太興集團控股有限公司

TAI HING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 6811

GLOBAL OFFERING

Sole Sponsor

交銀國際
BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際
BOCOM International

NOMURA

中國通海證券
CHINA TONGHAI SECURITIES

IMPORTANT

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

TAI HING GROUP HOLDINGS LIMITED
(太興集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**25,000,000 Shares (subject to reallocation and including 2,500,000 Employee Reserved Shares)**
Number of International Offer Shares	:	**225,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.80 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**6811**

Sole Sponsor

交銀國際 BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International

NOMURA

中國通海證券 CHINA TONGHAI SECURITIES

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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 4 June 2019 (Hong Kong time) and, in any event, not later than Tuesday, 11 June 2019 (Hong Kong time). The Offer Price will be not more than HK$3.80 and is currently expected to be not less than HK$2.80. If, for any reason, the Offer Price is not agreed by Tuesday, 11 June 2019 (Hong Kong time) among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the Hong Kong Economic Journal (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination".

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S.

30 May 2019

EXPECTED TIMETABLE[1]

*We will issue an announcement in Hong Kong to be published in the Hong Kong Economic Journal (in Chinese) and on our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) if there is any change in the following expected timetable of the Hong Kong Public Offering:*

Hong Kong Public Offering commences and **WHITE**, **YELLOW** and **PINK** Application Forms available from	9:00 a.m. on Thursday, 30 May 2019
Latest time to lodge **PINK** Application Forms	12:00 noon on Monday, 3 June 2019
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website (**www.hkeipo.hk**)[2]	11:30 a.m. on Tuesday, 4 June 2019
Application lists open[3]	11:45 a.m. on Tuesday, 4 June 2019
Latest time to: (1) lodge **WHITE** and **YELLOW** Application Forms; (2) complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s); and (3) give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 4 June 2019
Application lists close[3]	12:00 noon on Tuesday, 4 June 2019
Expected Price Determination Date[5]	Tuesday, 4 June 2019
Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares to be published in the Hong Kong Economic Journal (in Chinese) and on our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on or before	Wednesday, 12 June 2019
Results of allocations under the Hong Kong Public Offering and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) (for further details, see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results") from	Wednesday, 12 June 2019
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID Number/Business Registration Number" function on a 24-hour basis from	Wednesday, 12 June 2019

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[6], [7], [8] . . . . . Wednesday, 12 June 2019

Despatch/Collection of Share certificates on or before[6], [7] . . . . Wednesday, 12 June 2019

Dealings in the Shares on the Stock Exchange expected to commence on . . . . 9:00 a.m. on Thursday, 13 June 2019

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019, the application lists will not open on that day. For details, please see "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS" for further details.

5. The Price Determination Date is expected to be on or around Tuesday, 4 June 2019. If, for any reason, the Offer Price is not agreed by Tuesday, 11 June 2019 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, 12 June 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 June 2019 provided that: (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

7. Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Shares certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 June 2019 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorized representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Information contained on our website, located at **www.taihing.com**, does not form part of this prospectus.*

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the risks in investing in the Offer Shares are set out in the "Risk Factors" section. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licensing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", "Rice Rule" and "Hot Pot Couple" as set out below. As at the Latest Practicable Date, we had 191 restaurants (comprising 184 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 126 restaurants in Hong Kong, 63 restaurants in Mainland China, one restaurant in Macau and one restaurant in Taiwan.

We offer a wide range of cuisines in Hong Kong, Mainland China, Macau and Taiwan. When we introduce new cuisines from different countries and regions to our offering, we select representative dishes from that culinary culture with an aim of creating a distinctive dining experience to our customers under each brand.

According to the Frost & Sullivan Report, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong with a market share of 4.0%; (ii) first in terms of the number of self-operated restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China with a market share of 0.1%, each in 2017.

Our management has always strived to offer customers with affordable and diversified choices of quality food, in a tasteful and comfortable dining environment. We have gradually expanded our brand portfolio to capture a wider spectrum of customers since 2008. We believe that our multi-brand strategy allows us to attract customers with different dining preferences, take advantage of opportunities to increase our market share and drive our sustainable growth.

Consistency in dining experience across all of our restaurants is vital to our presentation of a single unified corporate image to consumers. We operate a food factory in Fo Tan, Hong Kong and one in Dongguan, Mainland China. We adopt standardised operation processes for different brands and use our patented automated food processing machines in our restaurants as well as Food Factories. We safeguard food safety, and thereby our brand value, through stringent quality control. This is a key element in ensuring consistent quality, allowing us to replicate our tradition and success to new restaurant brands easily, and contribute to our growth over the years. In FY2016, FY2017 and FY2018, we opened 28, 32 and 32 new restaurants under different brands, respectively, most of which have achieved breakeven typically within two to four months. We believe that our replicable operation model and strong capabilities in expanding our brand portfolio by adapting to the ever-changing market condition and customer preference will continue to be one of the critical factors for our future success.

For FY2016, FY2017 and FY2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$3,126.1 million, and our profit for the year was HK$196.9 million, HK$209.6 million and HK$304.9 million, respectively.

The following table sets out the breakdown of our revenue for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	Total revenue	% of total revenue	Total revenue	% of total revenue	Total revenue	% of total revenue
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Restaurant operations						
Tai Hing	1,868,481	74.4	1,900,924	68.6	2,023,634	64.7
TeaWood	392,094	15.6	536,509	19.4	555,499	17.8
Trusty Congee King	114,877	4.6	149,928	5.4	207,823	6.6
Men Wah Bing Teng	–	–	26,312	0.9	120,470	3.9
Phở Lệ	–	–	21,464	0.8	96,263	3.1
Tokyo Tsukiji	29,436	1.2	28,817	1.0	23,562	0.8
Fisher & Farmer	18,463	0.7	18,166	0.7	13,809	0.4
Rice Rule	–	–	–	–	2,230	0.1
Others*(Note)*	31,335	1.2	29,836	1.1	18,380	0.5
Sub-total	2,454,686	97.7	2,711,956	97.9	3,061,670	97.9
Sales of food products	58,284	2.3	59,321	2.1	64,383	2.1
Total	2,512,970	100.0	2,771,277	100.0	3,126,053	100.0

Note: Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

The following table sets out the breakdown of our revenue by geographic segment for FY2016, FY2017 and FY2018:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Hong Kong and Macau	1,833,842	73.0	2,102,396	75.9	2,428,111	77.7
Mainland China	679,128	27.0	668,881	24.1	697,942	22.3
Total	2,512,970	100.0	2,771,277	100.0	3,126,053	100.0

Our revenue derived from Hong Kong and Macau was HK$1,833.8 million, HK$2,102.4 million and HK$2,428.1 million for FY2016, FY2017 and FY2018, respectively. Such increasing trend over the corresponding periods was primarily due to the (i) increase in revenue from the steady expansion in the number of restaurants in our Hong Kong restaurant network; (ii) successful launching of our new brands, "Men Wah Bing Teng" and "Phở Lệ" in FY2017 and "Rice Rule" in FY2018; and (iii) continuous increase in revenue derived from our existing brand portfolio.

Our revenue derived from Mainland China slightly dropped from HK$679.1 million for FY2016 to HK$668.9 million for FY2017 and then increased back to HK$697.9 million in FY2018. The short-term decrease in revenue from FY2016 to FY2017 was primarily due to the closure of 5 restaurants (most of which were closed during the first half of FY2017), the loss in revenue from these 5 restaurants were subsequently slightly compensated by the opening of 10 restaurants (most of which were opened during second half of FY2017), while the increase in revenue in FY2018 had reflected the results of (i) the full year operation effect for new restaurants opened during the second half of FY2017; (ii) the net addition of two restaurants under our existing brand portfolio into the Mainland China restaurant network; and (iii) the introduction of and customers' well-acceptance of our new brand "Phở Lệ" during FY2018.

Non-HKFRS measures

We have presented a number of non-HKFRS financial measures i.e. operating profit ("**Operating Profit**") and operating profit margin ("**Operating Profit Margin**") by brand and by geographic segment in this prospectus. We have presented these non-HKFRS measures because our management considers these supplemental measures will be helpful for the investors and other interested parties to assess the profitability of our business operation. These financial measures are unaudited and are not the measures of performance under the HKFRS. Although some of these financial measures are reconcilable to the line items in the financial information set forth in Appendix I to this prospectus, they should not be considered as measures comparable to, or substitutes for, items in our consolidated statement of profit or loss and other comprehensive income, as determined in accordance with the HKFRS. Furthermore, these financial measures may not be comparable to other similarly titled measures used by other companies. The use of these non-HKFRS measures has material limitation as it does not include all costs (i.e. depreciation and amortisation and items in other operating expenses, net) that impact our profit for the relevant years and should not be used as a substitute for an analysis of our financial results presented under the HKFRS.

Operating Profit and Operating Profit Margin

Our Operating Profit was calculated by total revenue less our major operating cost, namely, cost of materials consumed, staff costs and rental and related expenses. Our Operating Profit Margin was calculated based on the Operating Profit divided by the total revenue and multiplied by 100% for the relevant years. The following table sets forth our Operating Profit and Operating Profit Margin for the years indicated:

	FY2016	FY2017	FY2018
	HKD'000	HKD'000	HKD'000
Revenue	2,512,970	2,771,277	3,126,053
Cost of materials consumed	(735,162)	(787,030)	(887,062)
Gross profit	1,777,808	1,984,247	2,238,991
Staff costs	(743,853)	(858,909)	(1,033,250)
Rental and related expenses	(345,018)	(399,729)	(453,606)
Operating Profit	688,937	725,609	752,135
Operating Profit Margin (%)	27.4	26.2	24.1

Operating Profit and Operating Profit Margin by brand

The following table sets forth our Operating Profit and Operating Profit Margin by brand for the years indicated:

	FY2016		FY2017		FY2018	
	Operating Profit (Note 3)	Operating Profit Margin	Operating Profit (Note 3)	Operating Profit Margin	Operating Profit (Note 3)	Operating Profit Margin
	HKD'000	%	HKD'000	%	HKD'000	%
Tai Hing	518,530	26.9	508,134	25.9	491,354	23.5
TeaWood	123,280	31.6	161,503	30.2	163,250	29.4
Trusty Congee King	28,880	24.3	32,347	21.6	41,947	20.1
Men Wah Bing Teng	–	–	5,952	22.6	30,174	25.0
Phở Lệ (Note 1)	(167)	–	3,604	16.8	20,381	21.2
Tokyo Tsukiji	8,187	27.8	6,155	21.4	5,239	22.2
Fisher & Farmer	4,467	24.2	3,886	21.4	(1,081)	(7.8)
Rice Rule	–	–	–	–	(176)	(7.9)
Others (Note 2)	5,760	18.3	4,028	13.5	1,047	5.7
Total	**688,937**	**27.4**	**725,609**	**26.2**	**752,135**	**24.1**

Notes:

(1) We incurred staff costs and rental and related expenses in FY2016 in relation to pre-opening work prior to our restaurant opening in 2017.

(2) Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

(3) Operating Profit calculation for each brand also includes central management cost allocated to each brand.

During the Track Record Period, we recorded an increasing trend in our revenue, profit for the year and Operating Profit. For FY2016, FY2017 and FY2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$3,126.1 million, and our profit for the year was HK$196.9 million, HK$209.6 million and HK$304.9 million, respectively. Our overall Operating Profit increased throughout the Track Record Period, with HK$36.7 million or 5.3% increase from FY2016 to FY2017 and HK$26.5 million or 3.7% increase from FY2017 to FY2018. Our overall Operating Profit Margin was 27.4%, 26.2% and 24.1% for FY2016, FY2017 and FY2018, respectively. The overall Operating Profit Margin depends on the profitability of each brand, which in turn is subject to various factors, including our brand popularity, menu pricing strategies, promotional items from time to time which may result in an increase in Operating Profit but a decrease in Operating Profit Margin, lease renewal terms and renovation period etc..

Our "Men Wah Bing Teng" and "Phở Lệ" brands were launched in FY2017 and were very well-received by the market and recorded an increase of 2.4 and 4.4 percentage points in their respective Operating Profit Margin from FY2017 to FY2018. Such Operating Profit Margin increase was mainly contributed by the full year operation effect of the restaurants opened in FY2017 under these two brands as well as the relatively high revenue generated by the 16 additional restaurants in aggregate under these two brands due to the immense popularity of these brands. The Operating Profit Margin for our other existing brands recorded a decrease over the Track Record Period, for our major revenue generating brands, the decrease remained relatively low at around one to two percentage points, while other brands which contributed less towards our revenue may have suffered from a greater decrease due to various reasons, including temporary suspension of operation for relocation and extension of services to cover breakfast session which are generally lower-priced than lunch and dinner sessions (which resulted in increase in Operating Profit but decrease in Operating Profit Margin).

In general, our new restaurants under new brands may initially record a lower Operating Profit or Operating Profit Margin during the ramp-up period, which was primarily due to the pre-opening costs and relatively low customer visits during the ramp-up period as customers are unfamiliar with such new brand. Their Operating Profit and Operating Profit Margin will generally improve after the first few months of restaurant operation.

Operating Profit and Operating Profit Margin by geographic segment

The following table sets forth our Operating Profit and Operating Profit Margin by geographic segment for the years indicated:

	FY2016		FY2017		FY2018	
	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin
	HKD'000	%	HKD'000	%	HKD'000	%
Hong Kong and Macau	485,081	26.5	523,829	24.9	595,645	24.5
Mainland China	203,856	30.0	201,780	30.2	156,490	22.4
Total	688,937	27.4	725,609	26.2	752,135	24.1

In terms of geographic segments, the Operating Profit in Hong Kong and Macau has increased over the Track Record Period which was attributable to (i) the increase in revenue generated from the expansion of our restaurant network; and (ii) the success of the new brands launched during the Track Record Period. While the fluctuation in Operating Profit Margin was due to the different performance of our various brands as stated above.

The Operating Profit and Operating Profit Margin in Mainland China remained relatively stable for FY2016 and FY2017. The decrease of both our Operating Profit and Operating Profit Margin in Mainland China operation for FY2018 was in part due to (i) the increase in staff costs as a percentage of revenue arising from Mainland China restaurant operation from 28.9% for FY2017 to 34.7% for FY2018, as a result of general salary increment and increase of staff welfare to improve staff retention as well as additional head count to cater for our new restaurants and Mainland China Food Factory; (ii) the difference in the timing of the opening and closing of our restaurants. We opened four restaurants during the fourth quarter of FY2018 which were still in ramp-up period and had not achieved breakeven as at 31 December 2018. According to our typical breakeven period for our restaurants in Mainland China, it may take up to four months in order to achieve breakeven and subsequent to breakeven, it may also take a period of time to achieve the average Operating Profit Margin and the key performance indicators that is similar to our other restaurants; and (iii) expenses associated with the commencement of operation of the Mainland China Food Factory.

We incurred one-off pre-opening costs and additional operating cost for our Mainland China Food Factory which commenced operation in October 2018. Excluding our operating costs incurred for our Mainland China Food Factory, our Operating Profit and Operating Profit Margin for Mainland China would be HK$164.4 million and 23.6%, respectively for FY2018, and our overall Operating Profit and Operating Profit Margin would be HK$760.0 million and 24.3%, respectively for FY2018.

For further details to the analysis of Comparable Restaurants, please see "Financial Information — Key Factors Affecting Our Results of Operations and Financial Condition — Comparable restaurant revenue".

OUR BUSINESS MODEL

During the Track Record Period, we generated substantially all of our revenue from restaurant operations with a very small portion of revenue generated from our sales of food products.

Our restaurants are operated under two main business models — self-operated (under our owned brands and licensed brand) or franchised. During the Track Record Period, over 97% of our revenue was derived through our self-operated restaurants and we generated royalty income from the franchised restaurants under the Tai Hing Franchise Agreements.

OUR SUPPLIERS AND CUSTOMERS

Our suppliers mainly consist of food ingredients and beverage suppliers. We have established business relationships with all our five largest suppliers (all of whom are Independent Third Parties) for each of FY2016, FY2017 and FY2018 for more than seven years. Purchases from our five largest suppliers in aggregate accounted for 25.9%, 27.1% and 23.9% of our total purchases for FY2016, FY2017 and FY2018, respectively, and our purchases from our largest supplier accounted for 11.4%, 10.9% and 8.6% of our total purchases for FY2016, FY2017 and FY2018, respectively.

The revenue generated by our restaurant business accounted for over 97% of our total revenue during the Track Record Period. Due to the nature of our business, all customers of our restaurants are retail customers from the general public while customers of our food products such as our signature Hong Kong style milk tea and festive products are retail customers and corporate customers.

Please see "Business — Our Suppliers" and "Business — Our Customers" for further information on our suppliers and customers.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

- We are a leading market player in the Hong Kong and Mainland China catering service industry with strong brand recognition.
- Strong capability and track record in developing brands and growing our brand portfolio to capture a broad spectrum of customers.
- Highly standardised operation, automated production and food preparation processes and efficient management system as a systematic platform to sustain future growth.
- Well-positioned to capture the growth in the Mainland China catering service market to support future growth.

- Leadership under experienced and passionate restaurateurs and professional management team.

Please see "Business — Competitive Strengths" for details of our competitive strengths.

OUR BUSINESS STRATEGIES

We intend to implement the following business strategies to expand our market share, profitability and brand presence:

- Continuous development of our brand portfolio and expansion of our restaurant network;

- Uplifting of our existing restaurants in Hong Kong and Mainland China;

- Enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory; and

- Enhancement and enrichment of our brand image, awareness and recognition for our future business growth.

Please see "Business — Business Strategies" for details of the above strategies.

USE OF PROCEEDS

Assuming an Offer Price of HK$3.30, we estimate that we will receive net proceeds of approximately HK$767.1 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering (assuming the Over-allotment Option has not been exercised). We intend to use the net proceeds from the Global Offering for the following purposes:

(i) approximately 44.0%, or HK$337.5 million, for the opening of new restaurants;

(ii) approximately 11.0%, or HK$84.4 million, for the renovation of our existing restaurants in Hong Kong and Mainland China;

(iii) approximately 35.0%, or HK$268.5 million, for the enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory; and

(iv) approximately 10.0%, or HK$76.7 million, as general working capital of our Group.

