	Nil	— Planning the renovation and refurbishment of CEX, CTH and CHV

For the six months ending 31 December 2016

Business strategies	Use of proceeds	Implementation plan
Expanding Classified brand to different locations	HK$4.5 million	— Setting up new restaurants
Establishing a new central kitchen for Classified restaurants	HK$4.0 million	— Setting up the central kitchen
Enhancing and upgrading existing restaurant facilities	HK$7.8 million	— Carrying out the renovation and refurbishment of CEX, CTH and CHV

For the six months ending 30 June 2017

Business strategies	Use of proceeds	Implementation plan
Expanding Classified brand to different locations	Nil	— Identifying location for new Classified restaurant
Enhancing and upgrading existing restaurant facilities	Nil	— Carrying out the renovation and refurbishment of CMB

For the six months ending 31 December 2017

Business strategies	Use of proceeds	Implementation plan
Expanding Classified brand to different locations	HK$4.5 million	— Setting up new restaurants
Enhancing and upgrading existing restaurant facilities	Nil	— Carrying out the renovation and refurbishment of CMB, CCR and CRB

For the six months ending 30 June 2018

Business strategies	Use of proceeds	Implementation plan
Enhancing and upgrading existing restaurant facilities	Nil	— Continue to review existing restaurant facilities

For the six months ending 31 December 2018

Business strategies	Use of proceeds	Implementation plan
Enhancing and upgrading existing restaurant facilities	Nil	— Continue to review existing restaurant facilities

The capital expenditure requirement for our Group's implementation plans above is expected to amount to approximately HK$26.8 million, of which approximately HK$20.8 million or 77.6% is expected to be financed by the net proceeds from the Placing and the remaining balance of HK$6.0 million for carrying out the renovation and refurbishment of CMB, CCR and CRB is expected to be financed from our internal resources.

BASES AND ASSUMPTIONS

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

- the net proceed from Placing base on the Placing Price of HK$0.50 per Share (being the mid-point of the stated range of the Placing Price), after deducting related expenses, are estimated to be approximately HK$22.6 million;
- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate in Hong Kong which will adversely affect our Group's business;
- our Group 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 adverse change in the existing laws and regulations, policies or industry or regulatory treatment relating to our Group, or in the political, economic, fiscal or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no change in the effectiveness of the licences and permits obtained by our Group;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Placing will be completed in accordance with and as described in the section headed "Structure and Conditions of the Placing" in this prospectus;

- our Group is able to maintain its customers;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way; and
- our Group will not be adversely affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

REASONS FOR THE LISTING AND THE PLACING

The business objective of our Group is to offer quality food and attentive services at our restaurants, maintaining our competiveness in the food and beverage market in Hong Kong and strengthen our position by capturing a larger market shares in Hong Kong. Our Directors believe the estimated net proceed from the Placing of HK$22.6 million (after deducting the related underwriting fees and expenses payable in relation to the Listing) will help us to pursue our business objectives and implement our business strategies and plans, as set out above. The capital expenditure requirement for our Group’s implementation plans is expected to amount to approximately HK$26.8 million, of which approximately HK$20.8 million or 77.6% is expected to be financed by the net proceeds from the Placing and the remaining balance of HK$6.0 million for carrying out the renovation and refurbishment of CMB, CCR and CRB is expected to be financed from our internal resources. We believe we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilize for such actual capital expenditure. As at 30 April 2016, we had HK$7.2 million in cash and cash equivalents available and net amounts due from related companies and directors totaled HK$22.3 million which will be settled prior to the Listing. Furthermore, during the Track Record Period, we had total net cash from operating activities of approximately HK$10.2 million.

Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies as stated in the section headed “Business - business strategies” in this prospectus. The net proceeds from the Placing will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share in the food and beverage market in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Taking into consideration the above and:

— as at 31 December 2014 and 2015, our Group's gearing ratio is 48.8% and 59.7%, respectively. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees or other form of security to be provided by the Co-founders. Our Group's bank borrowings amounted to HK$27.2 million as at 30 April 2016 which was fully guaranteed by the Co-founders. It is anticipated that additional bank borrowings to our Group would require the Co-founders to provide additional guarantee if our Company were not listed;

  Further, as a restaurant business does not usually have a large amount of fixed asset that can be sufficiently used as collateral, our Directors consider that it would not be easy for our Group to obtain the required banking facilities at a competitive rate without having to provide some form of fixed assets as collateral or personal guarantees from the Co-founders as security;

— the Placing will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on the Co-founders to do so. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return;

— the Placing will provide the Shareholders an opportunity to reflect the valuation potential of their Shares through becoming publicly listed shares and realise their investment in the Shares through a public equity capital market;

— the Placing will enhance the liquidity of the Shares by achieving the listing status of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares that are privately held before the Listing;

— the Placing will enable our Company to enhance its corporate profile, thereby increasing our ability to attract strategic investors for investment in and forming strategic partnerships directly with our Company; and

— the Placing will enable our Company to achieve a stronger capital base and a lower gearing ratio immediately upon the Listing via equity financing which means a potentially cheaper financing cost in the medium to long run,

the Directors believe that a GEM listing is beneficial to our Company and its Shareholders as a whole notwithstanding the dilution effect to the Controlling Shareholders of equity financing as opposed to debt financing.

USE OF PROCEEDS

Our Directors consider that net proceeds from the Placing are crucial for financing our Group's business strategies. Details of our business objectives, strategies and implementation plans are set out in this section. Our Directors estimate that the net proceeds from the Placing (after deducting estimated expenses payable by our Group in connection with the Listing, but assuming the Offer Size Adjustment Option is not exercised) will be approximately HK$22.6 million based on a Placing Price of HK$0.50 per Placing Share (being the mid-point of the indicative Placing Price range between HK$0.45 and HK$0.55 per Placing Share). We intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to 30 June 2016	For the six months ending 31 December 2016	For the six months ending 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening two new restaurants under "Classified" brand	—	4,500	—	4,500	—	—	9,000
Establishing a new central kitchen for Classified restaurants	—	4,000	—	—	—	—	4,000
Enhancement of existing restaurant facilities	—	7,800	—	—	—	—	7,800
	—	**16,300**	**—**	**4,500**	**—**	**—**	**20,800**

The remaining HK$1.8 million will be used as our Group's general working capital.

According to current estimates, we expect that the net proceeds from the Placing of approximately HK$22.6 million, the cash in bank and on hand as at the Latest Practicable Date together with the projected cash flow from operations will be sufficient to finance the implementation of our Company's future plans up to 31 December 2018.

If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK$3.9 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range. If the final Placing Price is set at the lowest end of our Price range, the decrease in net proceeds will not have material impact on our Group's expansion plans as we intend to fund the shortfall of approximately HK$3.9 million with our internal resources.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the purposes above, it is the present intention of the Directors that such net proceeds will be placed on short-term interest bearing deposits with authorized financial institutions in Hong Kong.

We will issue an announcement in accordance with the GEM Listing Rules requirement if there is any material change in the use of proceeds as described above.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Offer Size Adjustment Option, please refer to the paragraph headed "Structure and Conditions of the Placing — Offer Size Adjustment Option" of this prospectus.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. Our Directors consider that the net proceeds from the Placing together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the paragraph headed "Implementation Plans" of this section.

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

The Placing consists of 60,000,000 Sale Shares being sold by the Selling Shareholders as to 20,000,000, 20,000,000 and 20,000,000 Sale Shares by WGL, EFIL and PGL, respectively. We estimate that the net proceeds to the Selling Shareholders from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholders in relation to the Placing), and assuming the Placing Price of HK$0.50 per Share (being the mid-point of the stated range of the Placing Price) will be approximately HK$26.9 million. We will not receive any of the proceeds from the sale of the Sale Shares.

UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company and the Selling Shareholders will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times as specified therein or such other dates as the Joint Bookrunners may agree but in any event not later than the 30th day after the date of this prospectus, the Underwriters have agreed to subscribe for or purchase or procure subscribers or buyers to subscribe for or purchase the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Underwriters) shall have the absolute right, upon giving notice in writing to our Company (for ourselves and on behalf of the Selling Shareholders, our executive Directors and our Controlling Shareholders), to terminate the arrangements set out in the Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Monday, 11 July 2016):

(a) it has come to the notice of the Joint Bookrunners that:

(i) any statement contained in this prospectus or other documents issued or used by or on behalf of our Company or information provided to the Joint Bookrunners in connection with the Placing (the "**Relevant Documents**"), considered by the Joint Bookrunners in their absolute opinion was, when it was issued, or has become, or been discovered to be untrue, inaccurate, incorrect or misleading in any material respect;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Bookrunners in their absolute opinion to be material in the context of the Placing;

(iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Joint Bookrunners in their absolute opinion to be material in the context of the Placing (other than upon any of the Underwriters);

(iv) either (1) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of our Company, our executive Directors or our Controlling Shareholders (collectively, the "**Warrantors**") or (2) any matter or event showing or rendering any of the warranties contained in the Underwriting Agreement, as applicable, in the absolute opinion of the Joint Bookrunners, to be untrue, incorrect or misleading in any material respect when given or repeated;

(v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the Warrantors pursuant to the indemnity provisions under the Underwriting Agreement; or

(vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, which would have rendered any warranties, in the absolute opinion of the Joint Bookrunners, untrue, incorrect, inaccurate or misleading in any respect;

(b) there shall develop, occur, happen, exist or come into effect:

(i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government, fire, explosion, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics in Hong Kong;

(ii) any material change or development involving a change or development, or any event or series of events, matters or circumstances likely to result in or represent any material change or development, in the local, national, regional and international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar);

(iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any material change or development involving a prospective material change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands or BVI (the "**Relevant Jurisdictions**");

(iv) the imposition of economic sanctions in Hong Kong;

(v) a material change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;

(vi) any litigation or claim of importance instigated against any material member of our Group or any Director;

(vii) an executive Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;

(viii) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

(ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person);

(x) any contravention by any member of our Group or any Director of the GEM Listing Rules or any applicable laws;

(xi) a prohibition on our Company and the Selling Shareholders for whatever reason from allotting the New Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) and/or transferring the Sale Shares (as the case may be) pursuant to the terms of the Placing;

(xii) any material non-compliance of this prospectus (and/or any other documents used in connection with the subscription and purchase of the Placing Shares) or in all material aspect of the Placing with the GEM Listing Rules or any other applicable laws by any of the Directors or the Warrantors;

(xiii) any material change in the business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;

(xiv) a petition or an order is presented for the winding-up or liquidation of any material member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any material member of our Group or any analogous matter thereto occurs in respect of any material member of our Group;

(xv) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;

(xvi) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(xvii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or by any of the other exchanges or by such system or by order of any regulatory or governmental authority,

which in each case or in aggregate in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters):

(i) is or will be materially adverse to or may prejudicially affect the business, financial, trading or other condition or prospects of our Group (as a whole);

(ii) has or will have a material adverse effect on the success of the Placing or the level of interest under the Placing;

(iii) makes or may make it inadvisable, inexpedient or impracticable to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

(iv) has or would have the material effect of making the Underwriting Agreement (including undertaking) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Bookrunners:

(a) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Underwriting Agreement or any other provision of the Underwriting Agreement by any party hereto (other than the Joint Bookrunners and the Joint Lead Managers), which is considered, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters), to be material in the context of the Placing; or

(b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters) in the context of the Placing; or

(c) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Joint Bookrunners which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Underwriters) to be material in the context of the Placing; or

(d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of the Warrantors pursuant to the indemnities contained in the Underwriting Agreement,

the Joint Bookrunners (for themselves and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company (for itself and on behalf of our Selling Shareholders, the executive Directors and our Controlling Shareholders) on or prior to such time to terminate the Underwriting Agreement.