For details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUMMARY OPERATING DATA

The following tables set forth certain key performance indicators of our restaurants by brands for the year indicated:

	FY2016	FY2017	FY2018
Approximate average spending per guest(Note 1) (HKD)			
Tai Hing	67.3	66.4	70.4
TeaWood	96.3	94.8	96.6
Trusty Congee King	68.7	60.3	61.4
Men Wah Bing Teng(Note 2)	–	38.5	42.3
Phở Lệ	–	84.7	84.0
Tokyo Tsukiji	84.9	76.6	77.1
Fisher & Farmer	214.9	195.8	181.9
Rice Rule	–	–	43.1
Overall	71.6	70.6	72.6
Approximate average guests per day per restaurant(Note 3)			
Tai Hing	722	708	737
TeaWood	528	525	488
Trusty Congee King	452	543	584
Men Wah Bing Teng	–	779	967
Phở Lệ	–	547	467
Tokyo Tsukiji	216	257	231
Fisher & Farmer	235	255	234
Rice Rule	–	–	295
Overall	653	646	661
Approximate average daily sales per restaurant(Note 4) (HKD)			
Tai Hing	50,785	49,687	53,598
TeaWood	50,908	49,931	48,829
Trusty Congee King	33,230	35,834	38,893
Men Wah Bing Teng	–	35,896	47,926
Phở Lệ	–	47,174	40,310
Tokyo Tsukiji	18,375	19,738	18,033
Fisher & Farmer	50,445	49,770	44,376
Rice Rule	–	–	14,572
Overall	48,546	47,725	49,960
Approximate seat turnover rate(Note 5)			
Tai Hing(Note 6)	5.0	5.1	5.1
TeaWood	5.2	5.3	4.9
Trusty Congee King(Note 6)	5.5	6.7	6.9
Men Wah Bing Teng	–	16.0	17.1
Phở Lệ	–	11.1	9.3
Tokyo Tsukiji	4.2	4.7	4.2
Fisher & Farmer	1.8	2.0	1.5
Rice Rule	–	–	3.0
Overall	5.0	5.2	5.4

The following tables set forth certain key performance indicators of our restaurants by brands and geographic segment for the year indicated:

	Hong Kong and Macau			Mainland China		
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Approximate average spending per guest(Note 1) **(HKD)**						
Tai Hing	61.0	61.2	65.4	84.0	80.3	84.4
TeaWood	97.9	97.1	99.5	86.2	77.1	73.1
Trusty Congee King	69.1	60.7	62.2	50.1	54.6	56.7
Men Wah Bing Teng(Note 2)	–	38.5	42.3	–	–	–
Phở Lệ	–	84.7	82.3	–	–	104.8
Tokyo Tsukiji	84.9	76.6	77.1	–	–	–
Fisher & Farmer	214.9	195.8	181.9	–	–	–
Rice Rule	–	–	43.1	–	–	–
Overall	67.6	67.9	69.9	84.0	79.6	82.4
Approximate average guests per day per restaurant(Note 3)						
Tai Hing	908	898	991	468	454	429
TeaWood	539	541	518	463	422	334
Trusty Congee King	454	556	636	359	408	398
Men Wah Bing Teng	–	779	967	–	–	–
Phở Lệ	–	547	531	–	–	188
Tokyo Tsukiji	216	257	231	–	–	–
Fisher & Farmer	235	255	234	–	–	–
Rice Rule	–	–	295	–	–	–
Overall	748	739	792	467	450	414
Approximate average daily sales per restaurant(Note 4) **(HKD)**						
Tai Hing	58,562	59,199	67,239	40,216	36,944	37,030
TeaWood	52,767	52,572	53,201	40,373	33,629	25,761
Trusty Congee King	33,627	37,078	43,447	19,310	22,822	22,576
Men Wah Bing Teng	–	35,896	47,926	–	–	–
Phở Lệ	–	47,174	45,026	–	–	19,681
Tokyo Tsukiji	18,375	19,738	18,033	–	–	–
Fisher & Farmer	50,445	49,770	44,376	–	–	–
Rice Rule	–	–	14,572	–	–	–
Overall	52,842	53,162	57,850	40,108	36,388	34,978

	Hong Kong and Macau			Mainland China		
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Approximate seat turnover rate (Note 5)						
Tai Hing (Note 6)	8.5	8.5	8.4	2.4	2.4	2.5
TeaWood	6.7	5.7	5.6	2.1	3.2	2.4
Trusty Congee King (Note 6)	6.1	6.8	7.5	1.1	6.0	4.7
Men Wah Bing Teng	–	16.0	17.1	–	–	–
Phở Lệ	–	11.1	10.7	–	–	3.6
Tokyo Tsukiji	4.2	4.7	4.2	–	–	–
Fisher & Farmer	1.8	2.0	1.5	–	–	–
Rice Rule	–	–	3.0	–	–	–
Overall	7.8	7.6	7.8	2.4	2.5	2.5

Comparable Restaurants revenue (Note 7)

	FY2016	FY2017	Same store growth rate	FY2017	FY2018	Same store growth rate
By brands						
(HK$'000)						
Tai Hing	1,489,938	1,479,361	(0.7)%	1,272,799	1,330,878	4.6%
TeaWood	280,015	261,461	(6.6)%	391,673	389,848	(0.5)%
Trusty Congee King	64,702	68,723	6.2%	100,469	109,907	9.4%
Tokyo Tsukiji	22,506	21,934	(2.5)%	21,934	20,281	(7.5)%
Fisher & Farmer	18,463	18,166	(1.6)%	–	–	–
Total revenue	1,875,624	1,849,645	(1.4)%	1,786,875	1,850,914	3.6%
By geographic segment						
(HK$'000)						
Hong Kong and Macau	1,341,553	1,351,759	0.8%	1,270,386	1,323,652	4.2%
Mainland China	534,071	497,886	(6.8)%	516,489	527,262	2.1%
Total revenue	1,875,624	1,849,645	(1.4)%	1,786,875	1,850,914	3.6%

Notes:

(1) Calculated by dividing gross revenue generated from restaurant operation (excluding takeaway orders) by total number of guests served.

(2) Six of our Men Wah Bing Teng Restaurants adopts self-service order machines and therefore we are unable to accurately calculate the number of guest served. These six restaurants have been excluded for the purpose of this table.

(3) Calculated by dividing the total number of guests served (excluding takeaway orders) by the total restaurant operation days.

(4) Calculated by dividing the gross revenue from restaurant operation by the total restaurant operation days.

(5) Calculated by dividing the total number of guests served (excluding takeaway orders) by total seating capacity by average operating days.

(6) One of our Tai Hing Restaurants and one of our Trusty Congee King Restaurants were located in food court and shared seating area with other restaurants. As individual seating capacity is not available, seat turnover rate of these restaurants cannot be calculated and is excluded from the calculation.

(7) We define our comparable restaurants as those self-operated restaurants that were in full operation throughout the periods under comparison.

Our key performance indicators have remained relatively stable during the Track Record Period. We experienced a slightly larger decrease in the average guest count per day for Tai Hing and TeaWood Restaurants in Mainland China for FY2018 in comparison to FY2016 and FY2017. Such decrease for Tai Hing was mainly due to a relatively higher increase in our menu prices for a majority of our Tai Hing Restaurants in Mainland China during FY2018 in comparison to previous years. While for TeaWood, such decrease in the average guest count per day in FY2018 as compared with FY2017 and FY2016 mainly resulted from the closure of one of our TeaWood Restaurants with a high seating capacity after experiencing a decrease in operating performance during the first half of 2018. Having considered the underperformance of this restaurant, our management decided to close such TeaWood Restaurant in June 2018 and rebranded it into a Trusty Congee King Restaurant in August 2018. There was a lower average spending per guest in Trusty Congee King Restaurants for FY2017 and FY2018 in comparison with FY2016, which was mainly because we have extended the operating hours by offering breakfast during FY2017, which generally has lower prices than lunch and dinner dishes. While such extension of operating hours increased the average daily sales per restaurant of Trusty Congee King over the Track Record Period. The decrease in average spending per guest in Tokyo Tsukiji Restaurants for FY2017 and FY2018 in comparison with FY2016 was due to promotions we offered starting in FY2017, while the decrease in average spending per guest in Fisher & Farmer Restaurants for FY2017 in comparison with FY2016 was due to the suspension of operation for the relocation of the restaurant during FY2018 from Tsim Sha Tsui to Kowloon Bay.

We recorded a negative same store growth rate of 1.4% of the Comparable Restaurants (as defined above) between FY2016 and FY2017 which was primarily attributable to a negative same store growth rate of 6.6% for the Comparable Restaurant of our "TeaWood" brand. As we continue to open new restaurants to widen our network as a whole, guest count per Comparable Restaurant may be diluted. Such decrease was partially offset by the increasing growth rate of "Trusty Congee King" Comparable Restaurants as we extended our operating hours by offering breakfast during FY2017.

We recorded a same store growth rate of 3.6% between FY2017 and FY2018, which was primarily contributed by (i) a same store growth rate of 4.6% for the Comparable Restaurant of our "Tai Hing" brand driven by the increase in average spending per guest between FY2017 and FY2018; and (ii) a same store growth rate of 9.4% for the Comparable Restaurant of our "Trusty Congee King" brand mainly resulted from (i) the use of third-party delivery services for certain brands during the second half of FY2018; and "Trusty Congee King" brand was able to capture additional revenue from takeaway orders throughout the extended operating hours which began in FY2017. However, the use of third-party delivery services may reduce our total guest served at our restaurants, as our customers may select such delivery services as an alternative of dining in at our restaurants; and (ii) expanding the variety of our menu selection as well as price adjustment of our menu which led to an increase of average spending per guest between FY2017 and FY2018. Such increase was partially offset by (i) a negative same store growth rate of 7.5% of our "Tokyo Tsukiji" brand primarily due to decrease of total guests served of 16.9% between FY2017 and FY2018; and (ii) a negative same store growth rate of 0.5% for the Comparable Restaurant of our "TeaWood" brand primarily due to decrease of the average seat turnover rate and decrease in revenue arising from our TeaWood Comparable Restaurants located in Mainland China.

In terms of Comparable Restaurants' revenue by geographic segment, our same store growth rate for Hong Kong and Macau increased from 0.8% between FY2016 and FY2017 to 4.2% between FY2017 and FY2018, which was primarily attributable to the revenue growth of the Comparable Restaurants of "Tai Hing" and "Trusty Congee King" as mentioned above. As for Mainland China, we recorded a negative same store growth rate of 6.8% for the Mainland China Comparable Restaurants between FY2016 and FY2017. Such negative same store growth was mainly due to (i) the underperformance of certain Comparable Restaurants of "Tai Hing" during FY2017, of which two of these restaurants were subsequently closed during FY2018 and the first quarter of 2019, respectively; and (ii) the decrease in average exchange rate of RMB against HKD for FY2017 in comparison to FY2016. Our same store growth rate for the Comparable Restaurants for Mainland China rebounded to a positive growth rate of 2.1%, which was in part due to a relatively higher increase in the menu price of our "Tai Hing" Restaurants in Mainland China between FY2017 and FY2018 which accounted for the majority of our revenue from our Mainland China operation for the relevant periods and the increase in average exchange rate of RMB against HKD for FY2018 in comparison to FY2017, which was partially offset by the negative same store growth rate for the Comparable Restaurant of our "TeaWood" brand in Mainland China as mentioned above.

SUMMARY FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Revenue	2,512,970	2,771,277	3,126,053
Cost of materials consumed	(735,162)	(787,030)	(887,062)
Gross profit	1,777,808	1,984,247	2,238,991
Other income and gains, net	32,939	45,696	20,286
Gain on disposal of non-current assets classified as held for sale	–	–	162,614
Staff costs	(743,853)	(858,909)	(1,033,250)
Depreciation and amortisation	(128,995)	(133,396)	(147,813)
Rental and related expenses	(345,018)	(399,729)	(453,606)
Other operating expenses, net	(328,562)	(347,757)	(397,370)
Finance costs	(16,587)	(19,611)	(21,203)
Listing expenses	–	–	(10,973)
PROFIT BEFORE TAX	247,732	270,541	357,676
Income tax expense	(50,853)	(60,908)	(52,742)
PROFIT FOR THE YEAR	196,879	209,633	304,934

During FY2018, we completed the disposal of certain non-current assets classified as held for sale with aggregate consideration of HK$361.1 million to certain related parties and independent third parties, and recognised a net gain on disposal of HK$162.6 million for FY2018. For details, please see "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gain on disposal of non-current assets classified as held for sale".

Through our multi-brand business model, we were able to increase our revenue from our existing self-developed brands and introducing new brands during the Track Record Period. Our revenue increased by 12.8% from HK$2,771.3 million for FY2017 to HK$3,126.1 million for FY2018, primarily due to (i) an increase of our Comparable Restaurants revenue for "Tai Hing" and "Trusty Congee King" brands; and (ii) additional new restaurants opened under "Men Wah Bing Teng" and "Phở Lệ" brands during FY2018.

Our staff costs increased from HK$858.9 million for FY2017 to HK$1,033.3 million for FY2018. The increase was primarily due to (i) increase in headcount to support our net increase of 17 restaurants opened in FY2018 and commencement of operation of Mainland China Food Factory; (ii) general salary increment of our staff in FY2018; and (iii) increase in staff welfare and incentive bonuses to improve our staff retention.

Segment results and segment margins

Hong Kong and Macau

FY2016 compared to FY2017:

The segment results for our operation in Hong Kong and Macau increased by 6.1% from HK$208.2 million for FY2016 to HK$220.8 million for FY2017. The increase was primarily driven by the net increase of 11 operating restaurants in FY2017. Our segment margins slightly decreased from 11.4% for FY2016 to 10.5% for FY2017.

FY2017 compared to FY2018:

The segment results for our operation in Hong Kong and Macau increased by 78.3% from HK$220.8 million for FY2017 to HK$393.7 million for FY2018, while our segment margins also increased from 10.5% for FY2017 to 16.2% for FY2018. Excluding non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million, our segment results for FY2018 would be HK$231.1 million, representing an increase of HK$10.2 million or 4.6% over FY2017. The increase was primarily driven by (i) net increase of 14 restaurants during FY2018; and (ii) increase in operating profit from our existing restaurants. Our segment margins remained relatively stable at 10.5% and 9.5% for FY2017 and FY2018, respectively.

Mainland China

FY2016 compared to FY2017:

The segment results for our operation in Mainland China increased by 24.0% from HK$45.9 million for FY2016 to HK$56.9 million for FY2017. The increase was primarily driven by (i) positive tax impact resulting from a change in the PRC tax system from Business Tax to Value-added Tax. For details, please see "Regulatory Overview — Mainland China Regulatory Overview — Laws and Regulations Relating to Taxation — Value-added Tax"; and (ii) the net increase of four new restaurants opened during FY2016 upon stabilisation of operations from initial opening. Consequently, our segment margins increased from 6.8% for FY2016 to 8.5% for FY2017.

FY2017 compared to FY2018:

The segment results for our operation in Mainland China decreased from HK$56.9 million segment profit for FY2017 to HK$5.0 million segment loss for FY2018. The decrease was primarily driven by (i) increase in staff costs of HK$48.6 million or 25.1% from HK$193.4 million for FY2017 to HK$242.0 million for FY2018, representing 28.9% and 34.7% of our revenue generated from our restaurant operation in Mainland China for FY2017 and FY2018, respectively, as a result of general salary increment and increase of staff welfare to improve staff retention as well as additional headcount to cater our new restaurants and Mainland China Food Factory. Such increase outweighed the increase in our revenue from our restaurant operations in Mainland China from FY2017 to FY2018; (ii) non-recurring pre-opening costs and operating costs incurred such as staff costs, utilities and depreciation expenses for the operation of our Mainland China Food Factory which commenced in October 2018; and (iii) several of our newly opened Tai Hing Restaurants commenced their operations in October and November 2018 and were in ramp-up period. Consequently, our segment margins decreased from 8.5% for FY2017 to (0.7)% for FY2018.

Excluding non-recurring gain on disposal of non-current assets classified as held for sale and Listing expenses, our profit for FY2018 would be HK$153.3 million, representing a decrease of 26.9% over FY2017. Such decrease was mainly due to (i) non-recurring pre-opening costs and operating costs incurred such as staff costs, utilities and depreciation expenses for the operation of our Mainland China Food Factory which commenced in October 2018; (ii) inevitable loss in revenue during temporary suspension of restaurant operation due to renovation while the associated operating cost continued to be incurred; (iii) decrease in other income and gains, net; and (iv) increase in bank charges due to the rearrangement of terms of our bank facilities pursuant to our Reorganisation.

Key Consolidated Statements of Financial Position Information

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Non-current assets	1,140,828	932,737	982,499
Current assets	1,105,972	801,650	416,708
Total assets	2,246,800	1,734,387	1,399,207
Current liabilities	1,320,081	1,460,106	532,595
Non-current liabilities	60,669	76,621	500,567
Total liabilities	1,380,750	1,536,727	1,033,162
Net current liabilities	(214,109)	(658,456)	(115,887)
Total equity	866,050	197,660	366,045

We recorded net current liabilities of HK$214.1 million, HK$658.5 million and HK$115.9 million as at 31 December 2016, 2017 and 2018, respectively.

Our net current liabilities increased from HK$214.1 million as at 31 December 2016 to HK$658.5 million as at 31 December 2017. The increase of net current liabilities was primarily due to (i) decrease in due from related companies of HK$679.2 million; (ii) decrease in loan to related companies of HK$57.9 million; (iii) increase in interest-bearing bank borrowings of HK$129.5 million; and (iv) increase of trade payables of HK$16.1 million arising from increase in procurement of food and beverage products, which were partially offset by (i) increase in non-current assets classified as held for sale arising from certain investment properties and property, plant and equipment of HK$361.1 million; and (ii) increase in debt investment at amortised cost of HK$56.7 million.

Our net current liabilities decreased from HK$658.5 million as at 31 December 2017 to HK$115.9 million as at 31 December 2018. The decrease was primarily due to (i) decrease in current portion of interest-bearing bank borrowings of HK$906.8 million as resulted from partial reclassification to non-current portion; and (ii) increase in inventories of HK$17.4

million as resulted from additional inventories stored upon the commencement of our Mainland China Food Factory, which were partially offset by (a) decrease in non-current assets classified as held for sale upon completion of disposal; (b) increase in contract liabilities of HK$12.3 million due to increase in cash coupons sold in FY2018 in comparison to FY2017; and (iii) capital used in purchasing plant and equipment for our new restaurants opened during the year.