Undertakings

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Pursuant to Rule 13.16A of the GEM Listing Rules, each of the Controlling Shareholders has jointly and severally undertaken to our Company, the Stock Exchange and the Sole Sponsor that save as contemplated under the Placing or as provided under Rule 13.18 of the GEM Listing Rules, he or it shall not and shall procure that the relevant registered shareholder(s) shall not, without the prior consent of the Stock Exchange:

(a) in the period commencing on the date by reference to which disclosure of our interests in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other right, interest or encumbrance or security of any kind or another type of preferential arrangement (including without limitation, a title transfer or retention arrangement) having similar effect (the "Encumbrances") in respect of, any of the Shares (or any securities of our Company) in respect of which he or it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares (or any securities of our Company) referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, the Controlling Shareholders would, taken together, cease to be Controlling Shareholders; or

(c) in addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, the Controlling Shareholders have further voluntarily undertaken to the Stock Exchange for a further 12 months commencing on the date on which the period referred to in (b) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares (or any securities of our Company) referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, the Controlling Shareholders would, taken together, cease to be Controlling Shareholders.

Further, each of the Controlling Shareholders has jointly and severally undertaken to the Stock Exchange that he/it shall comply with the following requirements:

(i) in the event that he or it pledges or charges any direct or indirect interest in any Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in sub-paragraphs (a) to (c) above, he or it must inform our Company immediately in writing disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(ii) having pledged or charged any interest in the Shares or other securities of our Company under sub-paragraph (i) above, he or it must inform our Company immediately in writing, in the event that he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares (or other securities of our Company) affected.

Undertakings pursuant to the Underwriting Agreement

Under the Underwriting Agreement:

(a) (i) each of our Controlling Shareholders has jointly and severally undertakes to and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange that:

(A) he or it shall comply with all the applicable restrictions and requirements under the GEM Listing Rules on the disposal by him or it or by any registered holder on his or its behalf, of any Shares or other securities of our Company in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly);

(B) during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding on trust for himself/itself shall not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners or otherwise in compliance with the requirements of the GEM Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in (i), (ii) or (iii) above;

(C) during the period of 6 months commencing on the date immediately following the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Sponsor, the Joint Bookrunners and the Stock Exchange (if required under the GEM Listing Rules), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would together cease to be our Controlling Shareholders;

(D) in addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, the Controlling Shareholders have further voluntarily undertaken for a further 12 months commencing on the date on which the Second Six Month Period expires, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Sponsor, the Joint Bookrunners and the Stock Exchange (if required under the GEM Listing Rules), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would together cease to be our Controlling Shareholders; and

(E) in the event of a disposal of any Shares or securities of our Company or any interest therein within the periods mentioned in paragraph (i)(c) and (i)(d), he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of the Company,

provided that the restrictions in this paragraph (a)(i)(B), (C) and (D) above shall not apply to any Shares which our Controlling Shareholders or any of his/its respective associates may acquire or become interested in following the Listing Date;

(ii) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Stock Exchange that:

(A) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods as specified in paragraph (a)(i)(B) to (D) above, he/it must inform our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(B) having pledged or charged any of his/its interests in the Shares under sub-paragraph (A) above, he/it must inform our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and

(b) our Company undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Underwriters) to procure that, save with the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or save pursuant to the Placing, our Company shall not, within the period of six months from the Listing Date:

(i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, either directly or indirectly, conditionally or unconditionally, allot or issue or agree to allot or issue any Shares or any other securities of our Company (including warrants or other convertible securities (and whether or not a class already listed));

(ii) grant or agree to grant either directly or indirectly, conditionally or unconditionally, any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;

(iii) purchase any securities of our Company;

(iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise; or

(v) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

Total commission, fee and expenses

In connection with the Placing, the Underwriters will receive an underwriting commission of 3.0% of the aggregate Placing Price of all the Placing Shares, which was negotiated and agreed between the Joint Bookrunners and Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on arm's length basis, out of which they will pay any sub-underwriting commissions and selling concessions.

Our Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK$20.6 million (including the underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing) which shall be borne by our Company and the Selling Shareholders in the proportion of 85% and 15% respectively.

Our Company, the Selling Shareholders and the executive Directors have agreed to indemnify the Joint Bookrunners, the Joint Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company and/or the Selling Shareholders of the Underwriting Agreement.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Sole Sponsor's, Joint Bookrunners', Joint Lead Managers' and Underwriters' interests in our Company

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the GEM Listing Rules.

Save for their interests and obligations under the Underwriting Agreement, the advisory and documentation fee payable to the Sole Sponsor in respect of the Placing, and the fee payable to the Sole Sponsor for its acting as our compliance adviser, none of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters 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 may, as a result of the Placing, have any interest in any class of securities of our Company or other company in our Group (including share option or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of the Sole Sponsor has a directorship in our Company or any other company in our Group.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that the Joint Lead Managers and the Underwriters, together referred to as ''Syndicate Members'', may each individually undertake, and which do not form part of the underwriting. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(i) under the agreement among the Syndicate Members, all of them (except for the Joint Lead Managers, its affiliates or any person acting for it as the stabilising manager) must not, in connection with the distribution of the Placing Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Placing Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Placing Shares at levels other than those which might otherwise prevail in the open market; and

(ii) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, which include the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities on their own account and on the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

PLACING PRICE

The Placing Price will not be more than HK$0.55 per Placing Share and is expected to be not less than HK$0.45 per Placing Share. Investors, when investing for the Placing Shares, shall pay the Placing Price plus 1.0% brokerage fee, 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy make up total price payable on subscription. The Shares will be traded in board lots of 5,000 Shares each.

THE PLACING

Placing

The Placing of 140,000,000 Placing Shares comprising 80,000,000 New Shares and 60,000,000 Sale Shares are conditionally offered by our Company and the Selling Shareholders, respectively, by way of private placements to professional, institutional and/or other investors. The Placing Shares will represent 35.0% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriters.

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by it, on behalf of our Company and the Selling Shareholders, will conditionally place the Placing Shares at the Placing Price (plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy) with selected professional, institutional and/or other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities. Private investors applying for the Placing Shares through banks or other institutions under the Placing may also be allocated the Placing Shares.

Basis of Allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. No allocations of the Placing Shares will be permitted to nominee company unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

The Placing is subject to the conditions as stated in the section "Structure and conditions of the Placing — Conditions of the Placing" in this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the Price Determination Agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is currently scheduled to be on or before Wednesday, 6 July 2016.

If, for whatever reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) are unable to reach agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse. In such event, our Company will issue an announcement to be published on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.classifiedgroup.com.hk*.

The Placing Price will not be more than HK$0.55 per Placing Share and is currently expected to be not less than HK$0.45 per Placing Share. The final Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced, as further explained below.

If, based on the level of indication of interest expressed by prospective institutional, professional or other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate, and with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), the indicative Placing Price range may be reduced below that stated in this prospectus at any time on or before the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the websites of the Stock Exchange and our Company an announcement of such change. Such announcement will also include confirmation or revision, as appropriate, of the working capital statement, the Placing statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

The final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares, are expected to be announced on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.classifiedgroup.com.hk* on or before Friday, 8 July 2016.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, our Company has granted to the Joint Bookrunners the Offer Size Adjustment Option, which is exercisable by the Joint Bookrunners (for themselves and on behalf of the Underwriters) in their absolute discretion on or before the business day immediately before the date of allotment results announcement, in writing, to require our Company to allot and issue up to 21,000,000 additional Shares at the Placing Price, representing 15% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Joint Bookrunners.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.classifiedgroup.com.hk*.

In the event that the Offer Size Adjustment Option is exercised in full, 21,000,000 additional Shares will be issued resulting in a total number of 21,000,000 Shares in issue representing approximately 4.99% of our Company's total number of Shares in issue as enlarged immediately following completion of the Placing, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Business Strategies and Use of Proceeds" of this prospectus, on a pro rata basis.

CONDITIONS OF THE PLACING

Acceptance of your applications is conditional upon, among other things:

(i) the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued upon the exercise of the share option that may be granted under the Share Option Scheme; and

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out in the section "Underwriting" in this prospectus, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Listing Division of the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange website at www.hkexnews.hk and our Company's website at www.classifiedgroup.com.hk on the next business day following such lapse.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Monday, 11 July 2016. Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(f), 16.08 and 16.16 of the GEM Listing Rules.

Our Company expects to announce the level of indication of interest in the Placing on or before Friday, 8 July 2016 on our Company's website at www.classifiedgroup.com.hk and the Stock Exchange at www.hkexnews.hk.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 June 2016

The Directors
Classified Group (Holdings) Limited
(previously known as Press Room Group (Holdings) Limited)

Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Classified Group (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31 December 2015 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 30 June 2016 in connection with the proposed listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 24 October 2014. Through a group reorganisation as more fully explained in the section headed "History, Reorganisation and Development" to the Prospectus (the "Reorganisation"), the Company became the holding company of the Group on 31 March 2015.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at 31 December 2014	2015	date of this report	Principal activities
Classified Bread & Cheese Limited ("CBCL")	Hong Kong 12 August 2010	Hong Kong	HK$10,000	85%	85%	85%	Production and sales of bakery products
Classified Limited ("CL")	Hong Kong 24 May 2010	Hong Kong	HK$903,000	100%	100%	100%	Restaurant operations
Ease Summit Investments Limited (" ESIL")	The BVI 5 February 2015	Hong Kong	United States Dollar ("US$") 1	N/A	100%	100%	Investment holding
Ever Alliance Ventures Limited (" EAVL")	The BVI 16 October 2014	Hong Kong	US$1	100%	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at 31 December 2014	2015	date of this report	Principal activities
Noble Network Investments Limited ("NNIL")	The BVI 13 February 2015	Hong Kong	US$1	N/A	100%	100%	Investment holding
Press Room Group Investments Limited ("PRGIL")	Hong Kong 9 November 2009	Hong Kong	HK$1,200,000	100%	100%	100%	Investment holding
Press Room Group Management Limited ("PRGML")	Hong Kong 17 November 2009	Hong Kong	HK$3	100%	100%	100%	Provision of management services
Small Medium Large Limited ("SMLL")	Hong Kong 30 December 2008	Hong Kong	HK$300,000	100%	100%	100%	Restaurant operations
The Pawn Limited ("TPL")	Hong Kong 15 May 1979	Hong Kong	HK$120	100%	100%	100%	Restaurant operations

EAVL is directly held by the Company. All other subsidiaries are indirectly held by the Company.