Our net current liabilities during the Track Record Period were mainly attributable to our interest-bearing bank borrowings. Our interest-bearing bank borrowings are mainly used for (i) financing our non-current assets such as rental deposits and purchase of property, plant and equipment; and (ii) centralised treasury function with related companies prior to our Reorganisation. As at 31 December 2016 and 2017, the entire amount of our bank borrowings were subject to repayable on demand clause and were classified as current liabilities. As at 31 December 2018, our bank borrowings of HK$112.4 million were classified as current liabilities, while HK$424.8 million were classified as non-current liabilities. For details of the risk associated with net current liabilities, please see "Risk Factors — Our net current liabilities may expose us to certain liquidity risks and could restrain our operation flexibility as well as affect our ability to expand our business".

Our net assets were HK$866.1 million, HK$197.7 million and HK$366.0 million as at 31 December 2016, 2017 and 2018, respectively. The decrease in our net assets as at 31 December 2017 was primarily due to the dividends paid to the then shareholders of HK$891.4 million for FY2017, which was partially offset by the profits for the year of HK$209.6 million for FY2017. The increase in our net assets as at 31 December 2018 was primarily due to the profits for the year of HK$304.9 million for FY2018, which was partially offset by the dividends paid to the then shareholders and interim dividends in aggregate of HK$122.6 million for FY2018.

Measurement to improve our net current liabilities position

To improve our net current liabilities position, we have and will continue to take the following measures to improve our liquidity: (i) negotiate with banks to restructure our current short term bank borrowings by releasing the repayment on demand clause and/or obtain better terms of loans; (ii) take systematic steps to restructure the composition of our short-term and long-term borrowings, in particular by increasing the use of long-term borrowings for our long-term capital expenditures (i.e. purchasing of property, plant and equipment and renovation of restaurants); and (iii) refinance certain portion of our short-term bank borrowings with long-term bank borrowings when our short-term borrowings fall due.

Our Directors confirmed that (i) we had no material default in bank borrowings, nor did we breach any covenants; and (ii) we did not experience any material difficulty in obtaining credit facilities or had not been requested by banks for early repayment during the Track Record Period and up to the Latest Practicable Date.

Key Information from our Consolidated Statement of Cash Flows

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Net cash flows from operating activities	171,983	185,665	546,339
Net cash flows (used in)/from investing activities	(270,671)	(269,859)	59,346
Net cash flows from/(used in) financing activities	114,455	94,530	(523,222)
Net increase in cash and cash equivalents	15,767	10,336	82,463
Cash and cash equivalents at beginning of year	140,534	152,491	164,682
Effect of foreign exchange rate changes, net	(3,810)	1,855	(4,983)
Cash and cash equivalents at end of year	152,491	164,682	242,162

Key Financial Ratios

	FY2016	FY2017	FY2018
Gross profit margin (%)	70.7	71.6	71.6
Net profit margin (%)	7.8	7.6	9.8
Return on equity (%)	25.8	39.4	108.2
Return on total assets (%)	9.4	10.5	19.5
Interest coverage (times)	15.9	14.8	17.9

	As at 31 December		
	2016	2017	2018
Current ratio	0.8	0.5	0.8
Quick ratio	0.8	0.5	0.7
Gearing ratio (%) *(Note)*	102.7	515.6	146.7
Net debt to equity ratio (%)	85.1	432.3	80.6

Note: Gearing ratio was calculated based on the interest-bearing bank borrowings divided by the total equity and multiplied by 100%.

Our gearing ratio was 102.7%, 515.6% and 146.7% as at 31 December 2016, 2017 and 2018, respectively.

Our gearing ratio increased from 31 December 2016 to 31 December 2017, primarily due to (i) increase in interest-bearing bank borrowings from HK$889.6 million as at 31 December 2016 to HK$1,019.2 million as at 31 December 2017; and (ii) decrease in our total equity as a result of dividends paid to the then shareholders of HK$891.4 million during FY2017.

Our gearing ratio decreased from 31 December 2017 to 31 December 2018, primarily due to the decrease in interest-bearing bank borrowings from HK$1,019.2 million as at 31 December 2017 to HK$537.2 million as at 31 December 2018 upon partial settlement and we ceased to act as the principal financing platform for the related companies of our Group upon the completion of the Reorganisation, details of which are set out in "Financial Information — Effect of the Reorganisation on our financial position".

For commentary on the fluctuations of the above, please see "Financial Information — Key Financial Ratios".

LISTING EXPENSES

Assuming an Offer Price of HK$3.30, being the mid-point of the indicative price range for the Global Offering, total Listing expenses in relation to the Listing are expected to be approximately HK$57.9 million, in which (i) HK$11.0 million was recognised in the consolidated statements of profit or loss and other comprehensive income for FY2018; (ii) approximately HK$11.4 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for FY2019; and (iii) approximately HK$35.5 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

POSSIBLE IMPACT OF THE FUTURE APPLICATION OF HKFRS 16 "LEASES"

During the Track Record Period, operating lease commitments were not accounted for in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on 1 January 2019, provides new provisions for the accounting treatment of leases and no longer allows lessees to recognise certain leases outside of our consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the statement of financial position.

The adoption of HKFRS 16 will affect virtually all commonly used financial ratios and performance metrics such as total debt to equity ratio, gearing ratio, current ratio, interest coverage, return on equity, earnings before interest expense and taxation charges ("**EBIT**"), earnings before interest expense, taxation charges, depreciation and amortization ("**EBITDA**"), earnings per Share and operating cash flows. The recognition of right-of-use assets and lease liabilities will expand our consolidated statement of financial position and will materially affect our related financial ratios, resulting in a potential increase in total debt to equity ratio and a potential decrease in net current assets and decrease in current ratio. For the details on the impact on our Group's net current liabilities, please see section headed "Financial Information — Net current liabilities" to this prospectus. In our consolidated statement of profit or loss and other comprehensive income, the adoption of HKFRS 16 will give rise to recognition of depreciation of the right-of-use assets and instead of recognition of lease payments as rental expenses. Amortisation expense associated with the right-of-use assets will be charged over the life of the lease on a straight line basis. Interest expenses on the lease liability will be charged under finance costs with reference to the incremental borrowing rate of our Group and is expected to reduce over the life of the leases as lease payments are made. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase and lead to a potential increase in EBIT and EBITDA, gearing ratio and decrease in interest coverage ratio. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a change of expenses recognition pattern, in particular, a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term and it may lead to a decrease in profit before tax in the initial year of the lease as a result. Details and impact of the application of HKFRS 16 are set out in Note 2.3 of the Accountants' Report in Appendix I to this prospectus.

SHAREHOLDERS INFORMATION

Controlling Shareholders

Immediately following the completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Share Options, the Post-IPO Share Options or the Over-allotment Option), Chun Fat will hold 51.2% of our Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. On 14 December 2018, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen signed an AIC Confirmation and as such they are a group of controlling shareholders and will continue to be so after the Listing. Details of the background of our Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are set out in the "Directors and Senior Management" section.

Pre-IPO Investments

In November 2018, Ms. Chan Shuk Fong (one of our executive Directors), Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Sin Wai Hung (members of our senior management), and Ms. Yu Lin Ho, Mr. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice (Independent Third Parties), through a series of share transfers, acquired 6,876 Shares in aggregate from Chun Fat, Wonder Speed Holdings Limited, Mr. Lau Hon Loi, Mr. Chan Yiu Fai, Mr. Ma Sai Wa, Ms. Ip Siu Fan, Mr. Ngai Chun Hung, Mr. Mok Wai Keung and Mr. Lam Shing Sheung Sam, representing approximately 6.9% interest in our Company immediately prior to the Global Offering and Capitalisation Issue. The aggregate consideration of such pre-IPO investments amounted to HK$90,763,200. Please see "History, Development and Reorganisation — Reorganisation — Pre-IPO investments" for details of such pre-IPO investments.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$2.80	Based on an Offer Price of HK$3.80
Market capitalisation of the Shares(1)	HK$2,800 million	HK$3,800 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$1.02	HK$1.26

Notes:

(1) The calculation of market capitalisation is based on each indicative Offer Price and 1,000,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and issued pursuant to the exercise of any Pre-IPO Share Option and/or Post-IPO Share Option or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on 22 May 2019" in the section headed "Statutory and General Information" in Appendix V to this prospectus.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II in this prospectus and on the basis of 1,000,000,000 Shares in issue immediately after completion of the Global Offering but takes no account of any Shares which may fall to be issued under the Over-allotment Option or any Shares which may be issued and issued pursuant to the exercise of any Pre-IPO Share Option and/or Post-IPO Share Option or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on 22 May 2019" in the section headed "Statutory and General Information" in Appendix V to this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account the special dividends of HK$20,000,000 and HK$20,000,000 declared by the Company to its shareholders on 12 April 2019 and 21 May 2019, respectively. Had the special dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK$0.98 (assuming an Offer Price of HK$2.80 per Share) and HK$1.22 (assuming an Offer Price of HK$3.80 per Share), respectively.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, we continued to focus on our multi-brand casual dining strategy. Based on our preliminary review of the Group's operating data during the period, we have also made the following observations as below:

Revenue — Our unaudited revenue for the three months ended 31 March 2019 was higher than the three months ended 31 March 2018, primarily due to (i) we had 185 restaurants in operation in comparison to prior period (2018: 173); and (ii) continuance of the high popularity and demand of our "Men Wah Bing Teng" and "Phở Lệ" brand by our customers in Hong Kong. Our unaudited revenue generated from Comparable Restaurants for the comparable periods remained relatively stable. We have also continued to expand our restaurant network, for movements of our restaurants up to the Latest Practicable Date, please see "Business — Our Restaurants".

New brands — We plan to introduce two additional brands into our portfolio in FY2019, one being "Hot Pot Couple", which offers Taiwanese-style spicy hotpot, which has successfully been launched in January 2019.

Expansion into Taiwan — Our first restaurant under the "Tai Hing" brand opened in Taiwan in May 2019. For details, please see "Business — Site Selection and New Restaurant Opening Process — New Restaurant Opening Process — Expansion into Taiwan".

Key performance indicators — Overall, key performance indicators (including the approximate average daily sales per restaurant and the approximate average spending per guest of our restaurants) have remained relatively stable for the three months ended 31 March 2019.

For the upcoming entire financial year performance of our Group in FY2019, we expect the following:

Gross profit margin — We expect our cost of materials consumed (i.e. cost of food ingredients and beverages) as a percentage of our revenue to remain relatively stable in comparison with the Track Record Period, and hence our gross profit margin for our Group is expected to remain relatively stable.

Mainland China Food Factory — We believe our Mainland China Food Factory will bring quantitative and qualitative benefits in our Mainland China operations in the coming financial years. As our Mainland China Food Factory only commenced operations in October 2018, the benefits of which it could bring across our Mainland China operations are yet to be reflected. As our Mainland China Food Factory is still ramping up, we expect to take a period of time to implement and integrate work processes into our Mainland China operation, as such we will gradually expand the service coverage to our Mainland China restaurants, therefore the full benefits will only be reflected gradually throughout 2019.

Major costs — We believe (i) our key operating costs (i.e. staff costs, depreciation and amortisation, rental and related expenses) will generally be in line with the movements in the number of restaurants in operation during FY2019; and (ii) full year cost effect associated with our Mainland China Food Factory for FY2019 in comparison to FY2018.

Net Profit — We expect our net profit for FY2019 may be lower in comparison to FY2018 primarily due to the absence of gain on disposal of non-current assets classified as held for sale of HK$162.6 million recognised in FY2018, which was non-recurring in nature as well as the expected increase of operating cost associated with our business expansion mentioned above.

Dividends — On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million were declared and paid by our Company to the then Shareholders, respectively, which may result in a reduction of our Group's total equity as at 31 December 2019.

Due to the nature of our business, increase in operating cost is inevitable to our Group's future expansion. Although these increases can be partly offset by price adjustments of our menus, our Directors believe the ability of our cost management will be one of the key elements in the continuous expansion of our restaurant network. For further details of our expansion plan, please see "Business — Business Strategies — Continuous development of our brand portfolio and expansion of our restaurant network."

Since early August 2018, there has been an outbreak of African swine fever ("**ASF**") in the Mainland China, and in early May 2019, the Hong Kong government announced a case of a pig being infected with ASF in Hong Kong and ordered the slaughtering of approximately 6,000 pigs to prevent the spread of ASF. Due to the ASF, Mainland China has slaughtered infected pigs and prohibited the export of pork from certain provinces, which affected the supply of pork from Mainland China to us. As a result, we had adjusted our menu and dishes and suspended the offering of certain dishes which use fresh pork for a certain period. The ASF has not significantly affected the supply of frozen pork as frozen pork can generally be preserved for a relatively longer period of time and can be sourced from areas that are not affected by the recent ASF outbreak and with an objective to diversify our supply of pork we have been purchasing some frozen pork from suppliers in other countries, such as Brazil and Europe. The cost of fresh pork only represented approximately 0.3%, 0.3% and 0.4% of our cost of purchase for FY2016, FY2017 and FY2018, respectively. As at the Latest Practicable Date, the ASF had not have any material adverse impact on us.

Our Directors confirm that as far as we are aware, there has been no material adverse change in our business operations, financial conditions or trading position since 31 December 2018, being the date to which our latest audited consolidated financial information was prepared, and up to the date of this prospectus, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DIVIDENDS AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to their then respective shareholders was HK$14.0 million, HK$891.4 million and HK$122.6 million for FY2016, FY2017 and FY2018, respectively. The dividends declared for FY2016, FY2017 and FY2018 have been settled by cash to the then shareholders of HK$14.0 million, HK$15.4 million and HK$20.0 million, respectively, and by way of offsetting balances due from related companies of nil, HK$876.0 million and HK$102.6 million, respectively. On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million were declared and paid by our Company to the then Shareholders, respectively.

We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for any particular financial year, subject to the Companies Law and other applicable laws and regulations, as well as factors and considerations more specifically set out in "Financial Information — Dividend and Dividend Policy". We cannot assure you that we will be able to distribute dividend of the above amount or any amount or at all, in any particular financial year. The declaration and payment of dividend may also be limited by legal restrictions, loans or other agreements that we have entered into or may enter into in future.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Our success depends significantly on the market recognition of our brands, and any damage to our brands, whether in our existing markets or new markets, could materially and adversely impact our business and results of operations.

- We have in recent years experienced rapid expansion, leading to increased risks and uncertainties, and our management system may not be effective enough to address such risks and uncertainties.

- Our operations are susceptible to increase in purchase cost for food ingredients, which could adversely affect our margins and results of operations.

- If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

- As at the Latest Practicable Date, we leased all of the properties on which our restaurants operate, and we are exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

You should read the entire "Risk Factors" section carefully.

LEGAL COMPLIANCE

During the Track Record Period, there were instances where we did not fully comply with the laws and regulations in the countries or regions in which we have operations. In particular, we did not (i) make adequate contribution to social insurance and housing provident fund for certain of our employees in Mainland China, (ii) obtain relevant fire safety inspection approvals before commencing operation of 19 restaurants in Mainland China, (iii) timely file all Forms 56E under (Chapter 112 of the Laws of Hong Kong), and (iv) obtain restaurant licence for one restaurant in Macau before it commenced operation. Our Directors are of the view that these incidents did not and will not have material adverse impact on our business operation and financial conditions. For details, please see "Business — Legal Proceedings and Compliance".

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

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AIC Confirmation"	the deed of confirmation dated 14 December 2018 by Mr. Chan, Mr. Yuen, Mr. Lau, Mr. Ho and Chun Fat, confirming the existence of their acting-in-concert arrangement
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s), **GREEN** Application Form(s) and **PINK** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on 22 May 2019 and effective on the Listing Date, as amended or supplemented from time to time
"Beijing Airport Tai Hing Franchise Agreements"	the franchise agreements entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 25 October 2014, 29 April 2016 and 15 December 2018 in relation to the operation of Tai Hing Restaurants in the Beijing Capital International Airport
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 749,900,000 Shares to be made upon capitalisation of an amount of HK$7,499,000 standing to the credit of the share premium account of our Company referred to under "Statutory and General Information — A. Further Information About Our Group — 4. Written resolutions of our Shareholders passed on 22 May 2019" in Appendix V to this prospectus

"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
"Chun Fat"	Chun Fat Company Limited (俊發有限公司), a company incorporated in the BVI with limited liability on 30 November 2017 and directly owned as to 70.7% by Mr. Chan, 12.6% by Mr. Lau, 9.9% by Mr. Ho and 6.8% by Mr. Yuen. Chun Fat is a Controlling Shareholder
"Companies Law" or "Cayman Islands 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), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Tai Hing Group Holdings Limited (太興集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2017
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen

"Deed of Indemnity"	the deed of indemnity dated 22 May 2019 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the paragraph headed "Statutory and General Information — F. Other Information — 3. Indemnities given by our Controlling Shareholders" in Appendix V to this prospectus
"Director(s)"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), as amended or supplemented from time to time
"electronic application instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for our Hong Kong Offer Shares
"Eligible Employee(s)"	all full-time employee(s) of our Group who joined our Group on or before 31 December 2018 and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) has been a full-time employee of our Company or any of our subsidiaries for not less than 2 years as at 31 December 2018; (d) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (e) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (f) is not the chief executive or directors of our Company or our subsidiaries; (g) is not an existing beneficial owner of Shares or of shares of any of our subsidiaries; (h) is not a core connected person of our Company and will not become a core connected person of our Company immediately upon completion of the Global Offering; (i) is not a close associate of any of the above; and (j) has not been allocated and has not applied for or indicated an interest in any International Offer Shares or otherwise participated in the International Offering
"Employee Preferential Offering"	the offer of the Employee Reserved Shares for subscription by the Eligible Employees at the Offer Price (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the **PINK** Application Form, as further described in the section headed "Structure of the Global Offering — The Employee Preferential Offering" in this prospectus

"Employee Reserved Shares"	the 2,500,000 Offer Shares (representing 1.0% of the initial number of our Offer Shares) being offered for subscription pursuant to the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
"Fisher & Farmer Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Fisher & Farmer" (漁牧) brand
"Food Factories"	our Hong Kong Food Factory and Mainland China Food Factory
"Frost & Sullivan"	Frost & Sullivan International Limited, a consulting firm that provides market research and analysis
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan, further information of which is set out in the section "Industry Overview"
"FY"	financial year ended or ending 31 December, as applicable
"FY2016"	financial year ended 31 December 2016
"FY2017"	financial year ended 31 December 2017
"FY2018"	financial year ended 31 December 2018
"FY2019"	financial year ending 31 December 2019
"FY2020"	financial year ending 31 December 2020
"FY2021"	financial year ending 31 December 2021
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offer and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company

"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Haikou Meilan International Airport Tai Hing Franchise Agreement"	the franchise agreement entered into by our Group (as franchisor) with our Tai Hing Franchise Partner (as franchisee) on 24 January 2014 in relation to the operation of a Tai Hing Restaurant in the Haikou Meilan International Airport, as supplemented by an addendum to extend the initial term of the original franchise agreement till 31 July 2019
"**HK eIPO White Form**"	the application of Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Airport Tai Hing Franchise Agreements"	the franchise agreements entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 23 July 2015 and 5 February 2016 in relation to the operation of Tai Hing Restaurants in the Hong Kong International Airport
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our share registrar and transfer office in Hong Kong

"Hong Kong Food Factory"	our food factory and Hong Kong Logistics Centre located in Fo Tan, Hong Kong
"Hong Kong Government"	the government of Hong Kong
"Hong Kong Logistics Centre"	our logistics centre located in Fo Tan, Hong Kong
"Hong Kong Offer Shares"	25,000,000 new Shares (including 2,500,000 Employee Reserved Shares) being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering subject to reallocation as described in the "Structure of the Global Offering" section
"Hong Kong Public Offering"	the offer by our Company of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the "Structure of the Global Offering" section
"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated Wednesday, 29 May 2019 relating to the Hong Kong Public Offering entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the "Underwriting" section
"Hot Pot Couple Restaurant(s)"	Taiwanese cuisine restaurant(s) operated under our "Hot Pot Couple" (夫妻沸片) brand
"Independent Third Party(ies)"	a party or parties that is or are not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial Shareholders of our Company, our subsidiaries or any of their respective associates
"International Offering"	the conditional placing of the International Offer Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional investors in Hong Kong, at the Offer Price, as further described in the "Structure of the Global Offering" section

"International Offer Shares"	225,000,000 new Shares being initially offered by our Company for subscription under the International Offering together, where relevant, with any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option as described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting"
"ISO"	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	BOCOM International Securities Limited, Nomura International (Hong Kong) Limited and China Tonghai Securities Limited, the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering, or any one of them
"Latest Practicable Date"	21 May 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Date"	expected to be on or around Thursday, 13 June 2019, the date on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mainland China" or "PRC"	the People's Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
"Mainland China Food Factory"	our food factory located in Dongguan, Mainland China
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted on 22 May 2019, as amended or supplemented from time to time
"Men Wah Bing Teng Restaurant(s)"	"bing teng" (冰廳) style restaurant(s) operated under our "Men Wah Bing Teng" (敏華冰廳) brand (or its predecessor brand)
"MOP"	Macanese Pataca, the lawful currency of Macau
"Mr. Chan"	Mr. Chan Wing On (陳永安先生), our chairman of our Board, executive Director and a Controlling Shareholder
"Mr. Ho"	Mr. Ho Ping Kee (何炳基先生), our non-executive Director and a Controlling Shareholder
"Mr. Lau"	Mr. Lau Hon Kee (劉漢基先生), our executive Director and a Controlling Shareholder
"Mr. Yuen"	Mr. Yuen Chi Ming (袁志明先生), our executive Director and a Controlling Shareholder
"NT$" or "NTD"	New Taiwan dollar, the lawful currency of Taiwan
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$3.80 and expected to be not less than HK$2.80 at which the Offer Shares are to be subscribed for pursuant to the Global Offering

"Offer Share(s)"	the Hong Kong Offer Shares (including the Employee Reserved Shares) and the International Offer Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 37,500,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering, if any, as further described in "Structure of the Global Offering"
"Phở Lệ Cooperation Agreement"	the cooperation agreement entered into by our Group (as licensee and transferee of the relevant trademark in specified territories) and an Independent Third Party (as licensor and transferor) on 6 September 2016 in relation to (among others) the operation of Phở Lệ Restaurants in Hong Kong, Mainland China, Macau and Taiwan
"Phở Lệ Restaurant(s)"	Vietnamese cuisine restaurant(s) operated under our Phở Lệ (錦麗) brand
"**PINK** Application Form(s)"	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
"Post-IPO Share Options"	options granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by our Company on 22 May 2019 for the benefit of our members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in "Appendix V — Statutory and General Information — D. Share Option Schemes — Post-IPO Share Option Scheme" in this prospectus
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company on 22 May 2019 for the benefit of our members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set forth in "Appendix V — Statutory and General Information — D. Share Option Schemes — Pre-IPO Share Option Scheme" in this prospectus
"Price Determination Agreement"	the agreement expected to be entered into by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to determine the final Offer Price
"Price Determination Date"	the date expected to be on or around Tuesday, 4 June 2019, but no later than Tuesday, 11 June 2019, on which the Offer Price is fixed for the purpose of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of the Group in preparation for the listing, details of which are set out in "History, Development and Reorganisation — Reorganisation"
"Rice Rule Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Rice Rule" (飯規) brand
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Airport Tai Hing Franchise Agreement"	the franchise agreement entered into by our Group (as franchisor) and our Tai Hing Franchise Partner (as franchisee) on 28 August 2016 in relation to the operation of a Tai Hing Restaurant at the Shanghai Pudong International Airport
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares

"Sole Sponsor"	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"sq.ft."	square foot (plural: square feet)
"sq.m." or "m^2"	square metre(s), one square metre equals to approximately 10.76 sq.ft.
"Stabilising Manager"	China Tonghai Securities Limited
"Stock Borrowing Agreement"	the agreement expected to be entered into by Chun Fat and the Stabilising Manager in respect of the lending and borrowing of up to 37,500,000 Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Hing (BVI)"	Tai Hing Group Holdings (BVI) Limited, a company incorporated in the BVI with limited liability on 1 November 2017 and directly wholly-owned by our Company
"Tai Hing (Samoa)"	Tai Hing Holdings Limited, an international company incorporated in Samoa on 6 August 1996 and was owned by our Controlling Shareholders as to approximately 8.6% by Mr. Chan, 16.1% by Mr. Lau, 16.6% by Mr. Ho and 6.0% by Mr. Yuen as at the Latest Practicable Date. The remaining shareholders were Independent Third Parties, save for Mr. Lau Hon Loi, a brother of Mr. Lau, who held 2.9% interest in Tai Hing (Samoa) as at the Latest Practicable Date
"Tai Hing Franchise Agreements"	the Hong Kong Airport Tai Hing Franchise Agreements, the Beijing Airport Tai Hing Franchise Agreements, the Haikou Meilan International Airport Tai Hing Franchise Agreement and the Shanghai Airport Tai Hing Franchise Agreement
"Tai Hing Franchise Partner"	our business partner (together with its subsidiaries and associates), which is the franchisee in our franchise arrangements under the Tai Hing Franchise Agreements, each of whom is an Independent Third Party
"Tai Hing Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Tai Hing" (太興) brand

"Taiwan Joint Venture Agreement"	the joint venture agreement entered into between our Group and Taiwan JV Partner (as defined in "Business — Site Selection and New Restaurant Opening Process — New Restaurant Opening Process — Expansion into Taiwan") on 13 September 2018
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time
"TeaWood Restaurant(s)"	Taiwanese cuisine restaurant(s) and/or café(s) operated under our "TeaWood" (茶木) brand
"Tokyo Tsukiji Restaurant(s)"	Japanese cuisine restaurant(s) operated under our "Tokyo Tsukiji" (東京築地食堂) brand
"Track Record Period"	FY2016, FY2017 and FY2018
"Trusty Congee King Restaurant(s)"	Chinese cuisine restaurant(s) operated under our "Trusty Congee King" (靠得住) brand
"U.S.", "US" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"VAT"	value-added tax of the PRC
"**WHITE** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"**YELLOW** Application Form(s)"	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent.

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

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option and do not take into account any Shares which may be allotted and issued upon the exercise of the Pre-IPO Share Options or the Post-IPO Share Options.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

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

GLOSSARY

"Cha Chaan Teng"	茶餐廳, Hong Kong-style restaurants that serve Asian and Western cuisine in a casual environment
"lo mei"	鹵味, Cantonese-style dishes soaked or immersed in seasoning sauces prior to cooking
"siu mei"	燒味, Cantonese-style meat dishes roasted at a temperature of 200°C or above
"5-S"	五常法, a workplace management methodology, meaning structurise, systematise, sanitise, standardise and self-discipline

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- the regulatory environment and industry outlook for the catering service industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong, Mainland China, Macau, Taiwan and overseas;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this prospectus.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our success depends significantly on the market recognition of our brands, and any damage to our brands, whether in our existing markets or new markets, could materially and adversely impact our business and results of operations.

We believe our success depends substantially on the popularity of our brands. In particular, we have invested significant effort and financial resources to establish the recognition and reputation of our "Tai Hing" brand. In addition, we provide different cuisines under various other brands as part of our multi-brand strategy. These other brands target different markets with different consumer groups. We believe that our continued success will depend in large part on our ability to protect and enhance the value of all our brands. Any incident that may erode consumer trust in or affinity for our brands could significantly reduce their value. As we continue to grow in size, extend our geographic reach and expand our food offerings services and brand portfolio, maintaining food and services quality and consistency may become more difficult and we cannot assure you that customer confidence in our 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, our brand value could suffer, which could have a material adverse effect on our business.

Furthermore, the brand image of our restaurants is subject to reviews by food critics who analyse food and services of restaurants and then publish their experience on websites and social media. We have no control on the content of their blog or articles, or photographs and publications of such food critics, including whether or not they are true or accurate. Any publication of negative comments or reviews by the food critics about their experience at our restaurants may adversely affect our brand image and reputation, regardless of their validity. In the event that any negative publicity or review is associated with any of our restaurants or if any of our brands' reputation is negatively affected, the results of our business operations could be adversely affected.

We have in recent years experienced rapid expansion, leading to increased risks and uncertainties, and our management system may not be effective enough to address such risks and uncertainties.

We have increased the number of our restaurants (including restaurants operated by us (under our owned brands and licensed brand) and our franchisees) from 152 as at 31 December 2016 to 168 as at 31 December 2017, to 185 as at 31 December 2018 and further to 191 as at the Latest Practicable Date. Our current expansion plan contemplates a more rapid pace of expansion than we have previously undergone and we expect our rapid growth to continue in the foreseeable future. It is a challenge to continue our growth while ensuring consistent and high quality of food and services. In particular, we face challenges in the following aspects of our operations:

- *Food safety, consistency and quality.* A large-scale chain restaurant has a large number of restaurant staff. Even though we have extensively implemented automated food processing machinery in our production chain, the nature of restaurant business remains labour intensive. As our operations expand, it may be difficult to ensure that the dining experience across all of our restaurants is consistently of high quality, and that all of our staff comply with laws and regulations of multiple jurisdictions, especially the detailed and stringent regulations in relation to food safety.

- *Talent pool for restaurant managers.* A number of our restaurant managers are internally promoted. They start from non-managerial staff positions and rise through the ranks to become restaurant managers under our training programmes. Our continuing expansion may place a strain on our pool of qualified candidates for restaurant managers. Our continuing growth also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets.

- *Supply chain management*. Our success relies on our ability to ensure consistency and quality of our food ingredients and dishes. As we rapidly expand, it may become increasingly difficult to procure fresh and high quality ingredients with stable supply and consistent quality from reliable suppliers and manage the inventory and logistics in an efficient manner at our Food Factories and across all of our restaurants.

We currently plan to expand our business operations in Hong Kong, Mainland China and Taiwan by opening 32, 35 and 38 restaurants for FY2019, FY2020 and FY2021. There is no assurance that we will be able to expand at the expected pace or effectively manage our growth. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources, as well as significant pressure on us to maintain consistent food and service quality across our larger restaurant network. There can be no assurance that our management system will always be able to address all of our needs at different stages of our growth. Any significant failure or deterioration of our management system could have a material adverse effect on our business and financial results.

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

Our profitability depends partly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food costs, as represented by our cost of materials consumed, accounted for 29.3%, 28.4% and 28.4% of our revenues for FY2016, FY2017 and FY2018, respectively.

The availability (in terms of type, variety and quality) and price of food supplies can fluctuate and be volatile and are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, governmental regulations, exchange rates and availability, each of which may affect our food costs or cause a disruption to our supply. Our suppliers may also be affected by higher costs to produce the goods and services supplied to us, rising labour costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long term contracts with our suppliers.

In addition, we 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, by making changes to menu offerings or menu price adjustments in the future. Further, we may neither want to nor be able to pass these cost increases onto our customers. The failure to do so may materially and adversely affect our business and results of operations.

If our suppliers do not deliver food and other supplies at competitive prices or in a timely manner, we may experience supply shortages and increased food costs.

The ability to source quality food ingredients at competitive prices in a timely manner is crucial to our business. Our ability to maintain consistent quality and maintain our menu offerings throughout our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable sources that meet our quality specifications and are in sufficient quantities. For FY2016, FY2017 and FY2018, the aggregate amount of purchases from our five largest suppliers in aggregate accounted for approximately 25.9%, 27.1% and 23.9% of our total amount of purchases, respectively, and our amount of purchases from our largest supplier accounted for approximately 11.4%, 10.9% and 8.6%, respectively, of our total amount of purchases. During the Track Record Period, none of our key suppliers ceased or indicated that they would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

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, a supplier ceasing operations or unexpected production shortages. There is no assurance that our current supplies will 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, we cannot assure you that we will be able to find suitable replacement suppliers on acceptable terms or within a reasonable time frame. Any failure to do so could increase our food costs and could cause shortages of food and other supplies at our restaurants that may cause us to remove certain items from the menus of one or more restaurants. Any significant changes to our menus for a prolonged period of time could result in a significant reduction in revenue during the time affected by the shortage and could cause a change in guests' dining preferences.

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

As at the Latest Practicable Date, we lease all the properties in which our restaurants operate. Accordingly, rental costs account for a significant portion of our operating expenses. For FY2016, FY2017 and FY2018, our property rentals and related expenses amounted to HK$345.0 million, HK$399.7 million and HK$453.6 million, respectively, representing 13.7%, 14.4% and 14.5% of our total revenue, respectively. Our Directors believe that, generally, rental costs for premises that are suitable for restaurant businesses in Hong Kong will continue to increase. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

We compete with other retailers and restaurants for quality sites in a highly competitive market for retail premises. If we cannot obtain desirable restaurant locations or secure renewals of existing leases on commercially reasonable terms, our business, results of operations and ability to implement our growth strategy will be adversely affected.

The lease agreements for our restaurant typically have an initial term ranging from three to six years in Hong Kong, and six to eight years in Mainland China. Some lease agreements contain an option for us to renew for an additional term. Many of our lease agreements provide that the rent will increase within the initial term or after the initial term at a fixed rate or at the then prevailing market rate. In addition, several of our leases require us to pay an additional contingent rent, determined as a percentage of sales, as specified by the terms of the applicable lease agreement. Where we do not have an option to renew a lease agreement, we must negotiate the terms of renewal with the lessor, which may insist on a significant modification to the terms and conditions of the lease agreement. If a lease agreement is renewed at a rate substantially higher than the existing rate or other existing favourable terms granted by the lessor, if any, are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew leases for our restaurant sites, we will have to close or relocate the relevant restaurant, which would eliminate the sales that the restaurant would have contributed to our revenues during the period of closure, and could subject us to initial setup costs and other costs and risks. In addition, the revenue and any profit generated at a relocated restaurant may be less than the revenue and profit previously generated at the closed restaurant. Therefore, any inability to obtain leases for desirable restaurant locations or renew existing leases on commercially acceptable terms could have a material adverse effect on our business and results of operations.

Some of our leased properties in Mainland China have title defects and certain lease agreements did not complete registration procedures at relevant authorities.

As at the Latest Practicable Date, we leased all of the properties for our restaurant operations. In Mainland China, the lessors of 17 of our leased properties have not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties as at the Latest Practicable Date. These 17 leased properties account for an aggregate GFA of approximately 53,977.7 sq.ft., representing approximately 17.6% of our total leased GFA in Mainland China. As at the Latest Practicable Date, 10 out of these 17 properties are currently used as restaurant premises, and the aggregate revenue and operating profit of these restaurants in FY2018 were approximately RMB90.6 million and RMB35.4 million, representing approximately 3.4% and 5.6% of the Group's revenue and operating profit for FY2018, respectively.

The current usage of one of our leased properties in Mainland China is inconsistent with its permitted usage. We currently use this premises as one of our offices while its permitted usage under the relevant title certificate is residential.

We may be subject to challenge, lawsuit or other actions taken against us with respect to these properties. We may be forced to relocate our operations on the affected properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, the lease agreements with respect to 17 (including six leased properties of which the lessors have not provided valid title certificates and the one leased property that has actual usage inconsistent with usage set out in such title certificate mentioned above) of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC legal advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties — Leased Properties".

If the sites on which we have chosen to establish our restaurants do not meet our expectations or the demographics or other characteristics of the area surrounding the sites we choose change in an adverse manner, we may have to continue to pay rent even if we choose to cease operations at such sites.

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

The Taiwan market is different from our existing markets in Hong Kong, Mainland China and Macau, and our planned expansion into that market presents significant risks.

We plan to open one, two and three new restaurants under several of our existing brands in Taiwan in FY2019, FY2020 and FY2021, respectively. All markets are different. The Taiwan market is a different business environment, and we will be faced with competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, any new restaurant we open in new markets may be less successful than restaurants in our existing markets. Consumers in the new markets may not be familiar with our brands and we may need to build brand awareness in such markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. Restaurants opened in new markets may also have lower average sales or higher initial setup cost, occupancy or operating costs than restaurants in existing markets. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of ingredients meeting our quality standards in new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

In addition, we cannot assure you that our menu and style of dining will suit the popular tastes and demands of customers in Taiwan. Although we will develop some local dishes at our restaurants in Taiwan to meet local demand and taste, we cannot assure you that we can correctly anticipate or understand customer preferences in Taiwan. If we are unable to identify customer preferences in Taiwan and develop and offer menu items accordingly, sales at our restaurants in Taiwan may be adversely affected.