All the companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company, ESIL, EAVL and NNIL since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

We have acted as the statutory auditor of CBCL, CL, PRGIL, PRGML, SMLL and TPL for each of the two years ended 31 December 2015. The statutory financial statements for the year ended 31 December 2014 of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The statutory financial statements of these companies for the year ended 31 December 2015 are not yet due for issuance.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (collectively referred to as the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section A below. No adjustments have been made to the Underlying Financial Statements in preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and of the Company as at 31 December 2014 and 2015, and of the financial performance and consolidated cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	NOTES	**2014**	**2015**
		HK$'000	*HK$'000*
Revenue	6	150,933	175,717
Other income	8	1,056	845
Other losses	9	(1,209)	(596)
Raw materials and consumables used		(37,756)	(40,578)
Staff costs		(57,583)	(62,168)
Depreciation		(5,452)	(8,240)
Property rentals and related expenses		(24,013)	(29,557)
Utility expenses		(4,498)	(4,892)
Advertising and promotion expenses		(1,900)	(3,346)
Other expenses		(16,780)	(22,401)
Finance costs	10	(219)	(451)
Profit before taxation	11	2,579	4,333
Income tax credit (expense)	12	8	(1,513)
Profit and total comprehensive income for the year		2,587	2,820
Profit (loss) and total comprehensive income (expense) for the year attributable to			
- Owners of the Company		2,606	2,936
- Non-controlling interests		(19)	(116)
		2,587	2,820
Earnings per share	13		
Basic (HK cents)		0.89	0.92

STATEMENTS OF FINANCIAL POSITION

		The Group		The Company	
		As at 31 December		As at 31 December	
	NOTES	**2014**	**2015**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	14	27,798	31,828	—	—
Deposits	17	7,300	8,789	—	—
Deferred tax assets	15	3,121	2,775	—	—
		38,219	43,392	—	—
Current assets					
Inventories	16	2,834	3,650	—	—
Trade and other receivables, deposits and prepayments	17	9,711	10,914	2,886	1,781
Amounts due from related companies	18	12,289	398	—	—
Amounts due from directors	18	2,677	17,823	—	514
Amounts due from subsidiaries	31	—	—	6,110	3,789
Tax recoverable		553	1,139	—	—
Bank balances and cash	19	15,798	17,062	—	—
		43,862	50,986	8,996	6,084
Current liabilities					
Trade and other payables and accrued charges	20	17,939	20,794	77	690
Amounts due to related companies	18	1,177	810	—	—
Amount due to a non-controlling shareholder of a subsidiary	18	52	52	—	—
Tax payable		—	340	—	—
Obligation under finance lease	22	57	59	—	—
Bank borrowings	23	20,000	26,259	—	—
		39,225	48,314	77	690

		The Group		The Company	
		As at 31 December		As at 31 December	
	NOTES	**2014**	**2015**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net current assets		4,637	2,672	8,919	5,394
Total assets less current liabilities		42,856	46,064	8,919	5,394
Non-current liabilities					
Obligation under finance lease	22	142	83	—	—
Provision	21	1,209	1,656	—	—
		1,351	1,739	—	—
Net assets		41,505	44,325	8,919	5,394
Capital and reserves					
Issued share capital	24	10	—	—	—
Reserves		41,921	44,867	8,919	5,394
Equity attributable to owners of the Company		41,931	44,867	8,919	5,394
Non-controlling interests		(426)	(542)	—	—
Total equity		41,505	44,325	8,919	5,394

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Issued share capital	**Share premium**	**Other reserve**	**Accumulated profits**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	1,503	—	—	27,813	29,316	(407)	28,909
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	2,606	2,606	(19)	2,587
Arising from group reorganisation	(1,493)	—	1,502	—	9	—	9
Issue of shares of the Company	—	10,000	—	—	10,000	—	10,000
At 31 December 2014	10	10,000	1,502	30,419	41,931	(426)	41,505
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	2,936	2,936	(116)	2,820
Arising from group reorganisation	(10)	—	10	—	—	—	—
At 31 December 2015	—	10,000	1,512	33,355	44,867	(542)	44,325

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	2,579	4,333
Adjustments for:		
Depreciation of property, plant and equipment	5,452	8,240
Loss on disposal/written-off of property, plant and equipment	1,209	341
Allowance for bad and doubtful debts	—	255
Interest income	(59)	(1)
Finance costs	219	451
Operating cash flows before movements in working capital	9,400	13,619
Increase in inventories	(467)	(816)
Increase in trade and other receivables, deposits and prepayments	(7,699)	(2,947)
Increase in amounts due from related companies	(8)	(288)
(Decrease) increase in trade and other payables and accrued charges	(601)	3,359
Increase (decrease) in amount due to a related company	189	(392)
Cash generated from operations	814	12,535
Income tax paid	(1,704)	(1,413)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(890)	11,122
INVESTING ACTIVITIES		
Interest received	59	1
Advance to related companies	(38,386)	(3,094)
Repayment from related companies	37,033	2,376
Purchases of property, plant and equipment	(22,034)	(12,724)
Proceeds from disposal of property, plant and equipment	147	56
Advance to directors	(2,455)	(9,820)
Repayment from directors	2,091	7,571
Withdrawal of pledged bank deposits	1,204	—
NET CASH USED IN INVESTING ACTIVITIES	(22,341)	(15,634)

	Year ended 31 December	
	2014	2015
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Interest paid	(219)	(451)
Issue of shares of the Company	10,000	—
Repayment of obligation under finance lease	(54)	(57)
Repayment of bank borrowings	(3,000)	(88)
New bank borrowings raised	20,000	6,347
Advance from related companies	1,672	810
Repayment to related companies	(12,756)	(785)
Advance from directors	3	—
Repayment to directors	(1,672)	—
NET CASH FROM FINANCING ACTIVITIES	13,974	5,776
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,257)	1,264
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	25,055	15,798
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	15,798	17,062

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 24 October 2014. Its shareholders are Wiltshire Global Limited ("Wiltshire Global"), Easy Fame Investments Limited ("Easy Fame") and Peyton Global Limited ("Peyton Global"), each of which owns equal share in the Company and were incorporated in the BVI and wholly owned by Mr. Wong, Mr. Lo and Mr. Pong (as defined below), respectively. The address of the Company's registered office and principal place of business is disclosed in the section headed "Corporate Information" to the Prospectus. The Company acts as investment holding company and its subsidiaries are principally engaged in restaurant operations and production and sales of bakery products.

The Financial Information is presented in HK$, which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Prior to the Reorganisation as described below, all the companies comprising the Group were equally owned by each of Mr. Wong Chi Chiu, Arnold ("Mr. Wong"), Mr. Lo Yeung Kit, Alan ("Mr. Lo"), Mr. Pong Kin Yee ("Mr. Pong") and the then shareholders (collectively known as "Controlling Shareholders"). They are acting in concert on their ownerships and exercise their control collectively over the companies now comprising the Group.

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Reorganisation which included the following steps:

(i) On 24 October 2014, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Wiltshire Global. On 11 November 2014, 24 shares, 25 shares and 25 shares were allotted and issued at par value to Wiltshire Global, Easy Fame and Peyton Global respectively;

(ii) Wiltshire Global was set up by Mr. Wong, Easy Fame was set up by Mr. Lo and Peyton Global was set up by Mr. Pong during the year ended 31 December 2014. On 16 October 2014, EAVL was incorporated in the BVI with limited liability as a shell company and the Company subscribe 1 share of EAVL at par by cash on 4 November 2014. EAVL is authorised to issue 50,000 shares at a par value of US$1.00 each;

(iii) UG PRG Venture Limited ("Pre-IPO Investor"), an independent third party and a limited company incorporated in the BVI, entered into a subscription agreement with the Company, Mr. Wong, Mr. Lo and Mr. Pong for the subscription of 10 new shares of the Company for HK$10,000,000 on 21 November 2014;

(iv) On 31 December 2014, CL entered into a sale and purchase agreement with AAP Enterprise Limited pursuant to which CL agreed to transfer its entire equity interest in CBCL to AAP Enterprise Limited, which is controlled by the Controlling Shareholders, for a minimal consideration. On 13 February 2015, NNIL was incorporated and one share of NNIL was allotted and issued to EAVL on 11 March 2015. On 31 March 2015, AAP Enterprise Limited transferred its interest in CBCL to NNIL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively;

(v) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in PRGIL to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, PRGIL and its subsidiary, PRGML, became the wholly-owned subsidiary of the Company;

(vi) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in CL to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, CL became the wholly-owned subsidiary of the Company;

(vii) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in TPL to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, TPL became the wholly-owned subsidiary of the Company;

(viii) On 31 December 2014, Mr. Wong, Mr. Lo and Mr. Pong transferred their entire shareholding interest in SMLL to EAVL in consideration of the allotment and issue of 1, 1 and 1 share of the Company to Wiltshire Global, Easy Fame and Peyton Global, respectively. Upon the completion of the transfer, SMLL became the wholly-owned subsidiary of the Company; and

(ix) On 5 February 2015, ESIL was incorporated and one share of ESIL was allotted and issued to EAVL on 12 February 2015.

Upon completion of the above steps, Wiltshire Global, Easy Fame, Peyton Global and Pre-IPO Investor hold equity interest of the Company amounting to 30%, 30%, 30% and 10%, respectively.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 31 March 2015. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Relevant Periods or since their respective dates of incorporation, where there is a shorter period.

Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure has been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2015 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the combination exception[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with customers[1]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]
Amendments to HKAS 27	Equity method in separate financial statements[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2019

4 Effective for annual periods to be determined.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position at cost less any identified impairment losses.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business and net of discount.

Sales of goods are recognised when the goods are delivered and titles have passed.

Service income is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

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 proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from subsidiaries, trade and other receivables, deposits, amounts due from related companies and directors and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities including trade and other payables and accrued charges, bank borrowings, amounts due to related companies and a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37; and

- the amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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 within the next financial year.

Estimation of useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place. As at 31 December 2014 and 2015, the carrying amounts of property, plant and equipment are approximately HK$27,798,000 and HK$31,828,000, respectively.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the amounts received and receivable for services provided and goods sold and net of discount, during the Relevant Periods.

The financial information reported to executive directors of the Company, being the chief operating decision markers, for the purpose of assessment of segment performance and resources allocation focuses on types of services rendered and goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments under HKFRS 8 "Operating segments" are as follows:

- Casual restaurant operation ("Casual")

  This segment derives its revenue from operation of casual dining restaurants in which customers would place orders at front desk and basic table service is provided by the delivery of ordered food to the table. The casual restaurants aim to provide a more casual and relaxing atmosphere.

- Full service restaurant operation ("Full service")

  This segment derives its revenue from operation of full service restaurant. Full table service is provided, including seating arrangements, order taking, delivery of food to the table, and payment processing. The full service restaurants aim to provide dining experience with full table services.

- Production and sales of bakery products ("Bakery")

  This segment derives its revenue from the production and sales of bakery products.

Segment revenue and results

Year ended 31 December 2014

	Casual	Full service	Bakery	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	79,254	61,062	10,617	150,933	—	150,933
Inter-segment sales	—	—	5,056	5,056	(5,056)	—
Total	79,254	61,062	15,673	155,989	(5,056)	150,933
Segment results	8,751	4,972	1,099	14,822	—	14,822
Other income						1,056
Unallocated operating costs						(13,090)
Finance costs						(209)
Profit before taxation						2,579

Year ended 31 December 2015

	Casual	Full service	Bakery	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	93,041	72,340	10,336	175,717	—	175,717
Inter-segment sales	—	—	3,619	3,619	(3,619)	—
Total	93,041	72,340	13,955	179,336	(3,619)	175,717
Segment results	10,389	8,315	167	18,871	—	18,871
Other income						845
Other loss						(115)
Unallocated operating costs						(14,838)
Finance costs						(430)
Profit before taxation						4,333

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned by each segment without allocation of other income, certain other loss, unallocated operating costs (including head office staff cost, rental and other corporate expenses) and certain finance costs.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

As at 31 December 2014

	Casual	Full service	Bakery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	14,865	25,902	3,033	43,800
Property, plant and equipment				337
Deferred tax assets				3,121
Other receivables				3,514
Amounts due from related companies				12,281
Amounts due from directors				2,677
Tax recoverable				553
Bank balances and cash				15,798
Consolidated total assets				82,081
LIABILITIES				
Segment liabilities	8,094	9,012	1,852	18,958
Other payables				1,566
Amount due to a non-controlling shareholder of a subsidiary				52
Bank borrowings				20,000
Consolidated total liabilities				40,576

As at 31 December 2015

	Casual	Full service	Bakery	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	13,252	36,247	2,498	51,997
Property, plant and equipment				717
Deferred tax assets				2,775
Other receivables				2,763
Amounts due from related companies				102
Amounts due from directors				17,823
Tax recoverable				1,139
Bank balances and cash				17,062
Consolidated total assets				94,378
LIABILITIES				
Segment liabilities	8,512	17,056	1,527	27,095
Other payables				2,566
Amount due to a non-controlling shareholder of a subsidiary				52
Tax payable				340
Bank borrowings				20,000
Consolidated total liabilities				50,053

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment, deferred tax assets, certain other receivables, certain amounts due from related companies, amounts due from directors, tax recoverable and bank balances and cash.

- all liabilities are allocated to operating and reportable segments, other than tax payable, certain bank borrowings, certain other payables and amount due to a non-controlling shareholder of a subsidiary.

Other segment information

Year ended 31 December 2014

	Casual	Full service	Bakery	Segment total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	4,526	18,530	62	23,118	125	23,243
Depreciation of property, plant and equipment	3,467	1,434	318	5,219	233	5,452
Finance costs	—	—	10	10	209	219
Loss on disposal/written-off of property, plant and equipment	—	1,209	—	1,209	—	1,209

Year ended 31 December 2015

	Casual	Full service	Bakery	Segment total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	626	11,342	10	11,978	689	12,667
Depreciation of property, plant and equipment	3,932	3,876	238	8,046	194	8,240
Finance costs	—	13	8	21	430	451
Loss on disposal/written-off of property, plant and equipment	5	221	—	226	115	341
Allowance for bad and doubtful debts	—	—	255	255	—	255

Information about major customers

No revenue from individual external customer contributes over 10% of total revenue of the Group during the Relevant Periods.

Geographical information

All the Group's operations are located in Hong Kong. Accordingly, the Group's revenue from external customers and all the non-current assets are located in the Hong Kong.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

During the Relevant Periods, the emoluments paid or payable to the Company's directors, disclosed pursuant to the applicable GEM Listing Rules and Companies Ordinance, were as follows:

	Mr. Wong	Mr. Lo	Mr. Pong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014				
Fees	510	310	180	1,000
Other emoluments				
Salaries and other benefits	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—
Total emoluments	510	310	180	1,000

	Mr. Wong	Mr. Lo	Mr. Pong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2015				
Fees	378	378	151	907
Other emoluments				
Salaries and other benefits	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—
Total emoluments	378	378	151	907

The emoluments stated above were mainly for their services in connection with their role as directors of the Company and subsidiary undertaking.

Note: Mr. Wong acts as chairman and executive Director of the Company.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

(b) **Employees' emoluments**

The five highest paid individuals included all non-director employees for each of the years ended 31 December 2014 and 2015. The emoluments of five individuals for each of the years ended 31 December 2014 and 2015, respectively, were as follows:

	Years ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Salaries and other benefits	3,431	3,541
Discretionary bonus	257	104
Retirement benefit scheme contributions	67	90
	3,755	3,735

Their emoluments were within the following bands:

	2014	**2015**
	Number of employees	**Number of employees**
Nil to HK$1,000,000	4	4
HK$1,000,001 to HK$1,500,000	1	1
	5	5

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. OTHER INCOME

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Promotion income	646	296
Bank interest income	59	1
Others	351	548
	1,056	845

9. OTHER LOSSES

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Loss on disposal/written-off of property, plant and equipment	(1,209)	(341)
Allowance for bad and doubtful debts	—	(255)
	(1,209)	(596)

10. FINANCE COSTS

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
The finance costs represent interest on:		
- bank borrowings wholly repayable within five years	209	443
- obligation under finance lease wholly repayable within five years	10	8
	219	451

11. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	350	350
Listing expenses	1,000	3,500
Directors' remuneration *(note 7)*	1,000	907
Other staff costs		
Salaries and other benefits	54,260	58,680
Retirement benefits scheme contributions	2,323	2,581
Total staff costs	57,583	62,168
Raw material and consumables used in respect of:		
Restaurant operation	31,442	35,098
Bakery products	6,314	5,480
	37,756	40,578
Lease payments under operating leases in respect of land and buildings:		
Minimum lease payments	18,139	23,861
Contingent rents *(note)*	2,170	1,545
	20,309	25,406

Note: The operating lease rentals for certain restaurants are determined as the higher of a fixed rental or a predetermined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements.

12. INCOME TAX CREDIT (EXPENSE)

	Years ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	(1,348)	(1,142)
Underprovision in prior years	(13)	(25)
	(1,361)	(1,167)
Deferred taxation credit (charge) (note 15)	1,369	(346)
	8	(1,513)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax credit (charge) for the Relevant Periods can be reconciled to the profit before taxation as follows:

	Years ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Profit before taxation	2,579	4,333
Tax at the Hong Kong Profits Tax rate of 16.5%	(426)	(715)
Tax effect of expenses not deductible for tax purpose	(296)	(709)
Tax effect of income not taxable for tax purpose	59	39
Tax effect of utilisation of tax losses previously not recognised	1	—
Tax effect of tax losses not recognised	—	(735)
Tax effect of deductible temporary differences not recognised	(1)	—
Tax effect of utilisation of deductible temporary differences previously not recognised	684	632
Underprovision in prior years	(13)	(25)
Tax credit (charge) for the year	8	(1,513)

Details of deferred taxation are set out in note 15.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	2,606	2,936
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	291,507	320,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix IV to the Prospectus had been effective on 1 January 2014.

No diluted earnings per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and fixtures	Motor vehicle	Equipment	Computers	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2014	32,950	5,062	274	10,850	2,474	51,610
Additions	15,467	4,793	—	2,681	302	23,243
Disposals/written off	(14,782)	(1,373)	—	(3,579)	(22)	(19,756)
At 31 December 2014	33,635	8,482	274	9,952	2,754	55,097
Additions	8,520	1,780	—	2,018	349	12,667
Disposals/written off	(5,257)	(2,105)	—	(26)	(404)	(7,792)
At 31 December 2015	36,898	8,157	274	11,944	2,699	59,972
DEPRECIATION						
At 1 January 2014	25,331	3,392	14	9,501	2,009	40,247
Provided for the year	3,541	669	54	917	271	5,452
Eliminated on disposals/written off	(13,764)	(1,204)	—	(3,425)	(7)	(18,400)
At 31 December 2014	15,108	2,857	68	6,993	2,273	27,299
Provided for the year	5,035	1,401	55	1,456	293	8,240
Eliminated on disposals/written off	(5,160)	(1,805)	—	(26)	(404)	(7,395)
At 31 December 2015	14,983	2,453	123	8,423	2,162	28,144
CARRYING AMOUNTS						
At 31 December 2014	18,527	5,625	206	2,959	481	27,798
At 31 December 2015	21,915	5,704	151	3,521	537	31,828

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease or 20%
Furniture and fixtures	20%-33⅓%
Motor vehicle	20%
Equipment	33⅓%
Computers	33⅓%

As at 31 December 2014 and 31 December 2015, the carrying amount of motor vehicle included amount of approximately HK$206,000 and HK$151,000 in respect of asset held under finance lease respectively.

15. DEFERRED TAXATION

The following is the deferred tax asset (liability) recognised and movements thereon during the Relevant Periods.

	Tax losses	Accelerated accounting depreciation	Accelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	—	1,783	(31)	1,752
Credit (charge) to profit or loss	2,755	(852)	(534)	1,369
At 31 December 2014	2,755	931	(565)	3,121
(Charge) credit to profit or loss	(342)	396	(400)	(346)
At 31 December 2015	2,413	1,327	(965)	2,775

The Group has unused estimated tax losses of approximately HK$19,148,000 and HK$21,528,000 and deductible temporary differences of HK$9,824,000 and HK$8,391,000 available for offset against future profits as at 31 December 2014 and 2015, respectively. The estimated tax losses of HK$16,697,000 and HK$14,624,000 and deductible temporary difference of HK$5,645,000 and HK$8,042,000 as at 31 December 2014 and 2015, respectively have been recognised as deferred tax assets. No deferred tax asset has been recognised in respect of the unused tax losses of HK$2,451,000 and HK$6,904,000 and remaining deductible temporary differences of HK$4,179,000 and HK$349,000 as at 31 December 2014 and 2015, respectively due to the unpredictability of future profit. Unused tax losses may be carried forward indefinitely.