Furthermore, we have managed to optimize the seating space in our existing restaurants in Hong Kong and Mainland China by relying on the provision of fully and partially prepared food by our Food Factories. Our new restaurants in Taiwan will not be able to fully leverage the benefits of our Food Factories and there is no assurance that we can replicate this model in Taiwan in the future due to a variety of factors, including the number of restaurants which can be opened within a reasonable distance, the scale of each restaurant and the availability of suitable production space for a food factory. Any inability to replicate or successfully adapt our business model to local conditions may affect the profitability of these restaurants. We will be susceptible to macro-economic conditions in Taiwan which are beyond our control. Any inability to execute our expansion plans for the Taiwan market could adversely affect our business, growth, financial condition and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees.

During the Track Record Period, 19 of our PRC subsidiaries failed to make full contribution to the social insurance and housing provident funds in a timely manner. For details, see "Business — Legal Proceedings and Compliance — Non-compliance of our Group". Although no penalty had been imposed by the relevant PRC government authorities during the Track Record Period and as advised by our PRC legal advisers, based on the confirmation and interview results from relevant competent PRC authorities, and the confirmation from our Company that it will pay the outstanding amount if requested by the relevant authorities, the legal risk of us being subject to administrative penalties as a result of our failure to fully pay social security insurance and housing provident fund for all employees is remote, there is no certainty whether the relevant PRC authorities would notify and require us to pay the outstanding contribution and late payment fee in the future. As advised by our PRC legal advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment.

On 20 July 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System (國稅地稅徵管體制改革方案) (the "**Reform Plan**"). Under the Reform Plan, since 1 January 2019, tax authorities have become responsible for the collection of social insurance. We may be subject to additional contributions of social insurance under the Reform Plan, should such amount be significant, our business operation or financial performance may be adversely affected.

Certain Tai Hing Restaurants are operated under franchise arrangements by our franchisees which are not owned or managed by us. Any negative publicity in relation to restaurants operated by our franchisees could have material adverse impact on our brand reputation, business and results of operation.

As at the Latest Practicable Date, seven Tai Hing Restaurants were operated by our franchisees under franchise arrangements. For details of our franchise arrangements, please see "Business — Restaurant Network". We may also from time to time enter into new business arrangements to expand our operations if we identify other appropriate franchisees or business partners in the future.

We have adopted various measures to ensure that the franchised Tai Hing Restaurants are operated in accordance with our standards and requirements. However, we have no ownership or managerial control over any of our franchisees. We cannot assure you that our franchisees will at all times strictly adhere to the terms and conditions of our franchise agreements. Any wrongdoing by them or their employees, whether negligent or deliberate, may harm our business reputation, damage our brand image, give rise to customer complaints or claims against us. We cannot assure you that our franchisees will not cause any incidents leading to complaints or liabilities in the future. Any negative publicity in relation to our brand arising from their faults or mismanagement could have material and adverse impact on our brand reputation, business and results of operation.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As at 31 December 2016, 2017 and 2018, we recorded net current liabilities of HK$214.1 million, HK$658.5 million and HK$115.9 million, respectively. Please see "Financial Information — Liquidity and Capital Resources — Net Current Liabilities" for a detailed analysis of our net current liability position.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may fluctuate significantly from period to period due to seasonality, factors that are non-recurring in nature and other factors.

Our overall results of operations may fluctuate significantly from period to period because of various factors, including the timing of new restaurant openings and the incurrence of associated pre-opening costs and expenses, operating costs for our newly opened restaurants, any losses associated with our restaurant closings and seasonal fluctuations. During the Track Record Period, we generally derived a higher amount of revenue during certain holiday periods, such as Christmas, Chinese New Year and in summer, with lower monthly revenues during the period after these major holidays. In addition, certain other income and gains were non-recurring in nature, including compensation of early termination of tenancy agreements of HK$8.5 million for FY2017, gain on disposal of subsidiaries of HK$0.5 million for FY2018, gain on deregistration of a subsidiary of HK$1.6 million and HK$1.3 million for FY2016 and FY2018, respectively, gain on disposal of non-current assets classified as held for sale of HK$162.6 million for FY2018, fair value changes of investment properties of HK$1.0 million, HK$2.2 million and HK$24,000 for FY2016, FY2017 and FY2018, respectively, and fair value changes of financial assets at fair value through profit or loss of HK$(0.2) million, HK$(0.4) million and HK$0.1 million for FY2016, FY2017 and FY2018, respectively. As a result of the above factors, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

We plan to expand our restaurant network, uplift our existing restaurants, as well as enhance and expand our Food Factories, such plans may result in increase in depreciation expenses and may adversely affect our financial results and conditions.

We plan to expand our restaurant network, uplift our existing restaurants, as well as enhance and expand our Food Factories. We estimate that the capital expenditures in respect of such expansion plan will amount to HK$157.9 million, HK$213.5 million and HK$392.0 million for FY2019, FY2020 and FY2021. For details as to our expansion plan, please refer to "Business — Business Strategies".

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. It is expected that depreciation of leasehold land and buildings will depreciate over the lease term, leasehold improvements will depreciate over the shorter of the lease terms and five years, while furniture, fixtures and office equipment will depreciate at an annual rate of 20%. As a result of our expansion plan as set out in "Business — Business Strategies", it is estimated that there will be an increase in depreciation expenses of HK$31.6 million for FY2019. With the intended acquisition of additional production machinery, it is expected that such additional depreciation expenses will be recognised in our profit or loss over the estimated useful period and may adversely affect our financial results and conditions.

Any unauthorised use of our proprietary brand by third parties and the expenses incurred in protecting our intellectual property rights, may adversely affect our business and reputation

We regard our brands and trademarks as critical to our success. We have developed our brands into strong and well-recognised brands in the catering service industry and we believe that many customers visit our restaurants because of our reputation and strong brand image. Our continuing growth therefore depends on our ability to protect and promote our brand, trademarks and other intellectual property rights.

As at the Latest Practicable Date, we owned 14, 31, one and one registered trademarks in Hong Kong, Mainland China, Macau and Taiwan, respectively and had five and six ongoing trademark applications in Hong Kong and Mainland China, respectively, which are material to our business. For details of trademarks that are material to our business, please see "Statutory and General Information — B. Further information about our business — 2. Material intellectual property rights of our Group" in Appendix V to this prospectus.

Unauthorised use of our intellectual property by third parties may adversely affect our business and reputation. For example, third parties may imitate our brand or infringe our trademark by using an identical brand name or trademark as us or by creating brand names or inventing keywords that are confusingly similar to ours. Preventing such unauthorised use of intellectual property is inherently difficult. We cannot assure you that we can successfully register all trademarks associated with our brands to protect them from unauthorised use, or that there will not be any unauthorised use of our registered trademarks. If we are unable to prevent such unauthorised use, competitors and other third parties may drive customers away from us, which could harm our reputation and materially and adversely affect our results of operation.

We generally rely on trademark and copyright laws to protect our intellectual property rights. However, the validity, enforceability and scope of protection of intellectual property could be uncertain. In particular, the laws in certain other countries may not offer intellectual property protection to the same extent as the laws of Hong Kong. In the future, if suspected infringement arises, litigation may be necessary to enforce our Group's intellectual property rights and to protect our intellectual property. Future litigation could result in substantial costs and diversion of resources.

We may be exposed to intellectual property infringement claims by third parties, which could disrupt our business and cause us to incur substantial legal costs, or damage our reputation.

We may be unaware of intellectual property registrations or applications relating to our business operations that may give rise to potential objection against the registration of trademarks associated with our brands or even infringement claims against us. As a result, we may fail to successfully register our trademarks or face claims of infringement of third parties' intellectual property rights or claims for indemnification resulting from such infringement. We cannot assure you that we will not be subject to trademark litigation or disputes in the future.

As at the Latest Practicable Date, applications for registration of certain of our trademarks were still pending approval in the countries/regions that our operation domiciled. For details, see "Statutory and General Information — B. Further information about our business — 2. Material intellectual property rights of our Group" in Appendix V to this prospectus.

Parties making infringement claims may be able to obtain an injunction to prevent us from operating our restaurants under certain brand names. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could require us to pay substantial damages, redevelop a new brand for our restaurants or pay licensing fees for the continued use of the brand names on terms that are not acceptable to us. Any intellectual property claim against us, regardless of merit, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

Increase in labour costs or labour shortage in Hong Kong or Mainland China may further increase and impact our staff costs in the future.

Salary levels of restaurant industry employees in Hong Kong and Mainland China have been increasing in recent years. For FY2016, FY2017 and FY2018, our staff costs amounted to HK$743.9 million, HK$858.9 million and HK$1,033.3 million, respectively, representing 29.6%, 31.0% and 33.1% of our revenue during the respective periods. Our operations in Hong Kong and Mainland China are required to comply with the statutory minimum wage requirements. For further details, please refer to "Regulatory Overview — Mainland China Regulatory Overview — Laws and Regulations Relating to Labour" and "Regulatory Overview — Employment Regulations" in this prospectus. If there is any further increase in the statutory minimum wage rate in Hong Kong or Mainland China or additional legislation which may be enacted by the Hong Kong or PRC government to increase the employee benefits and welfare, our staff costs would likely increase as a result. As wages increase, competition for qualified employees also increases, which may indirectly result in worsening of prolonged labour shortage in catering service market in Hong Kong and further increases in our staff costs. In the event that we cannot increase our prices high enough to pass these increased staff costs onto our customers, our business and results of operations would be materially and adversely affected.

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

We believe hiring, motivating and retaining qualified employees are critical to our success as a restaurant operator. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant staff, cooks, and kitchen assistants. The competition for service-oriented and qualified individuals in Hong Kong and the PRC is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

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) quality control of our Food Factories, (iii) logistics quality control and (iv) restaurant quality control. For more details on our quality control systems, see "Business — Quality Control". There is no assurance that our quality control systems will remain effective in the ever-changing restaurant industry environment. 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.

Any significant liability claims or food contamination complaints from our customers could adversely affect our business and operations.

Our customers and restaurant guests may submit or file complaints or claims against us regarding our food products and services, including the food prepared and served in, and taken outside, our restaurants and product bought from third-party retail sales channels. Please see "Business — Customer's Complaints" for details of customers' complaints we received during the Track record Period and our procedures for handling such complaints.

Being in the catering service industry, we face an inherent risk of food contamination and liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to detect all defects in our supplies. In the event of such claims or complaints, our reputation and business may be materially and adversely affected.

All of our raw materials, semi-processed and processed food ingredients used in our restaurants were initially delivered to and handled by our Food Factories and suppliers who are Independent Third Parties. Any food contamination occurring at our Food Factories/supplier's facility(ies) or during the transportation from our Food Factories/supplier's facility(ies) to our restaurants that we fail to detect or prevent could adversely affect the quality of the food served in our restaurants. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer inside or outside our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants, the imposition of penalties against us by relevant authorities and compensation awards by courts. During the Track Record Period and up to the Latest Practicable Date, we had no material non-compliances with food and health-related laws and regulations which resulted in any material penalty to our Group. We cannot assure you that we will not receive any material orders or claims or penalty in relation to food and health-related matters in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

A multi-location restaurant business such as ours can also be adversely affected by negative publicity or news reports, whether accurate or not, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other food service providers or others across the food industry supply chain. Any such negative publicity could materially harm our business and results of operations and result in damage to our brands.

During the Track Record Period, we received an aggregate of nine and nil complaint(s) filed by our customers to the Consumer Council and Hong Kong Tourism Board, respectively, which were generally related to the promotion, food or service quality of our restaurant staff. During the Track Record Period, there were 95 complaints filed by our customers to the FEHD. 78 out of the 95 complaints were found by the FEHD to be unjustified, and the remaining 16 complaints related to our food having been contaminated by foreign substances such as insects or debris, for which we were fined an aggregate amount of HK$21,640. We are not aware of any customer complaint seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

Significant number of complaints or claims against us, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could influence customers' confidence in us and our brands, which may adversely affect the business of the restaurants subject to such complaints and our restaurants under the same or related brand. As a result, we may experience significant decline in our revenues and customer traffic.

The application of HKFRS 16 will affect our consolidated statements of financial position, profile of our consolidated statements of profit or loss and other comprehensive income and certain key ratios (including gearing ratio) when it becomes effective, in relation to our operating lease arrangements.

As at Latest Practicable Date, we leased 165 properties in Hong Kong, 80 properties in Mainland China, two properties in Taiwan and had right of use for our restaurant, office and storage room premises in Macau. 126 of these properties in Hong Kong, 50 of these properties in Mainland China and one property in Taiwan were used as restaurant sites. Other properties are used as offices for our headquarters, exhibition area, staff accommodation, warehouse and carpark. The relevant leases were classified as operating leases. Our current accounting policy for such leases is set out in Note 3 of the Accountants' Report in Appendix I to this prospectus. As at 31 December 2018, our total non-cancellable operating lease commitments amounted to approximately HK$928.4 million.

During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on 1 January 2019, provides new provisions for the accounting treatment of leases and no longer allows lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The adoption of HKFRS 16 will affect virtually all commonly used financial ratios and performance metrics such as total debt to equity ratio, gearing ratio, current ratio, interest coverage, return on equity, EBIT, EBITDA, earnings per Share and operating cash flows. The recognition of right-of-use assets and lease liabilities will expand our consolidated statement of financial position and will materially affect our related financial ratios, resulting in a potential increase in total debt to equity ratio and a potential decrease in our net current assets and current ratio. For the details on the impact on our Group's net current liabilities, please see section headed "Financial Information — Net current liabilities" to this prospectus. In our consolidated statement of profit or loss and other comprehensive income, the adoption of HKFRS 16 will give rise to recognition of depreciation of the right-of-use assets and instead of recognition of lease payments as rental expenses. Amortisation expense associated with the right-of-use assets will be charged over the life of the lease on a straight line basis. Interest expenses on the lease liability will be charged under finance costs with reference to the incremental borrowing rate of our Group and is expected to reduce over the life of the leases as lease payments are made. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase and lead to a potential increase in EBIT, EBITDA, gearing ratio and decrease in interest coverage ratio. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a change of expenses recognition pattern, in particular, a higher total charge to the statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term and it may lead to a decrease in profit before tax in the initial year of the lease as a result. Details and impacts of the application of HKFRS 16 are set out in Note 2.3 of the Accountants' Report in Appendix I to this prospectus.

We generated, and expect to continue to generate, most of our revenue in Hong Kong and Mainland China. Therefore, we are susceptible to developments in these regions.

During the Track Record Period, we generated most of our revenue from our restaurant operations in Hong Kong and Mainland China. We anticipate that our restaurant business in Hong Kong and Mainland China will continue to be our core business following the completion of the Global Offering. If Hong Kong or Mainland China experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations or policies that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. In addition, we have limited experience in operating businesses outside Hong Kong and Mainland China, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong or Mainland China, our business may be materially and adversely affected.

We rely on our Food Factories to supply a majority of our semi-processed or processed food ingredients used in our restaurants. Any disruption of operation at, or failure to implement the planned expansion of, our Food Factories could adversely affect our business and operations.

Any disruption of operations at our Food Factories, such as electricity or water suspensions, may impact our ability to distribute food ingredients to our restaurants in a timely manner, or at all, which may disrupt our restaurants, ability to serve popular items or signature dishes from their menus, whether temporarily or on a permanent basis. If we remove popular items or signature dishes from our restaurant offerings, 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. Further, failure to implement the planned expansion of our Food Factories due to the unavailability of suitable premises may limit the number of restaurants our Food Factories could support and thus result in a material adverse effect on our business and results of operations.

Our financial results depend on the success of our restaurants.

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

- increased competition in the restaurant industry;
- changes in consumer preferences;
- declining economic conditions that may adversely affect discretionary consumer spending in the markets we serve;
- guest budget constraints and choosing not to order high margin items such as beverages;

- customer sensitivity to our menu price increases;
- our reputation and consumer perception of our brand and our offerings in terms of quality, price, value and service; and
- guest experiences from dining in our restaurants.

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

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

We cannot guarantee that we can maintain restaurant sales growth or growth of revenue in the future. Please see "Business — Our Restaurants — Breakeven and investment payback period of our existing self-operated restaurants" for details of the breakeven and investment payback periods of our restaurants during the Track Record Period. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

Our future growth depends on our ability to open and profitably operate new restaurants.

We had 191 restaurants in our restaurant network as at the Latest Practicable Date. Our future growth depends on our ability to open and profitably operate new restaurants. We opened 28, 32 and 32 new restaurants in FY2016, FY2017 and FY2018, respectively, and plan to open 32, 35 and 38 new restaurants in FY2019, FY2020 and FY2021, respectively. The number and timing of new restaurants actually opened during any given period, and their associated contribution to our growth, are subject to a number of risks and uncertainties, including but not limited to our ability to:

- find quality locations and secure leases on commercially reasonable terms;
- secure the required government permits and approvals;

- obtain adequate financing for development and opening costs;
- efficiently manage the time and cost involved in the design, renovation and initial setup processes for each new restaurant;
- accurately estimate expected consumer demand in new locations and markets;
- minimize cannibalization of sales at our existing restaurants;
- secure adequate suppliers of food ingredients that meet our quality standards;
- hire, train and retain skilled management and other employees on commercially reasonable terms; and
- successfully promote our new restaurants and compete in the markets where our new restaurants are located.

We may not be able to open our planned new restaurants on a timely basis, if at all, and if opened, these restaurants may not operate profitably. We have experienced and may continue to experience delays in restaurant openings. Opening new restaurants may place substantial strain on the managerial, operational and financial resources of our Group. We may not be able to attract enough guests to our new restaurants because potential guests may be unaware of or unfamiliar with our brands, the new restaurants or the menus of our new restaurants might not appeal to them. If we are unable to overcome the costs associated with opening new restaurant locations and building a satisfactory new customer base for our new restaurants, the operating results generated at the new restaurants may not be comparable to the operating results generated at any of our existing restaurants. New restaurants may operate at a loss, which could have a significant adverse effect on our overall operating results.

Opening new restaurants in existing markets may negatively affect 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 markets in which we already have existing restaurants could adversely impact the sales and guest traffic of existing restaurants. Some of our customers may be diverted from our existing restaurants to our new restaurants, and vice versa.