16. INVENTORIES

	The Group	
	As at 31 December	
	2014	2015
	HK$'000	*HK$'000*
Food, beverage and other consumables	2,834	3,650

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	As at 31 December	
	2014	2015
	HK$'000	*HK$'000*
Trade receivables from restaurant operations	822	1,473
Trade receivables from sales of bakery products	2,023	1,585
Rental deposits	6,747	9,952
Other deposits	2,238	2,233
Prepayments and others	5,181	4,460
Total trade and other receivables, deposits and prepayments	17,011	19,703
Analysed as:		
Current	9,711	10,914
Non-current	7,300	8,789
	17,011	19,703

There was no credit period for the restaurant operation. The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date.

The Group's sales of bakery products to customers are mainly from credit sales. The Group allows an average credit period of 30 to 60 days to these trade customers. No interest is charged on the trade receivables from sales of bakery products on the outstanding balance.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits and scoring attributed to customers are reviewed regularly by directors of the Company. Trade receivables which are past due are provided for impairment loss based on estimated irrecoverable amounts from sales of goods, determined by reference to past default experience.

The following is an aged analysis of trade receivables from restaurant operation presented based on the invoice date, which approximated the service rendered date, at the end of the reporting periods.

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
0 to 30 days	822	1,473

The trade receivables from restaurant operations with carrying amount of HK$822,000 and HK$1,473,000, respectively, are neither past due nor impaired as at 31 December 2014 and 2015. The Group considers that the amounts are recoverable because of the good repayment records by the counterparties.

The following is an aged analysis of trade receivables from sales of bakery products based on the invoice date, which is approximately the revenue recognition date, at the end of the reporting periods.

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
0 - 30 days	966	877
31 - 60 days	637	536
61 - 90 days	420	117
Over 90 days	—	55
	2,023	1,585

As at 31 December 2014 and 2015, included in the Group's trade receivables from sales of bakery products balance are debtors with an aggregate carrying amount of HK$420,000 and HK$172,000, respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The trade receivables from sales of bakery products which are past due but not impaired were either settled subsequently or due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances. The average age of these receivables is 67 days and 66 days as at 31 December 2014 and 2015, respectively.

As at 31 December 2014 and 2015, the trade receivables from sales of bakery products with carrying amount of HK$1,603,000 and HK$1,413,000, respectively, are neither past due nor impaired, and with good credit quality. These customers have no default of payment in the past.

Aged analysis of trade receivables from sales of bakery products which are past due but not impaired

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
61 - 90 days	420	117
Over 90 days	—	55
	420	172

Movement in allowance for bad and doubtful debts

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Balance at beginning of the year	—	—
Impairment losses recognised	—	255
Balance at end of the year	—	255

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of nil and HK$255,000 as at 31 December 2014 and 2015, respectively, which have been in severe financial difficulties in repaying their outstanding balances. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of reporting period. The directors of the Company believe that no further impairment is required in excess of the allowance for bad and doubtful debts. The directors of the Company write off the bad and doubtful debts when the debtor is liquidated.

The Company

As at 31 December 2014 and 2015, the Company has prepayments and others amounting to HK$2,886,000 and HK$1,781,000, respectively.

18. AMOUNTS DUE FROM/TO RELATED COMPANIES/DIRECTORS/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Amount due from related companies

Amounts are unsecured and interest-free. The amounts are repayable on demand.

In the opinion of directors of the Company, the amounts are expected to be repayable within twelve months from the end of the reporting periods. These amounts were fully settled in June 2016.

Details of amounts due from related companies are disclosed as follows:

	The Group			Maximum amount outstanding during the year ended 31 December	
	As at 1 January	As at 31 December			
Name	2014	2014	2015	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade nature					
AAP Enterprise Limited (note (i))	26	43	53	44	53
Press Room Group Holdings Limited (note (i))	32	41	49	41	49
AAP Investments Limited (note (v))	10,862	12,197	—	12,200	12,897
	10,920	12,281	102		
Trade nature					
Altaya Wines Limited ("Altaya Wines") (note (ii))	—	5	239	5	239
Big Team Ventures Limited and its subsidiaries (collectively known as "Big Team Group") (note (iii))	—	3	14	3	14
Gold Peak Industries (Holdings) Limited ("Gold Peak") (note (iv))	—	—	43	—	236
	—	8	296		
	10,920	12,289	398		

Notes:

(i) Mr. Wong, Mr. Lo and Mr. Pong are directors and controlling shareholders of these companies.

(ii) Altaya Wines is controlled by Mr. Pong and his family. The credit period for the purchase of goods is 30 days.

(iii) Big Team Group is controlled by the spouse of Mr. Lo. The credit period for the purchase of goods is 30 days.

(iv) Father of Mr. Lo is the director of Gold Peak. The credit period for the purchase of goods is 30 days.

(v) Mr. Wong, Mr. Lo and Mr. Pong were the controlling shareholders of AAP Investments Limited prior to the disposal of their entire equity interest in AAP Investments Limited to an independent third party on 9 March 2015.

The following is an aged analysis of the trading balance with the above related companies based on the invoice date at the end of the reporting period.

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
0 - 30 days	8	48
31 - 60 days	—	41
61 - 90 days	—	207
	8	296

Amounts due from directors

Details of amounts due from directors, which are non-trade nature, unsecured, interest-free and repayable on demand, are disclosed as follows:

Name	**The Group**			**Maximum amount outstanding during the year ended 31 December**	
	As at 1 January	**As at 31 December**			
	2014	**2014**	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong	567	749	5,574	749	5,574
Mr. Lo	1,346	1,805	7,489	1,805	7,705
Mr. Pong	400	123	4,760	400	4,760
	2,313	2,677	17,823		

Name	The Company As at 1 January 2014	The Company As at 31 December 2014	The Company As at 31 December 2015	Maximum amount outstanding during the year ended 31 December 2014	Maximum amount outstanding during the year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong	—	—	171	—	171
Mr. Lo	—	—	172	—	172
Mr. Pong	—	—	171	—	171
	—	—	514		

These amounts were fully settled in June 2016.

Amounts due to related companies

Details of the amounts due to related companies are disclosed as follows:

	The Group As at 31 December 2014	The Group As at 31 December 2015
	HK$'000	*HK$'000*
Altaya Wines (note (i))	1,177	785
Jia Group Limited (note (ii))	—	25
	1,177	810

Notes:

(i) Amount due to Altaya Wines is trade nature, the credit period for purchase of goods is 30 days. The following is an aged analysis of trading balances with related company based on the invoice date at the end of the reporting periods:

	The Group As at 31 December 2014	The Group As at 31 December 2015
	HK$'000	*HK$'000*
0 - 30 days	559	300
31 - 60 days	618	287
61 - 90 days	—	198
	1,177	785

(ii) Amount due to Jia Group Limited is non-trade nature, unsecured, interest-free and repayable on demand. Jia Group Limited is ultimately owned as to 50% by the spouse of Mr. Lo and as to 50% by the father-in-law of Mr. Lo. The amount was fully settled in June 2016 .

Amount due to a non-controlling shareholder of a subsidiary

The amount due to a non-controlling shareholder of a subsidiary is non-trade nature, unsecured, interest-free and repayable on demand. The amount was fully settled in June 2016.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate between 0.01% and 1.15% per annum.

20. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Trade payables	5,945	7,768
Other payables:		
Accrued staff related costs	7,486	6,319
Other payables and accrued charges	4,508	6,707
	17,939	20,794

The average credit period for purchases of goods is 30 - 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	The Group	
	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
0 - 30 days	4,683	4,072
31 - 60 days	939	3,146
61 - 90 days	204	69
Over 90 days	119	481
	5,945	7,768

21. PROVISION

	Reinstatement works *HK$'000*
The Group	
At 1 January 2014	—
Provision recognised	1,209
At 31 December 2014	1,209
Provision recognised	447
At 31 December 2015	1,656

The provision for reinstatement works related to the estimated cost of reinstating the rented premises to be carried out at the end of respective lease periods (i.e. 24 months to 48 months). These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

22. OBLIGATION UNDER FINANCE LEASE

	The Group	
	As at 31 December	
	2014 *HK$'000*	2015 *HK$'000*
Analysed for reporting purpose as:		
Current liabilities	57	59
Non-current liabilities	142	83
	199	142

The Group has leased certain of its motor vehicle under finance lease. The lease term was five years. Interest rate was fixed at the contract date at 2.25% per annum.

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2014	**2015**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance lease				
Within one year	65	64	57	59
Within a period of more than one year but not exceeding two years	64	64	59	62
Within a period of more than two years but not exceeding five years	85	21	83	21
	214	149	199	142
Less: Future finance charges	(15)	(7)	—	—
Present value of lease obligation	199	142	199	142
Less: Amount due for settlement within one year (shown under current liabilities)			57	59
Amount due for settlement after one year			142	83

The Group's obligation under finance lease was secured by the lessor's charge over the leased asset. The obligation under finance lease with carrying amount of approximately HK$199,000 and HK$142,000 as at 31 December 2014 and 31 December 2015, respectively, was guaranteed by Mr. Wong. The personal guarantee from Mr. Wong was released upon the full repayment of the obligation under finance lease in February 2016.

23. BANK BORROWINGS

	The Group	
	As at 31 December	
	2014	2015
	HK$'000	*HK$'000*
Carrying amount repayable on demand (shown under current liabilities)	20,000	20,000
Carrying amount of term loan (shown under current liabilities) with repayment on demand clause:		
- within one year	—	1,269
- within a period of more than one year but not exceeding two years	—	1,269
- within a period of more than two years but not exceeding five years	—	3,721
	—	6,259
	20,000	26,259

The bank borrowings are at floating rates which carry interest at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.9% to 2.5% per annum.

The unsecured bank borrowing of HK$20,000,000 as at 31 December 2014 and 2015 was guaranteed by certain group entities and the Controlling Shareholders. The remaining unsecured bank borrowing of HK$6,259,000 as of 31 December 2015 was guaranteed by the Controlling Shareholders.

24. SHARE CAPITAL

The Group

The share capital as at 1 January 2014 represented the aggregate share capital of CL, PRGIL, TPL and SMLL attributable to the Controlling Shareholders. The share capital as at 31 December 2014 represented the aggregate share capital of the Company and CBCL. The share capital as at 31 December 2015 represented the share capital of the Company.

The Company

On 24 October 2014, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Wiltshire Global. On 11 November 2014, 24 shares, 25 shares and 25 shares were allotted and issued at par value to Wiltshire Global, Easy Fame and Peyton Global respectively. On 21 November 2014, the Pre-IPO Investor subscribed 10 shares of the Company for HK$10,000,000. In addition, during the year ended 31 December 2014, the Company issued 5 shares, 5 shares and 5 shares to Wiltshire Global, Easy Fame and Peyton Global, respectively, so as to transfer the entire shareholding interest in CBCL, PRGIL, CL, TPL and SMLL to the Company on 31 December 2014.

Information is set out below:

	Number of shares	Amount	
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 24 October 2014 (date of incorporation), 31 December 2014 and 2015	38,000,000	380,000	380
Issued and fully paid:			
At 24 October 2014 (date of incorporation)	1	—	—
Issue of shares	99	1	—
At 31 December 2014 and 2015	100	1	—

25. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Within one year	17,571	23,769
In the second to fifth year inclusive	29,557	42,294
	47,128	66,063

The above operating lease payments represent rental payable by the Group for office premises, storage and restaurants for the Relevant Periods.

Leases and rentals are negotiated and fixed for term of one to five years. The operating lease rentals for certain restaurants are determined at the higher of a fixed rental or a pre-determined percentage on revenue of respective restaurants pursuant to the terms and conditions that are set out in the respective rental agreements. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rents have not been included above and only the minimum lease commitment have been included in the table above.

The lease agreement entered into between the landlord and the Group includes a renewal option at the discretion of the respective group entities for further two to four years from the end of the leases without fixed rental. Accordingly, this is not included in the above commitment.

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

	Years ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Catering income from Controlling Shareholders	308	382
Catering income from Altaya Wines	17	234
Catering income from Gold Peak	—	152
Catering income from Debbie Lo Foundation Limited (note (ii))	—	62
Sales of bakery products to AAP Investments Limited	244	150
Sales of bakery products to Big Team Group	64	156
Sales of goods to Etc Wine Shops Limited (note (i))	—	4
Purchases of goods from Altaya Wines	4,553	3,634
Purchases of goods from Cubatabaco Limited (note (i))	25	56
Purchases of goods from Mr. Pong	43	—
Consultancy fee to a non-controlling shareholder of a subsidiary	654	660
Consultancy fee to Jia Group Limited	105	150
Purchases of property, plant and equipment from AAP Investments Limited	161	—

Notes:

(i) Cubatabaco Limited and Etc Wine Shops Limited are related companies which are controlled by Mr. Pong and his family.

(ii) Debbie Lo Foundation Limited is related company which is controlled by Mr. Lo's family.

Guarantee received from the Controlling Shareholders and AAP Investments Limited for bank facilities are as follows:

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
Guarantee from the Controlling Shareholders and AAP Investments Limited jointly and severally	3,000	—
Guarantee from the Controlling Shareholders jointly and severally	20,000	33,500
Guarantee from a Controlling Shareholder	288	288

Information of financial guarantees provided to a related company is set out in note 28.

Details of the balances with directors, related companies and a non-controlling shareholder of a subsidiary at the end of reporting period are disclosed in the consolidated statements of financial position, consolidated statements of cash flows and note 18 to the Financial Information.

Compensation of key management personnel

The compensation to key management personnel of the Group representing directors of the Company is set out in note 7 to the Financial Information.

27. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK$1,250 to HK$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 11.

28. CONTINGENT LIABILITIES

As at 31 December 2014, CBCL, CL, SMLL, TPL, Mr. Wong, Mr. Lo and Mr. Pong had provided corporate/personal guarantees to AAP Investments Limited for the banking facilities of HK$5,000,000. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. The facility was matured in October 2015 and the corporate guarantees to AAP Investments Limited were released.

29. RESERVE OF THE COMPANY

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 24 October 2014 (date of incorporation)	—	—	—
Issue of shares	10,000	—	10,000
Loss and total comprehensive expense for the period	—	(1,081)	(1,081)
At 31 December 2014	10,000	(1,081)	8,919
Loss and total comprehensive expense for the year	—	(3,525)	(3,525)
At 31 December 2015	10,000	(4,606)	5,394

30. NON-CASH TRANSACTION

On 8 March 2015, the amount due from AAP Investments Limited of approximately HK$12,897,000 was assigned evenly to each of the Controlling Shareholders based on a deed of assignment dated on 8 March 2015.

31. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest-free and expected to be recovered within twelve months from the end of the respective reporting period.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debt.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	As at 31 December		As at 31 December	
	2014	2015	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	34,309	39,211	6,110	4,303
Financial liabilities				
Amortised cost	36,844	43,445	77	690
Obligation under finance lease	199	142	—	—

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and deposits, amounts due from related companies and directors, bank balances and cash, trade and other payables and accrued charges, bank borrowings, amounts due to related companies and a non-controlling shareholder of a subsidiary and obligations under finance leases. The Company's financial instruments include amount due from subsidiaries and other payables and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances, and fair value interest rate risk in relation to obligation under finance lease and non-interest bearing amounts due from directors, amounts due from/to related parties and amount due to a non-controlling shareholder of a subsidiary. The Company is exposed to fair value interest rate risk in relation to non-interest bearing amounts due from directors and subsidiaries.

The Group currently does not have interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR plus a spread arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 50 basis points increase or decrease is used during each of the two years ended 31 December 2015, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for each of the years ended 31 December 2014 and 2015 would decrease/increase by approximately HK$84,000 and HK$110,000, respectively.

(ii) **Credit risk**

As at 31 December 2014 and 2015, the maximum exposure to credit risk of the Group and the Company which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position and the amount of contingent liabilities relating to financial guarantees disclosed in note 28.

The Group trades with a large number of individual customer and trading terms are mainly on cash and credit card settlement. In view of the Group's operation, the Group does not have significant credit risk exposure to any single individual customer.

The Group has significant concentration of credit risk on amounts due from directors and related companies and the Company has significant concentration of credit risk on amounts due from subsidiaries. Details of amounts due from directors and related companies are disclosed in notes 18. The Company's amounts due from subsidiaries are concentrated on one subsidiary. The directors of the Company consider the counterparty with good credit worthiness based on its past repayment history and subsequent settlement.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with good reputation and the Group has limited exposure to any single financial institution.

As at 31 December 2014, financial guarantees were provided to a related company and the management of the Group continuously monitored the credit quality and financial conditions of the guaranteed party that the Group issued financial guarantee contracts in favour of to ensure that the Group would not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

(iii) **Liquidity risk**

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2014						
Non-derivative financial liabilities						
Trade payables	N/A	5,945	—	—	5,945	5,945
Other payables and accrued charges	N/A	9,722	—	—	9,722	9,722
Amounts due to related companies	N/A	1,177	—	—	1,177	1,177
Amount due to a non-controlling shareholder of a subsidiary	N/A	52	—	—	52	52
Bank borrowings	2.14	20,000	—	—	20,000	20,000
Obligation under finance lease	2.25	16	49	149	214	199
Financial guarantee contract	N/A	5,000	—	—	5,000	—
		41,912	49	149	42,110	37,095
As at 31 December 2015						
Non-derivative financial liabilities						
Trade payables	N/A	7,768	—	—	7,768	7,768
Other payables and accrued charges	N/A	8,556	—	—	8,556	8,556
Amounts due to related companies	N/A	810	—	—	810	810
Amount due to a non-controlling shareholder of a subsidiary	N/A	52	—	—	52	52
Bank borrowings	2.28	26,259	—	—	26,259	26,259
Obligation under finance lease	2.25	16	48	85	149	142
		43,461	48	85	43,594	43,587

The amounts included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Details of the financial guarantees are set out in note 28.

As at 31 December 2015, bank borrowing with a repayment on demand clause with carrying amount of HK$6,259,000 is included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. Taking into account the Group's financial position, management does not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowing of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowing:						
As at 31 December 2015	2.72	360	1,064	5,262	6,686	6,259

(c) **Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at amortised cost**

The management of the Group estimates the fair value of the financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group are detailed as below.

On 14 June 2016, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 14 June 2016" in Appendix IV of the Prospectus. It was resolved, among other things:

(i) the authorised share capital of the Company was increased from HK$380,000 to HK$8,000,000 by the creation of 762,000,000 new shares of the Company of HK$0.01 each;

(ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share option has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and

(iii) conditional on the share premium account of the Company being credited as a result of the Placing, the directors of the Company were authorised to capitalise the amount of HK$3,199,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 319,999,900 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company on the business day immediately before the Listing Date.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, any of its subsidiaries or the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 December 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited consolidated net tangible assets of the Group as if the Placing had taken place on 31 December 2015.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2015 or any future dates following the Placing.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on a Placing Price of HK$0.45 per share	44,867	23,238	68,105	0.17
Based on a Placing Price of HK$0.55 per share	44,867	30,998	75,865	0.19

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on 80,000,000 New Shares at the Placing Price of lower limit and upper limit of HK$0.45 and HK$0.55 per Placing Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred by the Group since 1 January 2016. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 December 2015 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Classified Group (Holdings) Limited (previously known as Press Room Group (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Classified Group (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing of the shares of the Company (the "Placing") on the Group's financial position as at 31 December 2015 as if the Placing had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 December 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 ''Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements'' issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 October 2014 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 14 June 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our 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). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 our Company shall be at the disposal of the board, which may offer, allot, grant share option 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 our Company nor the board shall be obliged, when making or granting any allotment of, offer of, share option over or disposal of shares, to make, or make available, any such allotment, offer, share option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any 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 entitled) must be approved by our Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with our Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our

Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has 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 contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time 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 our 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) *Register of Directors and officers*

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) **Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of our 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, in the case of such members as 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 in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office 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 accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditors in accordance with generally accepted auditing standards. The auditors shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditors should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of our 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, being a majority together representing not less than ninety-five per cent (95%) of the total voting right, at the meeting of all members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring; (dd) the appointment of auditors and other officers;

(dd) the fixing of the remuneration of the directors and of the auditors;

(ee) the granting of any mandate or authority to the directors to offer, allot, grant share option over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(ff) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed 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 transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon 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 transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for our Company to purchase its own shares**

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company**

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, our 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.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) **Proxies**

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls 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). A call may be made payable either in one lump 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that our 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 our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 our Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is 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**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, 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 to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 11 November 2014.