We currently plan to open 32, 35 and 38 new restaurants in FY2019, FY2020 and FY2021, respectively. We carefully consider any likely impact on our existing restaurants when we evaluate each new restaurant site and seek to balance any potential impact on our existing restaurants with the new restaurant's ability to attract more customers from competitors. We do not intend to open new restaurants that materially impact the sales or guest traffic of our existing restaurants. However, there can be no assurance that customer diversion among our existing and new restaurants will not occur or become more significant in the future as we continue to expand our operations, which could have a material adverse effect on sales at our existing restaurants and our overall profitability.

Opening of new restaurants could affect our financial performance.

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of the opening of new restaurants (which is often affected by factors beyond our control), including initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new restaurants. New restaurants also incur expenses before opening such as rental expenses and staff costs. New restaurants require time to ramp up and achieve our target performance. Our progress in opening new restaurants from period to period may also occur at an uneven rate. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period. Please see "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" for details of the growth in revenue during the Track Record Period.

We require various approvals, licenses and permits to operate our business and any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

We are subject to all applicable government regulations and licensing regime. Most of the requisite licenses applicable to our business in Hong Kong are usually valid for one to two years and we need to renew our licenses every one to two years. In particular, in accordance with the relevant laws and regulations in the PRC, we are required to maintain various approvals, licenses and permits to operate our restaurant business, including food operation license, food production licenses (which are renewable every five years) and environmental protection assessment, fire safety verification and fire safety inspection, which are obtained upon satisfactory compliance with, among other things, the applicable environmental protection, fire safety laws and regulations. For details, see "Regulatory Overview — Mainland China Regulatory Overview".

As at the Latest Practicable Date, we had not obtained the relevant fire safety approvals and filings from the relevant fire safety authority for one of our restaurant in Mainland China. Our PRC legal advisers have advised us that we may be subject to a potential penalty of RMB30,000 to RMB300,000 for each non-compliant incident and closure of the restaurant. Further, we have commenced operation of our Macau restaurant prior to obtaining a restaurant license. Our Macau legal advisers have advised us that we may be subject to a potential liability of up to MOP30,000 and an immediate closure order. Our business and restaurant operations may be adversely impacted as a result. See "Business — Legal Proceedings and Compliance — Non-compliance of our Group".

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new restaurants. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business and our planned new business operations, our ongoing business and/or expansion could be interrupted. We may also be subject to fines and penalties. Please see "Business — Licence and Approvals" for licences that we are required to obtain for our business operations and "Business — Legal Proceedings and Compliance — Non-compliance of our Group" for details of our non-compliance incident in this respect.

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, namely, Mr. Chan, Ms. Chan Shuk Fong, Mr. Ho Siu Fung, Mr. Lam Tai Po and Mr. Yiu Man, who are our Executive Directors or members of our senior management. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including regional operational managers, restaurant general managers and executive chefs, to maintain consistency in the quality and atmosphere of our restaurants and meet our planned expansion requirements. If our key management personnel fail 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 any key personnel is unable or unwilling to continue in his or her 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.

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

As we operate in the restaurant industry, we usually receive and handle large amounts of cash in our daily operations. Please see "Business — Pricing Policy and Settlement — Settlement and cash management" for details in this respect. We are not aware of any instances of fraud, theft and other misconduct involving employees, customers and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

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

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

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

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

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

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

During the Track Record Period, we were covered by insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in Hong Kong. For more details on our insurance policies, see "Business — Insurance" in this prospectus. However, there are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business and results of operations may be materially and 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 revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to restaurants based in Hong Kong, Mainland China, Macau and Taiwan and our ability to control costs and operating expenses. You should not rely on our historical results to predict the future performance of our Shares.

The share-based compensation expenses associated with the Pre-IPO Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in a dilution of our Shareholders' shareholdings.

For the purpose of motivating the grantees of the Pre-IPO Share Options (the "**Grantees**") to optimise their future contributions to our Group and/or rewarding them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with the Grantees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, we adopted the Pre-IPO Share Option Scheme, details of which are set out in "Statutory and General Information — D. Share Option Schemes — Pre-IPO Share Option Scheme" in Appendix V to this prospectus. Based on the valuation carried out by our valuer, the fair value of the Pre-IPO Share Options is estimated to be HK$14.7 million, and such amount will be substantially recognised as share-based compensation expenses in our consolidated statement of profit or loss and other comprehensive income by the year ending 31 December 2021.

The issue of Shares on any exercise of the Pre-IPO Share Options in the future will result in a reduction in the percentage ownership of the Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issuance.

Our historical dividends may not be indicative of our future dividends.

For FY2016, FY2017 and FY2018, our Group declared and distributed dividends to its then shareholders of approximately HK$14.0 million, HK$891.4 million and HK$122.6 million. On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million were declared and paid by our Company to the then Shareholders, respectively, by cash. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for any particular financial year, subject to the Companies Law and other applicable laws and regulations, as well as factors and considerations more specifically set out in "Financial Information — Dividend and Dividend Policy". We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant.

We are subject to the risk of foreign currency fluctuations.

Our Group's consolidated financial statements' presentation currency is HK$, while a portion of our restaurant operations are located in Mainland China, where its revenue and costs are denominated in RMB. Furthermore, we purchase certain food ingredients and beverages where invoice payables are denominated in currencies other than HK$, as such our Group is subject to the risk of foreign currency fluctuations to a certain extent. During the Track Record Period, HK$679.1 million, HK$668.9 million and HK$697.9 million of our revenue, respectively and HK$633.3 million, HK$612.0 million and HK$703.0 million of our total cost (excluding income tax expense and listing expenses), respectively, were denominated in RMB. Any appreciation or depreciation of RMB against HK$ may affect our results of operation from our Mainland China segment on translation into our Group's presentation currency and/or affect our cost of materials consumed in our Hong Kong segment arising from changes in invoice payables denominated in currencies other than HK$ and hence could materially and adversely affect our cash flows, cost, earnings and financial position.

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that future taxable profit will be available to utilise such tax credits prior to their expiry. During the Track Record Period, our deferred tax assets amounted to HK$14.7 million, HK$16.3 million and HK$19.7 million, respectively, the majority of which was in relation to deductible temporary differences. During the Track Record Period, certain subsidiaries in Mainland China incurred losses due to start-up cost and a longer breakeven period, which are available for recognition of deferred tax asset to the extent that it is probable that future taxable profit will be available against which losses can be utilised. As at 31 December 2016, 2017 and 2018, we had unrecognised tax losses arising in Mainland China of approximately HK$85.3 million, HK$101.4 million and HK$98.4 million, respectively, that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Future profits generated by existing restaurants may be offset by start-up costs arising from new restaurants operated by the same subsidiary, which will increase the uncertainty in the utilisation of tax losses prior to expiry. Our Directors considered that it is not certain that taxable profits will be available in the foreseeable future against which the tax losses can be utilised for these entities and therefore, no deferred tax assets is recognised for such tax losses during the Track Record Period. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and amount of forecasted future taxable profits at the relevant times together with future tax planning strategies. Any changes in management judgement as well as the future operating results of the relevant entities would affect the carrying amounts of deferred tax assets to be recognised and the recoverability of deferred tax assets recognised in our consolidated financial statements, and hence could materially and adversely affect our financial condition and results of operation in future years.

Our investment properties and financial assets at fair value through profit or loss are subject to fair value changes, and there are inherent uncertainties associated with their fair value measurement.

For FY2016, FY2017 and FY2018, we had investment properties amounted to HK$290.6 million, HK$18.0 million and HK$10.7 million, respectively and financial assets measured at fair value amounted to HK$4.1 million, HK$1.0 million and HK$0.9 million, respectively. The gain/loss arising from changes in fair values of these assets being recognised in our consolidated statement of profit or loss and other comprehensive income are non-recurring in nature.

Please see "Financial Information — Description of Certain Items of Consolidated Financial Position — Investment properties" and "Financial Information — Description of Certain Items of Consolidated Financial Position — Financial assets at fair value through profit or loss". The fair value of our investment properties are measured based on assumptions that are not supported by observable market values (i.e. significant unobservable inputs). See note 16 to the Accountants' Report to this prospectus. During the Track Record Period, fair value of our investment properties was determined using the direct comparison method with reference to unobservable inputs such as comparable market transactions (selected based on size, shape topography and location of the comparable properties) and were categorised as level 3 of fair value measurement. Changes in these unobservable inputs will affect the estimated fair value of our investment properties at the end of each of the financial reporting year. Given the inherent uncertainties in measuring the fair value of our investment properties and financial assets at fair value through profit or loss, any material and adverse changes in fair value could materially and adversely affect our financial position and results of operations.

We may be subject to inventory obsolescence risk.

Our raw materials primarily consist of food and beverages used in our operation, including food ingredients, semi-processed and processed foods, beverages and other finished products we procured from our suppliers which have limited shelf life. Frozen meat, chilled meat and vegetables sourced by us usually have a shelf life of approximately six to 12 months, one week and two days, respectively. As the age of the food ingredients increases, our risk of inventories obsolescence increases. Currently we operate Food Factories in order to effectively consolidate control over our inventory storage, inventory monitoring and logistics functions, but certain factors such as the varying popularity of the relevant dishes and guest traffic at our restaurants are beyond our control, hence we cannot guarantee that all our inventories can be fully utilised within its shelf life. As our business expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. Furthermore, any unpredicted and adverse changes to the optimal storage conditions at our restaurants or Food Factories may expedite the deterioration of our inventories which in turn increase inventory obsolescence risk.

Dividends to be paid to our Hong Kong subsidiaries might not qualify for the reduction of PRC withholding tax rate under the special arrangement between Hong Kong and the PRC.

Under the PRC Corporate Income Tax Law and its implementation regulations, PRC-sourced income of foreign enterprises that are "non-PRC resident enterprises" and do not have an establishment or place of business in the PRC or, despite the existence of an establishment or place of business in the PRC, have income that is not actually connected with the establishment or place of business in the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of the foreign enterprise has a tax treaty with the PRC that provides a different withholding arrangement.

Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is qualified as the beneficial owner and owns more than 25% of a PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprise Regarding Favourable Treatment Under Taxation Treaties (for Trial Implementation) (國家稅務總局關於印發《非居民享受稅收協定待遇管理辦法(試行)》的通知), which was issued by the State Administration of Taxation on 24 August 2009 and become effective on 1 October 2009, the 5% withholding tax rate does not automatically apply, and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on Issues Concerning the Application of the Dividend Clauses if Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. In addition, on 27 August 2015, the State Administration of Taxation promulgated the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayer to Enjoy Treatments under Tax Treaties (國家稅務總局關於發佈非居民納稅人享受稅收協定待遇管理辦法的公告), which became effective on 1 November 2015 and amended on 15 June 2018. Under the Announcement on Promulgating the Administrative Measures for Non-resident Taxpayers, any qualifying non-resident taxpayer meeting specified conditions may therefore not be entitled to the convention treatment.

If we are required under the PRC Corporate Income Tax Law to withhold PRC income tax on dividends payable to foreign shareholders, the value of your investment in our Share may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

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

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

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in Hong Kong. For example, in 2003, certain Asian countries and regions, including Mainland China, Hong Kong and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. Further, human infected cases of influenza A (H7N9) were discovered in China and Hong Kong in 2013 and 2014. A recurrence of SARS or an outbreak of any other epidemics or pandemics, including without limitation, influenza A (H1N1 or H7N9) avian flu (H5N1), in the areas where we have restaurants may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material decreases in guest traffic and disruptions to our operations, which in turn may materially and adversely affect our business and results of operations. Since early August 2018, there has been an outbreak of African swine fever ("**ASF**") in several provinces in the Mainland China, and in early May 2019, the Hong Kong government announced a case of one pig being found to be infected with ASF in Hong Kong and ordered the slaughtering of approximately 6,000 pigs in Hong Kong to prevent the spread of ASF. ASF is not a human health threat because it is not a zoonotic disease. However, ASF is a dreadful disease in pigs and can cause massive deaths of pigs in a short period of time. As a result of the ASF, Mainland China has slaughtered infected pigs and prohibited the export of pork from certain provinces, which affected our supply of fresh pork. The cost of fresh pork represented approximately 0.3%, 0.3% and 0.4% of our cost of purchase for FY2016, FY2017 and FY2018, respectively. With an objective to diversity our supply of pork, we have also been purchasing pork from suppliers in other countries, such as Brazil and Europe, and have suspended the offering of certain dishes which use fresh internal organs of pigs for a certain period, and we may be left with limited choices of other sources, such as Brazil or Europe. If there is a prolonged or recurrence of shortage of fresh pork supply from Hong Kong and Mainland China, we cannot guarantee that the alternative sources of supply could continue to supply fresh pork to us at a reasonable price; and if we could not shift such cost burden to our customers, we may experience material adverse impact on our business operation and financial performance. The recurrence of epidemics and diseases similar to ASF may cause severe disruption to our supply and we cannot guarantee that we will be able to find similar supplies at similar prices within a reasonable time, which in turn may materially and adversely affect our business and results of operations.

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

We are required to obtain a number of licenses and permits for our restaurant operations, including, among others, general restaurant licenses, water pollution control licenses, liquor licenses, hygiene permits, polluting materials discharge permits and fire protection approvals. We are also required to comply with environmental protection regulations. We cannot assure you that the licensing requirements and environmental protection regulations for our restaurant operations in Hong Kong will not become more stringent in the future. In addition, if the relevant government authority concludes that any of our restaurants is not able to meet the required hygiene standards, we may be required to take steps to comply with the relevant laws and regulations or may result in suspension of the operation of the relevant restaurant. Any failure to comply with existing regulations, or future legislative changes, could cause our Group to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or suspensions of some or all of our business, which could materially and adversely affect our financial condition and results of operations.

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

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

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

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

The restaurant industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and the ambiance of the facilities. We face significant competition at each of our locations from a variety of restaurants in various market segments, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources and many of our competitors are well established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers resulting in increased competition.

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

RISKS RELATING TO OPERATIONS IN MAINLAND CHINA

Adverse changes in economic and political policies of Mainland China government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect our business and results of operations.

As at the Latest Practicable Date, we had 63 restaurants in Mainland China. We plan to open 11, 12, 13 new restaurants in Mainland China for FY2019, FY2020 and FY2021. Accordingly, our business, financial condition, results of operations and prospects could be affected by economic, political and legal developments in Mainland China. Mainland China economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources. Restaurant dining is discretionary for customers and tends to be higher during periods in which favourable economic conditions prevail. Customers' tendency to become more cost conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

While the Chinese economy has experienced significant growth in the past few decades, growth has been uneven geographically, across various sectors of the economy and during different periods. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our businesses. In addition, we cannot assure you that the various macroeconomic measures, monetary policies and economic stimulus packages that may be adopted by Mainland China government will be effective in sustaining the recent growth rates of the Chinese economy. In addition, such measures, even if they benefit the overall Chinese economy in the long term, may adversely affect us if they reduce the disposable income of our customers or dampen their willingness to dine at restaurants.

Uncertainties with respect to Mainland China legal system could materially and adversely affect us.

Our restaurant business in Mainland China is conducted through our subsidiaries established under PRC laws. Thus, our operations in China are governed by PRC laws and regulations. Our subsidiaries in Mainland China are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. Mainland China legal system is based on written statutes and regulations. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations which may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because published court decisions are limited in number and are nonbinding, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, Mainland China legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may be subject to fines and other penalties applied retroactively for violations of policies and rules enacted in the future based on acts that are currently permissible. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in Mainland China against us or our management named in the prospectus.

We are a company incorporated under the laws of the Cayman Islands. During the Track Record Period and up to the Latest Practicable Date, all of our businesses, assets and operations were located in Hong Kong, Mainland China, Macau and Taiwan. All of our Directors and executive officers reside in Hong Kong. As at the Latest Practicable Date, we had 126, 63, one and one restaurant(s) in our restaurant network in Hong Kong, Mainland China, Macau and Taiwan, respectively. We plan to open new restaurants in our existing markets in the future. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in Hong Kong or Mainland China of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to binding arbitration awards may be difficult or impossible. On 14 July 2006, Hong Kong and Mainland China entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) *(the "**Arrangement**")*, pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Mainland China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgement rendered by a Hong Kong Court in Mainland China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it might be difficult or impossible for investors to effect service of process against our business in Mainland China in order to seek recognition and enforcement of foreign judgements in Mainland China.

In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based upon Hong Kong laws or PRC laws in the event that you believe that your rights as a shareholder have been infringed.

Governmental control of currency conversion may affect the value of your investment.

Mainland China government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. We currently receive our revenues from our Mainland China restaurant operations in RMB. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in Mainland China to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from Mainland China State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Mainland China government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in value of the Renminbi against the Hong Kong dollar, U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. In respect of our restaurant operations in Mainland China, a majority of our revenues and costs are denominated in RMB. We are also partially reliant on dividends and other fees paid to our Company by our subsidiaries to be established in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, any appreciation of the Renminbi against the Hong Kong or U.S. dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of the proceeds from this Global Offering. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be indicative of the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

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

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

In addition, shares of other companies listed on the Stock Exchange with operations and assets in Mainland China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

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

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

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

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

Your interest may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance further expansion of, or new developments relating to, our existing operations. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, thereby resulting in dilution. Furthermore, such newly issued securities may confer rights, preferences or privileges superior to those of the existing Shares.

Our Shareholders might experience an immediate dilution in the book value of their Shares purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Offer Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, our Shareholders might experience an immediate dilution in pro forma net tangible assets value of HK$1.26 per Share, based on the maximum Offer Price of HK$3.80.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issue.

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

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

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods required under the Listing Rules. Please see "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholders". There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Our Controlling Shareholders, may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), Chun Fat will hold 51.2% of the Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. As such, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are the controlling shareholders of the Company and will continue to hold a controlling interest in our Company upon completion of the Global Offering and the Capitalisation Issue.

Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in our control that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our or your best interests. If the interests of our Controlling Shareholders conflict with our interests or our other Shareholders, or if our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with our interests or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

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

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

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

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

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

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 and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

INFORMATION ON THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares and the Employee Reserved Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering (including the Employee Preferential Offering), which forms part of the Global Offering. For applicants in the Hong Kong Public Offering (including the Employee Preferential Offering), this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering (including the Employee Preferential Offering).