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 our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them *(pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by our company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(q) **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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the sub-section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection". 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 24 October 2014. Our Company has established a principal place of business in Hong Kong at Unit B, 23/F, 38 Heung Yip Road, Wong Chuk Hang, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 November 2014. In connection with such registration, Mr. Wong has been appointed as an authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands company law and its constitution, which comprises of a memorandum of association and an articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

Save for the aforesaid and those mentioned in the paragraphs headed "A. Further information about our Company — 4. Resolutions in writing of all the Shareholders passed on 14 June 2016" and "History, Reorganisation and Development — Reorganisation" in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

On 14 June 2016, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$8,000,000 divided into 800,000,000 Shares of HK$0.01 each by the creation of an additional 762,000,000 Shares of HK$0.01 each which rank pari passu in all respects with the existing Shares.

Save for the aforesaid and as mentioned in the paragraph headed "Reorganisation" in the "History, Reorganisation and Development" section of this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Changes in authorised and issued capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes to the share capital of the non-major operating subsidiaries of our Group for the two years preceding the date of this prospectus:

EAVL

EAVL is a wholly-owned subsidiary of our Company and an intermediate holding company of our Group. EAVL was incorporated on 16 October 2014 in the BVI under the British Virgin Islands Business Companies Act 2004 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On 14 November 2014, one share in EAVL was allotted and issued to our Company for cash at par.

On 31 December 2014, EAVL allotted and issued four shares to our Company in consideration of our Company having allotted and issued four Shares to each of WGL, EFIL and PGL in connection with the acquisitions of PRGIL, Classified Limited, TPL and SMLL by our Group.

Classified Limited

Classified Limited is a wholly-owned subsidiary of EAVL and an indirectly wholly-owned subsidiary of our Company. Classified Limited was incorporated on 24 May 2010 in Hong Kong as a limited liability company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Immediately before the Reorganisation, Classified Limited had 3,000 shares in issue and was wholly-owned as to 1,000 shares by Mr. Lo, 1,000 shares by Mr. Pong and 1,000 shares by Mr. Wong. On 19 March 2015, Classified Limited increased its paid-up share capital from HK$3,000 to HK$903,000 by allotting and issuing 900,000 shares to EAVL at par credited as fully paid.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

For the changes to the share capital of the major operating subsidiaries of our Group, please refer to the sub-section headed "History, Reorganisation and Development — Our corporate history" in this prospectus.

4. **Resolutions in writing of all the Shareholders passed on 14 June 2016**

Pursuant to the resolutions in writing of all the Shareholders passed on 14 June 2016:

(a) our Company adopted the Memorandum with immediate effect and adopted the new Articles of Association with effect from the Listing Date;

(b) our Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this section, and our Directors were authorised to grant options to subscribe for Shares and, conditional on the Listing Division granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with the Shares pursuant to the exercise of options to be granted under the Share Option Scheme;

(c) conditional on the Listing Division granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Placing and the grant of the Offer Size Adjustment Option to the Joint Bookrunners (for themselves and on behalf of the Underwriters) was approved and our Directors were authorised to allot and issue the New Shares and approve the transfer of Sale Shares under the Placing;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" in this section, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise approximately HK$3,199,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 319,999,900 Shares for the allotment and issue to the Shareholders whose names appear on the register of members of our Company on the business day immediately before the Listing Date in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares;

(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 issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option); and (bb) the aggregate nominal amount of share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (v), whichever occurs first; and

(vi) the general mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate.

5. Group reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and Development" in this prospectus.

6. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of all the Shareholders passed on 14 June 2016, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any repurchases by our Company may only be made out of profits of our Company, or out of share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) *Connected parties*

A company is prohibited from knowingly repurchasing securities from a "connected person", that is, a director, chief executive or substantial shareholder of our Company or any of their respective associates and a connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

(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 general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) ***General***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries 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.

No 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.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the Subscription Agreement (as amended by a deed of variation dated 28 January 2016 between the same parties) pursuant to which the Pre-IPO Investor agreed to subscribe for and our Company agreed to allot and issue 10 Shares for an aggregate cash consideration of HK$10,000,000;

(b) sale and purchase agreement dated 31 December 2014 entered into among Mr. Wong, Mr. Lo, Mr. Pong, EAVL and our Company in relation to the acquisition of the entire issued share capital in PRGIL by EAVL in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, respectively;

(c) sale and purchase agreement dated 31 December 2014 entered into among Mr. Wong, Mr. Lo, Mr. Pong, EAVL and our Company in relation to the acquisition of the entire issued share capital in Classified Limited by EAVL in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, respectively;

(d) sale and purchase agreement dated 31 December 2014 entered into among Mr. Wong, Mr. Lo, Mr. Pong, EAVL and our Company in relation to the acquisition of the entire issued share capital in TPL by EAVL in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, respectively;

(e) sale and purchase agreement dated 31 December 2014 entered into among Mr. Wong, Mr. Lo, Mr. Pong, EAVL and our Company in relation to the acquisition of the entire issued share capital in SMLL by EAVL in consideration of our Company allotting and issuing one Share to each of WGL, EFIL and PGL, respectively;

(f) sale and purchase agreement dated 31 March 2015 entered into among Mr. Wong, Mr. Lo, Mr. Pong, AAPEL, NNIL and our Company in relation to the acquisition of 85% of the entire issued share capital in CBCL by NNIL in consideration of our Company allotting and issuing one Share to each of Mr. Wong, Mr. Lo and Mr. Pong (or their respective nominees), respectively;

(g) the deed of assignment dated 9 March 2015 entered into between AAP and ESIL pursuant to which AAP shall assign certain trademarks and goodwill to ESIL;

(h) the deed of novation dated 4 May 2015 (as amended by an addendum to the Deed of Novation dated 18 February 2016) entered into between AAP, PT Selera Kian Makmur, Classified Limited and PT Sukses Bersama Selalu in connection with the novation by AAP, as the franchisor, and PT Selera Kian Makmur, as the franchisee, of their respective rights, benefits, obligations, duties and liabilities in and under the Franchise Agreement to Classified Limited and PT Sukses Bersama Selalu, respectively;

(i) the deed of non-competition dated 14 June 2016 and executed by the Controlling Shareholders as covenantors in favour of our Company (for ourselves and as trustee for each of our Subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking" in this prospectus;

(j) the deed of indemnity dated 14 June 2016 and executed by the Controlling Shareholders as indemnifiers in favour of our Company (for ourselves and as trustee for each of our Subsidiaries) in respect of, among others, certain indemnities regarding taxation and non-compliance matters, particulars of which are set out in the section headed "E. Other information — 1. Estate duty/other indemnity" in Appendix IV to this prospectus; and

(k) the Underwriting Agreement.

2. **Our intellectual property rights**

(a) *Trademarks*

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Trademark No.	Registered owner	Place of registration	Class	Expiry date
Classified	301599409	ESIL	Hong Kong	43	27 April 2020
Classified	10981312	ESIL	PRC	43	13 March 2024
PRESSROOMGROUP	303241539	ESIL	Hong Kong	35	17 December 2024
SML sml	301292436	SMLL	Hong Kong	43	23 February 2019
大中小	8250050	SMLL	PRC	43	27 June 2021
SML	7438542	SMLL	PRC	43	19 January 2021
SML	5323456	SMLL	Japan	43	13 May 2020
SML	T09/15257F	SMLL	Singapore	43	28 December 2019
SML	2535163	SMLL	UK	43	28 December 2019
THE PAWN	301355300	TPL	Hong Kong	43	2 June 2019
THE PAWN	303205214	TPL	Hong Kong	43	18 November 2024

As at the Latest Practicable Date, the following trademark had been registered and was in the process of being transferred to our Group:

Trademark	Registration No.	Registered owner	Place of application	Class	Expiry date
Classified	IDM000485776	AAP	Indonesia	43	28 February 2023

Note: Pursuant to the Deed of Assignment, the above trademark is in the course of being transferred to ESIL.

As at the Latest Practicable Date, we have applied for registration of the following trademark:

Trademark	Application No.	Applicant	Place of application	Class	Application date
Classified	303685906	ESIL	Hong Kong	43	16 February 2016
CLASSIFIEDGROUP	303810843	ESIL	Hong Kong	35	17 June 2016

(b) *Domain Names*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registrant	Expiry Date
www.thepawn.com.hk	TPL	22 November 2016
www.classifiedfoodshops.com	Classified Limited	8 July 2016
www.classifiedfood.cn	Classified Limited	6 August 2018
www.classifiedfood.com.cn	Classified Limited	26 April 2018
www.classifiedgroup.hk	Classified Limited	2 February 2017
www.classifiedgroup.com.hk	Classified Limited	14 June 2017
www.prg.com.hk	PRGML	8 April 2019
www.classifiedfood.com	ESIL	10 July 2016
www.classifiedhk.com	ESIL	3 December 2016
www.pressroomgroup.com	ESIL	19 June 2017

Information contained in the above websites do not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, registered designs, patents or other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Placing and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, 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 they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or 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, will be as follows:

Name of Director	Capacity/nature of interest	Number and class of Shares	Approximate percentage of interest in our Company
Mr. Wong	Interest in controlled corporation *(Note 1)*	76,000,000 (long position)	19.0%
Mr. Lo	Interest in controlled corporation *(Note 2)*	76,000,000 (long position)	19.0%
Mr. Pong	Interest in controlled corporation *(Note 3)*	76,000,000 (long position)	19.0%

Notes:

(1) As WGL is beneficially owned by Mr. Wong, Mr. Wong is deemed to be interested in the Shares held by WGL under the SFO.

(2) As EFIL is beneficially owned by Mr. Lo, Mr. Lo is deemed to be interested in the Shares held by EFIL under the SFO.

(3) As PGL is beneficially owned by Mr. Pong, Mr. Pong is deemed to be interested in the Shares held by PGL under the SFO.

2. **Interests and short positions of substantial shareholders in the shares, underlying shares and debentures of our Company and its associated corporations**

Immediately following completion of the Capitalisation Issue and the Placing and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme, so far as it is known to our Directors, the following persons, not being a Director or chief executive of our Company, will have an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(a) ***Interest in our Company***

Name	**Capacity/nature of interest**	**Number and class of Shares held upon completion of the Capitalisation and the Placing** *(Note 1)*	**Approximate percentage of interest in our Company held upon completion of the Capitalisation and the Placing**
EFIL	Beneficial owner	76,000,000 (L)	19.0%
PGL	Beneficial owner	76,000,000 (L)	19.0%
WGL	Beneficial owner	76,000,000 (L)	19.0%
Mrs. Lo	Interest of spouse *(Note 2)*	76,000,000 (L)	19.0%
Ms. Cheng Chi Man	Interest of spouse *(Note 3)*	76,000,000 (L)	19.0%
Ms. Lee Yuen Ching Charmaine	Interest of spouse *(Note 4)*	76,000,000 (L)	19.0%
UG PRG Venture Limited	Beneficial owner *(Note 5)*	32,000,000 (L)	8.0%
Mr. Ngan Chi Wing	Interest in controlled corporation	32,000,000 (L)	8.0%
Mr. Ma Chi Un Fred	Interest in controlled corporation	32,000,000 (L)	8.0%
United Gain Investment Limited	Investment manager *(Note 6)*	32,000,000 (L)	8.0%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) Mrs. Lo, being the spouse of Mr. Lo, is deemed to be interested in all the Shares held by EFIL under the SFO.

(3) Ms. Cheng Chi Man, being the spouse of Mr. Pong, is deemed to be interested in all the Shares held by PGL under the SFO.

(4) Ms. Lee Yuen Ching Charmaine, being the spouse of Mr. Wong, is deemed to be interested in all the Shares held by WGL under the SFO.

(5) UG PRG Venture Limited is wholly and beneficially owned by Mr. Ngan Chi Wing and Mr. Ma Chi Un Fred as to 50% and 50% respectively.

(6) United Gain Investment Limited is the investment manager of UG PRG Venture Limited, an Independent Third Party.

(b) ***Interest in our associated corporations***

Name	Name of associated corporation	Number of shares held	Approximate percentage of shareholding
Leader Asia Pacific Limited	CBCL	1,500 (long position)	15%

3. **Particulars of Directors' service contracts**

(a) *Executive Directors' service contracts*

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. Under the service contracts, the initial annual salary payable to our executive Directors is as follows:

Name	*HK$*
Mr. Wong	360,000
Mr. Lo	360,000
Mr. Pong	360,000

Each of our executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that executive Director. Each of our executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself.

(b) *Independent non-executive Directors' letters of appointment*

Each of Mr. Chum Kwan Yue Desmond, Mr. Ng Chun Fai Frank and Dr. Chan Kin Keung Eugene, being all our independent non-executive Directors, has entered into a letter of appointment with our Company on 14 June 2016. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follows:

Name	*HK$ (per annum)*
Mr. Chum Kwan Yue Desmond	150,000
Mr. Ng Chun Fai Frank	150,000
Dr. Chan Kin Keung Eugene	150,000

Save for the annual director's fees mentioned above, none of our independent non-executive Directors is entitled to receive any other remuneration for holding his office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

The aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors in respect of the two years ended 31 December 2015 was approximately HK$1.0 million and HK$0.9 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2016 is estimated to be approximately HK$1.1 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended 31 December 2015 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2015.

After Listing, our Company's remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

4. **Remuneration of Directors**

Our Company's policies concerning remuneration of our Directors are as follows:

(a) the amount of remuneration is determined by the remuneration committee and on the basis of the relevant Director's experience, responsibility, workload and the time devoted to our Group;

(b) non-cash benefits may be provided to our executive Directors under their remuneration package; and

(c) our Directors may be granted, at the discretion of our Board, share options pursuant to the Share Option Scheme, as part of this remuneration package.

Save as disclosed in Appendix I to this prospectus, none of our Directors received any remuneration or benefits in kind from our Group during the Track Record Period.

5. **Agency fees or commissions received**

Information on the agency fees or commissions payable to the Underwriters is set out in the sub-section headed "Underwriting — Commission and expenses" of this prospectus.

Save as disclosed herein and in the section headed "Directors and Senior Management" and Appendix I to this prospectus, none of our Directors or experts (as named in the paragraph headed "Consents of experts" in this Appendix) received or will be entitled to receive any commissions, discounts, brokerages or other special terms in connection with the issue of any Share within two years immediately preceding the date of this prospectus.

6. **Related party transactions**

During the two years preceding the date of this prospectus, our Group was engaged in related party transactions as described in note 26 of Appendix I to the section headed "Accountants' Report" to this prospectus.

7. **Disclaimers**

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or Offer Size Adjustment Option, our Directors are not aware of any person who immediately following completion of the Placing and the Capitalisation Issue will have an interest or short position in the Shares and 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 is, either 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 the general meetings of our Company or any other members of our Group;

(b) none of our Directors nor chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in the paragraph headed "Qualifications of experts" and "Consents of experts" in this section has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Placing Shares either in his/her own name or in the name of a nominee;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(e) none of the experts named in the paragraph headed "Consents of experts" in this section has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

(a) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the resolutions in writing of all the Shareholders passed on 14 June 2016:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.00.

(v) *Maximum number of Shares*

(aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of 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 the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our 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 the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of 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 our Shareholders containing the information as required under the GEM Listing Rules in this regard.

(cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit under sub-paragraph (aa) and (bb) above provided the options in excess of the 10% limit are granted only to participants 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.

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12 months period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, must be separately approved by Shareholders in general meeting with such participant and his close associates abstaining from voting, and the number and terms (including the subscription price) of the options to be granted to such participant must be fixed before the Shareholder's approval. In such event, our Company must send a circular to our Shareholders containing the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), and all other information required under the GEM Listing Rules. The date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

(aa) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

(aa) No offer for the grant of options may be made after any inside information has come to the knowledge of our Group until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(x) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xi) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion). Any breach of these restrictions will automatically render the options lapsed.

(xii) *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 (xiii) 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/her death provided that where any of the events referred to in (xvi), (xvii) and (xviii) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiii) *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/she subsequently ceases to be an employee of our Group by reason of a termination of his/her employment on any one or more of the grounds that he/she 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/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xiv) *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/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiii) above, the option (to the extent not already lapsed or 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).

(xv) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices of any unexercised option, 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 and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), 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/she/it 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.

(xvi) *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/her 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.

(xvii) *Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his/her 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 the 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.

(xviii) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our 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 our Shareholders or the creditors of our Company 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 (the "Suspension Date"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon 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. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of 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 its officers.

(xix) *Lapse of options*

Subject to paragraph (xiii) above, an option shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in paragraph (ix) above;

(bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (viii);

(cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xii), (xiv), (xvi), (xvii) or (xviii) above;

(dd) subject to paragraph (xvii) above, the date of the commencement of the winding-up of our Company;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

(ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or (gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such compromise or arrangement becomes effective.

(xx) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing 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 our Shareholders in general meeting or by our Board.

(xxii) *Alteration to the Share Option Scheme*

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective 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 our Shareholders in general meeting.

(bb) Any alterations to the 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 the Board in respect of alteration of the Share Option Scheme must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(xxiii) *Termination of the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxiv)*Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Division granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(b) **Present status of the Share Option Scheme**

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty/other indemnity

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our Subsidiaries) (as referred to in the paragraph headed "B. Further information about the business of our Group — 1. Summary of material contracts" in this section) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any other claim to which any member of our Group may be subject and payable on or before the date when the Placing becomes unconditional and all liabilities incurred by it in connection with the material non-compliance matters. For further details, please refer to the sub-section headed "Business — Legal proceedings" in this prospectus.

2. Litigation

Save as disclosed herein, neither our Company nor any of its subsidiaries is 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 our Company or any of its subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including, inter alia, the Placing Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date; and (c) the exercise of the Offer Size Adjustment Option. The Sole Sponsor's fees are HK$3,500,000 and are payable by the Company. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

4. **Compliance adviser**

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

5. **Preliminary expenses**

The preliminary expenses of our Company are approximately HK$47,000 and are payable by our Company.

6. **Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. **Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	**Qualification**
Guotai Junan Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO
Robertsons	Legal advisers to our Company as to Hong Kong law
Jon K.H. Wong	Legal counsel to our Company as to Hong Kong law
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
Ipsos Limited	Independent market consultant

8. **Consents of experts**

Each of Guotai Junan Capital Limited, Robertsons, Jon K.H. Wong, Deloitte Touche Tohmatsu, Conyers Dill & Pearman and Ipsos Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their letters, reports, opinions and/or references to their names (as the case may be) in the form and context in which they respectively appear. None of Guotai Junan Capital Limited, Robertsons, Jon K.H. Wong. Deloitte Touche Tohmatsu, Conyers Dill & Pearman and Ipsos Limited has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

9. **Binding effect**

This prospectus shall have the effect, if application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

10. **Taxation of holders of Shares**

(a) ***Hong Kong***

(i) *Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) *Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) *Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK$7.5 million shall be a nominal amount of HK$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) Under the Cayman Islands law currently in force, there is no stamp duty payable in the Cayman Islands on transfers of Shares, other than in respect of transfers of Shares of companies that own land in the Cayman Islands.

(c) ***Consultation with professional advisers***

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising rights attaching to them. It is emphasized that none of our Company, our Directors or the other parties involved in the Placing will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

11. **Particulars of Selling Shareholders**

The particulars of the Selling Shareholders are set out as follows:

Name:	Wiltshire Global Limited
Registered Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	20,000,000

Name:	Easy Fame Investments Limited
Registered Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	20,000,000

Name:	Peyton Global Limited
Registered Address:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	20,000,000

12. **Miscellaneous**

(a) Save as disclosed herein:

(i) within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages (other than under the Underwriting Agreement) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Directors confirm there has been no material adverse change in the financial position or trading position or prospects of our Group since 31 December 2015;

(iv) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus;

(v) our Company has no founders shares, management shares or deferred shares;

(vi) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;

(vii) none of our Directors nor any of the persons whose names are listed in paragraph headed "Qualifications of experts" in this section has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;

(viii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS; and

(ix) there is no arrangement under which future dividends have been waived.

(b) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Union Registrars Limited. Unless our Directors otherwise agree, all transfers and other documents of title of the 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.

13. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) the written consents referred to in the sub-section headed "Appendix IV — Consents of experts" in this prospectus; (ii) copies of the material contracts referred to in the sub-section headed "Appendix IV — Summary of material contracts" in this prospectus; and (iii) the statements of particulars of each of the Selling Shareholders.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons, at 57th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and Articles of Association of our Company;

2. the accountants' report of our Group dated 30 June 2016 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

3. the audited financial statements of our Group for the years ended 31 December 2014 and 2015;

4. the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

5. the rules of the Share Option Scheme;

6. the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

7. the legal opinions issued by Robertsons, our Hong Kong legal advisers, in respect of certain aspects of Hong Kong laws and regulations applicable to our Group;

8. the legal opinions issued by Jon K.H. Wong, our Hong Kong legal counsel, in respect of certain aspects of Hong Kong laws and regulations applicable to our Group;

9. the Companies Law;

10. the material contracts referred to in the sub-section headed "Appendix IV — Summary of material contracts" in this prospectus;

11. the written consents referred to in the sub-section headed "Appendix IV — Consents of experts" in this prospectus;

12. Ipsos Report;

13. the service contracts and letters of appointment referred to in the sub-section headed "Appendix IV — Particulars of Directors' service contracts" in this prospectus; and

14. a statement of particulars of each of the Selling Shareholders.

Classified Group (Holdings) Limited