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed by Tuesday, 11 June 2019, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in Mainland China or the United States.

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply 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 as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

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

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options).

Except as disclosed, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Branch Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

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

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Conyers Trust Company (Cayman) Limited at the Cayman Islands.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 37,500,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed "Structure of the Global Offering — Over-allotment Option and Stabilisation" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only, and if there is any inconsistency, the Chinese name prevails in such cases.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB or MOP amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB or MOP amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, as at the Latest Practicable Date, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB1.00 to HKD1.14, the translations of MOP amounts into Hong Kong Dollars have been made at the rate of MOP1.00 to HKD0.97 and the translations of NTD amounts into Hong Kong dollars have been made at the rate of NTD1.00 to HKD0.25.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustment. In this prospectus, where information is presented in millions, amounts of less than one hundred thousand have been rounded to the nearest hundred thousand, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, total of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chan Wing On (陳永安先生)	Flat C, 16/F Block 2, Swiss Towers 113 Tai Hang Road Hong Kong	Chinese
Mr. Yuen Chi Ming (袁志明先生)	Flat H, 14/F Ko On Mansion Tai Koo Shing Hong Kong	Chinese
Mr. Lau Hon Kee (劉漢基先生)	Flat 8, 1/F, Tsui Yiu Court 1 Lai Chi Ling Road Kwai Chung New Territories Hong Kong	Chinese
Ms. Chan Shuk Fong (陳淑芳女士)	30K, The Masterpiece 18 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Non-executive Director		
Mr. Ho Ping Kee (何炳基先生)	Flat A, 1/F Pine Court 18 Dianthus Road Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生又名麥華章)	Flat H, 25/F Pak Hoi Mansion Kwun Hoi Terrace 1 Taikoo Wan Road Tai Koo Shing Hong Kong	Chinese

Name	Address	Nationality
Mr. Wong Shiu Hoi Peter (黃紹開先生)	Flat B, 3/F, Block 34 Coastline Villa Discovery Bay Lantau Island New Territories Hong Kong	Chinese
Dr. Sat Chui Wan (薩翠雲博士)	Flat B, 5/F Block 3, Villa Carlton 369 Tai Po Road Sham Shui Po Kowloon Hong Kong	Chinese

Further information on our Directors can be found in the section headed "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong **Nomura International (Hong Kong) Limited** 30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong **China Tonghai Securities Limited** 18/F-19/F, China Building 29 Queen's Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025
China

As to Macau law:
Rato, Ling Lei & Cortés — Advogados
Avenida da Amizade, 555
Macau Landmark, Office
Tower, 23rd Floor,
Macau

As to Taiwan law:
Lee and Li, Attorneys-at-Law
9/F, 201 Tua Hua N. Road
Taipei, Taiwan 10508
R.O.C

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

As to PRC law:
Jia Yuan Law Offices
Suite 2511, Landmark
4028 Jintian Road
Futian District
Shenzhen 518035
China

Auditors and reporting accountants

Ernst & Young
Certified Public Accountants
22/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

Industry consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Property valuer	**Jones Lang LaSalle Limited** Level 7, One Taikoo Place 979 King's Road Hong Kong
Legal counsel	**Mr. Chan Chung** 10/F, Grand Building 15-18 Connaught Road Central Central Hong Kong
Tax adviser	**Russell Bedford Hong Kong** Room 1708 Dominion Centre 43-59 Queen's Road East Wanchai Hong Kong
Compliance adviser	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Receiving banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Bank of Communications (Hong Kong) Limited** 20 Pedder Street Central Hong Kong

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong under Part 16 of the Companies Ordinance	13/F, Chinachem Exchange Square 1 Hoi Wan Street Quarry Bay Hong Kong
Company's website	www.taihing.com *(the information on our website does not form part of this prospectus)*
Company secretary	Mr. Wong Kin Pong Edmond *(HKICPA, FCCA)* Flat A, 31/F, Block 3 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong
Audit committee	Dr. Sat Chui Wan *(Chairman)* Mr. Mak Ping Leung (alias: Mak Wah Cheung) Mr. Wong Shiu Hoi Peter
Remuneration committee	Mr. Mak Ping Leung (alias: Mak Wah Cheung) *(Chairman)* Mr. Chan Wing On Ms. Chan Shuk Fong Dr. Sat Chui Wan Mr. Wong Shiu Hoi Peter
Nomination committee	Mr. Chan Wing On *(Chairman)* Ms. Chan Shuk Fong Mr. Mak Ping Leung (alias: Mak Wah Cheung) Dr. Sat Chui Wan Mr. Wong Shiu Hoi Peter
Authorised representatives (for the purpose of the Listing Rules)	Ms. Chan Shuk Fong 30K, The Masterpiece 18 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong

	Mr. Wong Kin Pong Edmond Flat A, 31/F, Block 3 Royal Peninsula 8 Hung Lai Road Kowloon Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in us. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) or any other party or affiliate involve in the Global Offering (except for Frost & Sullivan), and neither did they give any representations as to its accuracy and the information should not be relied upon in making or refraining from making, any investment decision.

SOURCES AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the catering service market in Hong Kong and Mainland China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes catering service, food and beverage, consumer products, automotive and transportation, etc. We commissioned Frost & Sullivan for a total fee of RMB650,000.

The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research, which involves discussing the status of the catering service market with leading industry participants and industry experts. Secondary research involved reviewing company reports of the Group's key competitors, independent research reports, and data based on Frost & Sullivan's own research database.

Assumptions used in the Frost & Sullivan Report

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions:

- Hong Kong and Mainland China's economy are likely to maintain steady growth in the next decade;
- Hong Kong and Mainland China's social, economic, and political environment are likely to remain stable in the forecast period; and
- Market drivers such as Hong Kong and Mainland China's stable increasing GDP in the next several years forecasted by International Monetary Fund, supportive government policies for tourism in Hong Kong, changing lifestyle, and increasing need and demand for dining out are likely to drive the future growth of catering service market in Hong Kong and Mainland China.

DEFINITION AND SEGMENTATION OF CATERING SERVICE MARKET

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

- **Fine Dining** refers to traditional restaurants with full table services provided by waiters, where customers are served their meals at the table and typically pay at the end of the meal. Service fees are usually charged in fine dining restaurant. Fine dining restaurants generally have more comfortable ambience and are usually located in premium or high-end shopping malls or commercial areas, targeting customers with a mid-to-high-end spending power. Fine dining restaurants generally offer food at set lunch and dinner times rather than all day. The customers usually spend approximately two hours to dine at the fine dining restaurants. Table settings of fine dining can accommodate huge group gatherings, such as family dinner, hosting wedding and celebrating banquets.

- **Casual Dining** refers to catering establishments that serve moderately priced food in a casual dining ambience. Casual dining restaurants typically provide some table service and the opening hours are longer with more flexible meal times as compared with fine dining restaurants. This segment comprises Cha Chaan Teng, casual Chinese restaurants, casual western dining establishments, cafés, and bars serving drinks along with snacks. Customers usually finish their meals in approximately one hour at casual dining restaurants. Casual dining restaurants target the mass market customers including the white collars and tourists.

- **Quick Service Restaurant (QSR)** refers to restaurants that provide fast and consistent food services, with no or little table service and simple dining ambience. QSRs typically have order taking and cooking platforms designed specifically for ordering, preparing and serving menu items with speed and efficiency. Customers usually order the food, settle the bills and take their meals at the service counter. QSRs usually open for long hours. Some western QSRs are even open for 24 hours. It usually takes customers around half an hour to finish a meal at QSRs.

- **Others** Other catering establishments include takeaway shops, hawker stalls, roadside vendors and establishments not otherwise described in the organized segments above. This segment also includes event catering.

The catering service market can be categorised by cuisine type into three major types, including Chinese cuisine, Western cuisine and Asian cuisine.

- **Chinese cuisine** refers to traditional Chinese dishes, which usually consists of cold dishes and hot dishes. Chinese cuisine includes cuisines from different provinces of China, including but not limited to Cantonese cuisine, Taiwan cuisine, Sichuan cuisine, Beijing cuisine, Shanghai cuisine and other Chinese cuisines.

- **Western cuisine** refers to western style dishes, which are usually served in separate dining system. French cuisine, Italian cuisine, Mexican cuisine and all styles of cuisines other than Chinese cuisine or Asian cuisine are included in this segment.

- **Asian cuisine** includes traditional dishes from other Asian countries other than Mainland China such as Japanese cuisine, Korean cuisine, and other Asian cuisines like Thai, Vietnamese cuisine, etc.

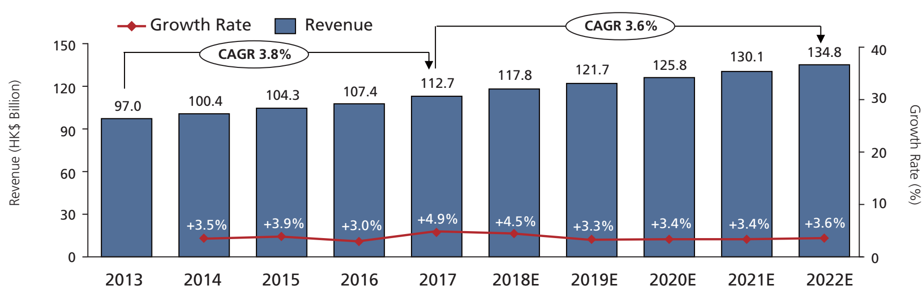
HONG KONG CATERING SERVICE MARKET OVERVIEW

Market size of the Hong Kong catering service industry

As one of the most famous tourist cities in Asia, the revenue of catering service industry in Hong Kong experienced a moderate growth from HK$97.0 billion in 2013 to HK$112.7 billion in 2017, representing a CAGR of 3.8%. This growth is mainly attributed to the rising household expenditure on food, higher living standard, growing tourism industry, and diversification of cuisines offering in Hong Kong.

With further development of tourism industry, continuous improvement of per capita annual disposable income and a growing preference to dine out, the revenue of catering service market in Hong Kong is estimated to reach HK$134.8 billion in 2022, realizing a CAGR of 3.6% from 2017 to 2022.

Revenue of Catering Service Market (Hong Kong), 2013–2022E

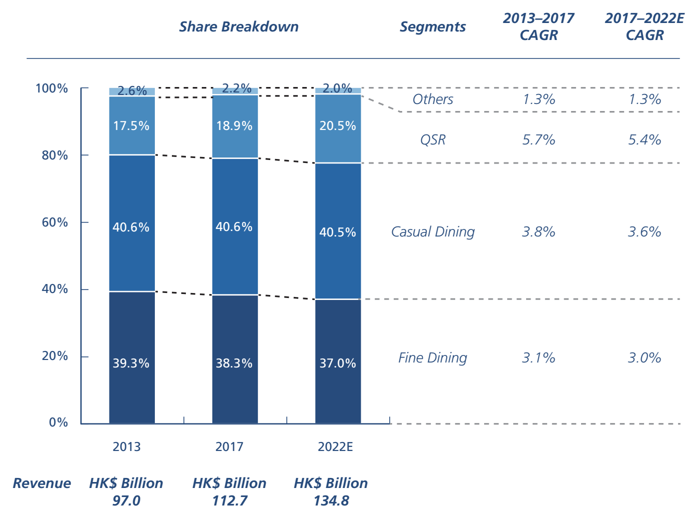


Source: Census and Statistics Department of HKSAR, Frost & Sullivan

In 2017, casual dining is the largest segment of catering service in Hong Kong, accounting for 40.6% of market share in terms of revenue of the overall catering service industry. Fine dining and QSR accounted for 38.3% and 18.9%, respectively of the share of the overall catering service industry in Hong Kong in 2017.

With the growth of tourism sector and thus expenditure of tourists on dining, the market size of QSR and casual dining in Hong Kong experienced a rapid growth during 2013 to 2017 at CAGRs of 5.7% and 3.8%, respectively. Tourists are considered as key contributors to the growth of casual dining and fine dining due to fact that tourists in Hong Kong generally prefer restaurants with a variety of cuisines and better environment and service level. Given the continued growth of tourism sector in Hong Kong, the revenue of QSR and casual dining are expected to grow further at CAGRs of 5.4% and 3.6%, respectively, during 2017 to 2022.

Revenue of Catering Service Market by Service Type (Hong Kong), 2013–2022E

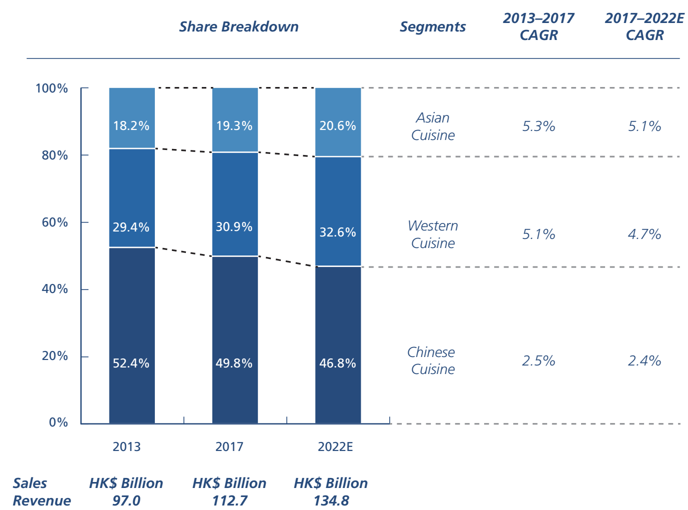


Source: Census and Statistics Department of HKSAR, Frost & Sullivan

The revenue of Chinese cuisine restaurants in Hong Kong witnessed a growth from HK$50.8 billion in 2013 to HK$56.1 billion in 2017, representing a CAGR of 2.5%. Chinese cuisine is the largest segment in terms of revenue in the catering service in Hong Kong, followed by Western cuisine and Asian cuisine.

In 2017, Chinese cuisine, Western cuisine and Asian cuisine accounted for 49.8%, 30.9%, and 19.3% respectively of the revenue of the catering service industry in Hong Kong. With the diversified brand development, revenue of Asian cuisine and Western cuisine in Hong Kong are estimated to grow at CAGRs of 5.1% and 4.7% during 2017 to 2022, respectively.

Revenue of Catering Service Market by Cuisine Type (Hong Kong), 2013–2022E



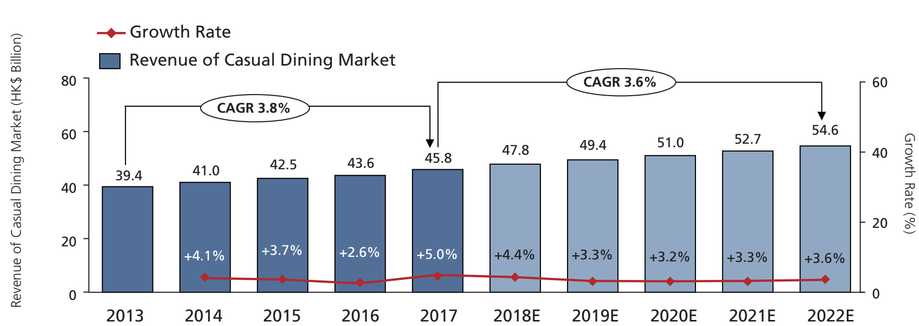
Source: Census and Statistics Department of HKSAR, Frost & Sullivan

Market size of the Hong Kong casual dining market

The revenue of casual dining market increased from HK$39.4 billion in 2013 to HK$45.8 billion in 2017, representing a CAGR of 3.8% from 2013 to 2017.

Looking forward, the revenue of casual dining market in Hong Kong is likely to remain the growing trend, reaching HK$54.6 billion in 2022, representing a CAGR of 3.6% from 2017 to 2022.

Revenue of Casual Dining Market (Hong Kong), 2013–2022E



Source: Census and Statistics Department of HKSAR, Frost & Sullivan

Growth drivers of Hong Kong casual dining market

Growing demand due to rising disposable income: According to the International Monetary Fund, per capita gross national income in Hong Kong is expected to increase with a CAGR of 4.5% from 2017 to 2022. The demand for catering service correlates with the income level that shows a rising trend in recent years. With the increase in income, the spending on food grows accordingly and more people shift from preparing and having meals at home to dining out. In addition, household expenditure on food in Hong Kong is expected to continue to grow from HK$96,721.0 in 2017 to HK$112,920.0 in 2022, representing a CAGR of 3.1% during the period. As disposable income continues to rise, catering service industry is expected to benefit from the trend.

Sustainable growth of Hong Kong tourism market: Tourists are one of the targeted customers of casual dining restaurants in Hong Kong. Due to the supportive government policies in promoting tourism, the rising number of tourists supports the growth of casual dining market in Hong Kong. According to the Immigration Department, the total visitor arrivals in Hong Kong realized a CAGR of 1.9% from 2013 to 2017, and further went up by 11.4% in 2018 compared to the previous year. The casual dining market is expected to continue to maintain an upward trend in the forecasted period.

Diversified cuisine offerings: Hong Kong has always been known as a gourmet's paradise for an unlimited variety of food and dining from Chinese cuisine, Western cuisine and Asian cuisine. Leading casual dining providers adopt multi-brand strategy and operate chained restaurants to offer diverse cuisine types for both local and tourists in Hong Kong. Quality of services at a competitive pricing is highly valued by customers. Together with extensive brand portfolio, the diversified dishes of casual dining restaurants cater to the rising demand of customers in the Hong Kong.

Pursuit of holistic dining experience: Customers nowadays are embracing a more holistic dining experience, from quality of food and services to concepts and visions relating to them. As consumer spending shifts from food to experience, casual dining restaurants with high value for money have grown as dining out provides customers with better experiences, in terms of table services, quality of food, dining ambience and specific concepts. Catering service industry, in general, is embracing a more comfortable dining environment to attract customers, at competitive prices and good food whilst adopting the concepts that address the concern of customers, such as healthier and seasoned menu offering. The pursuit of holistic dining experiences reflects the changing consumer behavior, which would increase in the demand for casual dining restaurant in Hong Kong.

Rise of food delivery services: Food delivery applications, such as Foodpanda, Deliveroo and Uber Eats, have started to proliferate in Hong Kong, and are being embraced by the chained casual dining restaurants. Food delivery applications are regarded as an extension of e-commerce and the customers value the convenience these applications brought about. The use of food delivery applications is expected to translate into growth opportunities for the casual dining market in Hong Kong.

COMPETITIVE LANDSCAPE OF CASUAL DINING MARKET IN HONG KONG

According to Frost & Sullivan, there were approximately 5,000 casual dining restaurants in Hong Kong in 2017. The casual dining market in Hong Kong is highly fragmented with top three players together contributing 8.4% of revenue generated by casual dining restaurants in 2017.

In 2017, we were the largest casual dining group in terms of revenue of casual dining restaurants and also number of self-operated restaurants, in Hong Kong. We recorded a revenue of HK$1,821.2 million from 89 casual dining restaurants, accounting for a market share of 4.0% in 2017, with a brand portfolio of casual dining restaurants including "Tai Hing", "TeaWood", "Phở Lệ", and "Tokyo Tsukiji".

Leading players in casual dining market embrace multi-brand strategy to provide customers with various types of cuisines under different brands in prime locations, such as major shopping malls and areas with high customer traffic flow. They target middle to mass market, especially customers with mid to high spending power, and develop diversified customers base. In addition, multiple chain stores enable the top players to benefit from economies of scale thorough sharing cost of marketing, staff training and procurement. The key competitive factors in the industry lie in value for money, operational efficiency, food offerings and quality of services.

In general, leading casual dining restaurant groups increase value for money by offering high quality of food and services at competitive prices. They standardise workflow to achieve operational efficiency and reduce costs. To address the shifting market trends and customer demands, leading casual dining restaurant operators continue to develop new dishes and incorporate regional and international elements into menus. They also pay attention to the quality of services as attentive staff and hygiene are important to restaurant operations.

Ranking by revenue and Market Share of Top Three Self-operated Casual Dining Group (Hong Kong), 2017

Ranking	Casual Dining Group	Market Share of Casual Dining Revenue (%)	No. of Self-operated Casual Dining Restaurants
1	The Group	4.0%	89
2	Group A	2.7%	32
3	Group B	1.7%	64
	Top 3	8.4%	

Source: Frost & Sullivan

The following is a description of other major players in the industry segments in which we operate:

Group A is a Cha Chaan Teng ("茶餐廳") chain operator listed on the Stock Exchange, with operations in Hong Kong, Mainland China, and Macau.

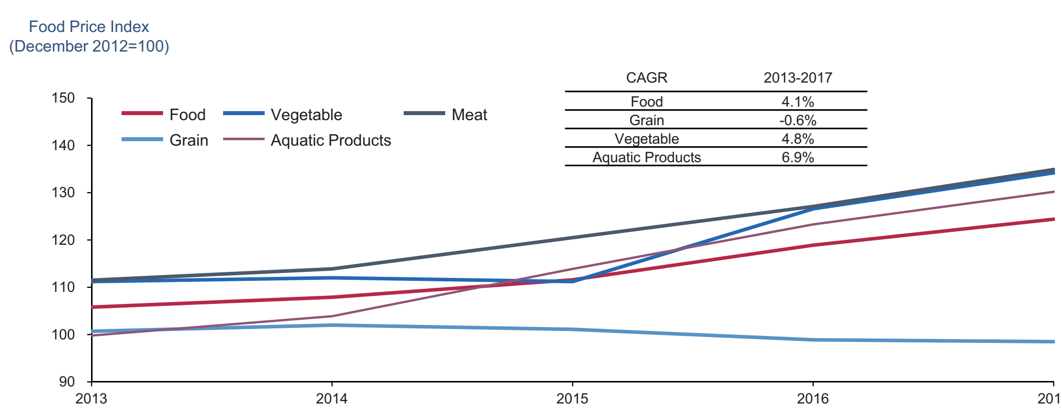
Group B is a catering group listed on the Stock Exchange, and operates QSR, institutional catering, and casual dining in Hong Kong and Mainland China.

We were also the largest Taiwanese casual dining restaurant operator in terms of the number of self-operated Taiwanese casual dining restaurants in Hong Kong in 2017. We operated 27 Taiwanese casual dining restaurants in Hong Kong in 2017, which was way above the second largest Taiwanese casual dining restaurant operator in terms of the number of self-operated Taiwanese casual dining restaurant in Hong Kong.

In 2017, we were also the third largest restaurant operator specialising in congee and noodles in terms of the number of self-operated restaurants in Hong Kong, with 11 restaurants, under the brand name of "Trusty Congee King".

Food cost, labour cost and rental cost of casual dining in Hong Kong

Food Price Index of Major Raw Materials (Hong Kong), 2013–2017

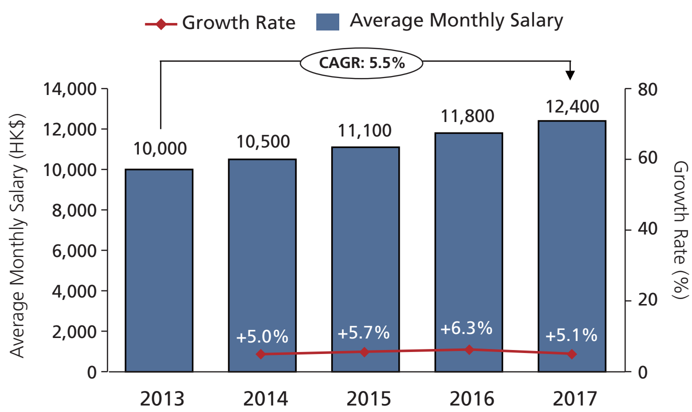


CAGR	2013-2017
Food	4.1%
Grain	-0.6%
Vegetable	4.8%
Aquatic Products	6.9%

Food price index of major raw materials such as vegetable, meat and aquatic products, have generally shown an upward trend from 2013 to 2017, primarily due to the RMB inflation and the rising import prices, as well as the increasing demand from catering service in Hong Kong. Per capita consumption of grain has decreased in Hong Kong, as a result of gradual change of eating habit due to diverse food choices and international cuisine available in Hong Kong.

Going forward, inflationary pressure is expected to continue in the near future, reflecting higher global inflation and continued growth of catering services. It is forecasted that the food price index of major raw materials in Hong Kong would grow at a CAGR of approximately 3.5% from 2017 to 2022.

Average monthly salary of employees in casual dining (Hong Kong), 2013–2017

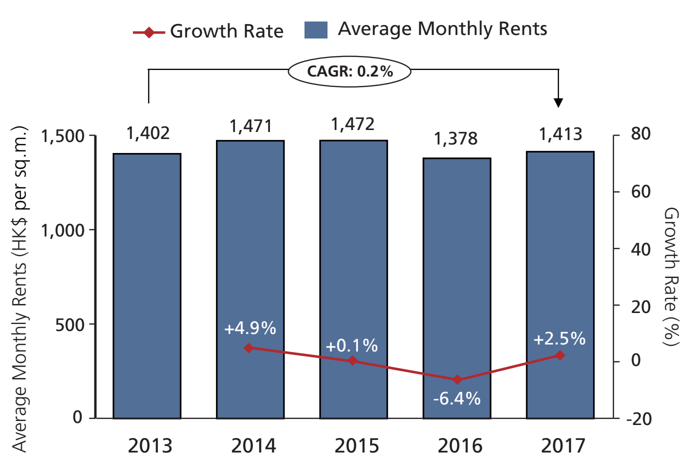


Source: Census and Statistics Department of HKSAR, Frost & Sullivan

With the enforcement of the minimum wages and prolonged labor shortage in casual dining market in Hong Kong along with inflation, the average monthly salary of employees in casual dining market in Hong Kong increased from HK$10,000 in 2013 to HK$12,400 in 2017, representing a CAGR of 5.5%.

The new statutory minimum wage of HK$37.5 will come into effect from May 2019. With the growing demand for casual dining and the rising statuary minimum wage, the average monthly salary of employees in casual dining market in Hong Kong is estimated to record the growth at a CAGR of approximately 5.0% from 2017 to 2022.

Average monthly rents for retail premises (Hong Kong), 2013–2017



Source: Rating and Valuation Department of HKSAR, Frost & Sullivan

According to the Rating and Valuation Department of Hong Kong, the average monthly rents for retail premises in Hong Kong recorded a CAGR of approximately 0.2%, from HK$1,402 per sq.m. in 2013 to HK$1,413 per sq.m. in 2017. The rents decreased slightly in 2016 as some retailers were not able to withstand the rents due to the retail downturn.

Rent for retail premises correlates to the growth in retail sales, including casual dining market. The opening of the Hong Kong-Zhuhai-Macau Bridge, which connects Zhuhai with Hong Kong and Macau, drives demand for shopping complexes, integrated resorts and MICE (meetings, incentives, conferencing, and exhibitions facilities). The rising visitor arrivals would continue to stimulate the retail sales. As estimated, the average monthly rents for retail premises would maintain an upward trend at a CAGR of approximately 0.2% from 2017 to 2022.

Market trends

Trends in food delivery: It is a rising trend in Hong Kong that restaurants offer dine-in, takeaway and delivery services. Upon delivery of food, customers are able to order food from restaurants that usually only offer dine-in services. It grants customers flexibility in food ordering and venue selection, and therefore enables the casual dining market to reach greater customer base. Food delivery services such as Foodpanda, UberEats and Deliveroo are becoming increasingly popular among consumers in Hong Kong. With more food delivery services providers partnering with restaurants across different districts, the penetration rate of delivery service in Hong Kong's casual dining market is on the rise.

Popularity of green dining: Consumers in Hong Kong are becoming increasingly aware of the origin of food that they consume. In recent years, there are many information circulating on social media regarding to the origin of food ingredients, such as where vegetables are harvested, the methods farmers use to treat live stocks but also fishing methods of seafood. Through the sharing of these posts, consumers are more aware of how they are impacting the environment with the food they consume. Therefore increasing number of restaurants in Hong Kong are sourcing sustainable raw food materials product and promoting healthy and organic eating by offering dishes that are prepared using natural and organic ingredients. It is an effective campaign to target the community who pursue a green diet.

Technology integration: Restaurants operators in Hong Kong are also looking to adapt new technology into their daily operation to improve the efficiency in operation while enhancing the dining experience for the consumers. For example, the electronic ticketing system that has been adopted by larger chain restaurants in Hong Kong are accessible through the kiosk terminal at the entrance of the restaurant and accessible through mobile application, allowing customers to remotely receive their ticket prior to arriving at the restaurant and also providing the estimated waiting time. This implementation also benefits the reception staff to focus on directing customers to an available table rather than being surrounded by customers questioning about the waiting time. It is only a matter of time for restaurants to incorporate new technology into their operation, such as pay at the table service and self ordering service at the table.

Promotion of online marketing channels: The high penetration of electronic devices and internet has created a potential opportunity for restaurant operators to promote their brand through different marketing channels. Restaurant operators have already taken advantage of mobile applications and social media to engage target customers by offering coupon and discounts, sharing new menus, hosting reward campaigns and responding to customers' comments to drive customer traffic in their restaurants.

Threats and challenges

Increasing cost of labour: Despite the rental cost for the casual dining market reduced slightly in 2016, Hong Kong restaurant operators still suffer from pressure of maintaining profit margins with the increasing wage and raw material costs. Ever since the Statutory Minimum Wage came in effect in 2011, the amount of minimum wage has been reviewed for 3 times and increased from HK$28.0 per hour in 2011 to HK$34.5 per hour in 2017. Moreover, the rising cost of raw materials such as meat and vegetables due to inflation creates significant pressure for restaurant operators to maintain their businesses.

Fierce competition among restaurants: Customers' preferences in restaurants in Hong Kong are constantly evolving as their demand is not limited to food quality and customer service. With increasing social activities and expectations in the overall dining experience, the dining environment is also a criterion that customer would judge, creating a competitive environment between restaurants coming up with different ways to attract their customers to return. With higher expectations in the overall dining experience, restaurants are required to take initiatives, namely promotional campaigns, refurbishment of decoration and innovation of menu offerings, in order to stand out. Therefore, restaurants that are not able to catch up with the evolving trend may bear the risk of being left behind in the competition.

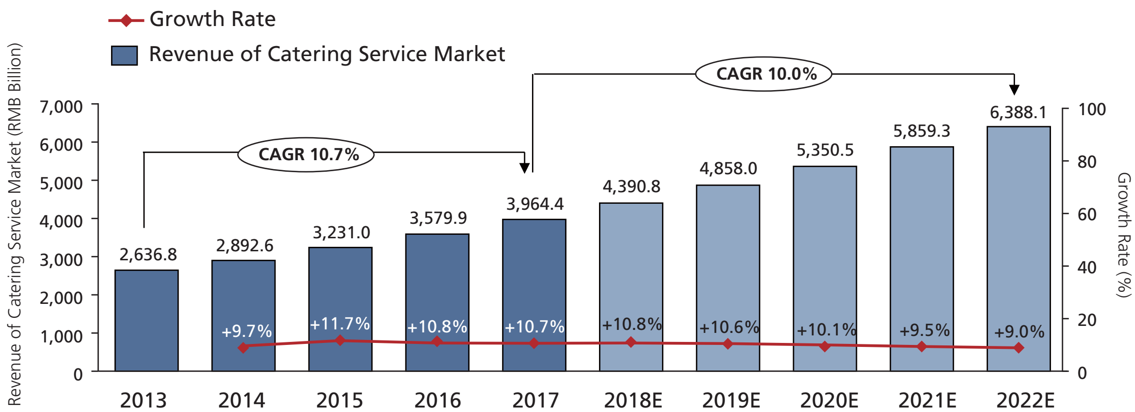
MAINLAND CHINA'S CATERING SERVICE MARKET

Overview of Mainland China catering service market

Chinese catering service market has kept a high growth rate, rising from RMB2,636.8 billion in 2013 to RMB3,964.4 billion in 2017, representing a CAGR of 10.7%. Key factors that drive the development of the catering service market include the improvement of consumers' purchasing power, increased urban population due to advancing urbanization, more out-dining versus home dining and so on.

In the following years, the Chinese catering service market is anticipated to keep sustainable growth along with the steady economy growth in Mainland China. Frost & Sullivan forecasts that the total market is likely to reach RMB6,388.1 billion in 2022, growing at a CAGR of 10.0% from 2017 to 2022.

Revenue of Catering Service Market (Mainland China), 2013–2022E



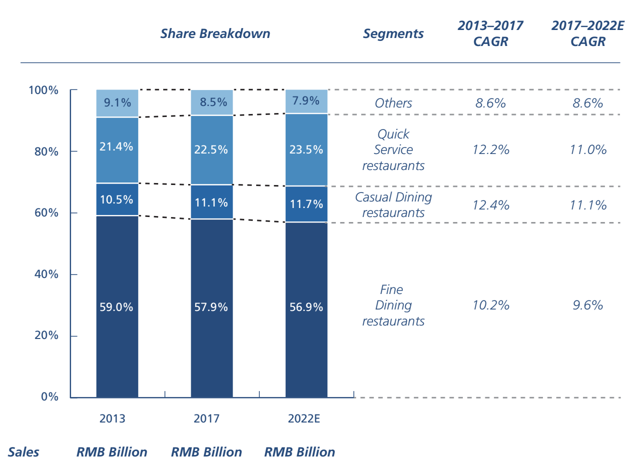
Source: National Bureau of Statistics, Frost & Sullivan

In Mainland China, fine dining constitutes the largest sector, occupying 57.9% of total catering service market in 2017. It attained a CAGR of 10.2% from 2013 to 2017 and is expected to grow at a CAGR of 9.6% from 2017 to 2022.

Casual dining restaurants is the fastest growing segment in the catering service industry, reaching a CAGR of 12.4% from 2013 to 2017. An increasing number of young customers prefer to dine in casual dining restaurants that provide more flexible meal time and diversified food offering compared to other types of restaurants.

Quick service restaurants accounted for around 22.5% of total market revenue of Mainland China's catering service industry in 2017. Increasing life pace in Mainland China drives the demand for quick service restaurants.

Revenue of Catering Service Market by Service Type (Mainland China), 2013, 2017 & 2022E



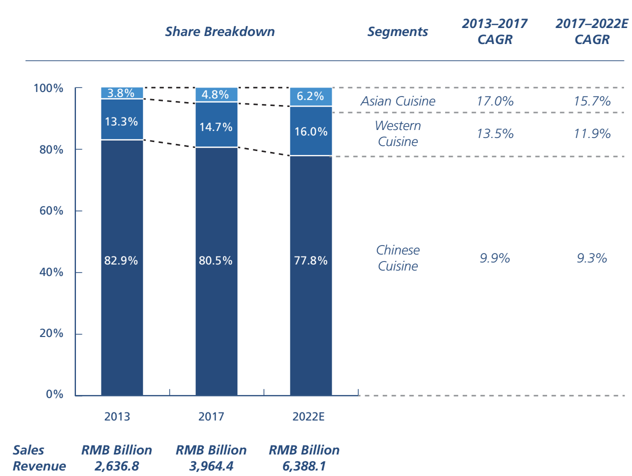
Note: Sum may not add up to 100.0% due to rounding.
Source: National Bureau of Statistics, Frost & Sullivan.

Chinese cuisine takes a large proportion in Mainland China's catering service market. The market revenue of Chinese cuisine increased from RMB2,184.6 billion in 2013 to RMB3,192.0 billion in 2017, representing a CAGR of 9.9%. The market share of Chinese cuisine accounted for 80.5% in 2017. Chinese cuisine market is expected to grow at a CAGR of 9.3% from 2017 to 2022, reaching RMB4,972.2 billion in 2022.

Western cuisine grew at a CAGR of 13.5% from 2013 to 2017. The market revenue of Western cuisine increased from RMB350.8 billion in 2013 to RMB1,021.8 billion in 2017.

Asian cuisine includes other cuisines such as Japanese cuisine and Korean cuisine. The market revenue of Asian Cuisine increased from RMB101.4 billion in 2013 to RMB190.1 billion in 2017, representing a CAGR of 17.0% from 2013 to 2017. Asian cuisine is expected to reach RMB394.1 billion by 2022, representing a CAGR of 15.7% from 2017 to 2022.

Revenue of Catering Service Market by Cuisine Type (Mainland China), 2013, 2017 & 2022E



Note: Sum may not add up to 100.0% due to rounding.
Source: National Bureau of Statistics, Frost & Sullivan.

Market size of casual dining market in Mainland China

Over past few years, Chinese casual dining market has grown at a CAGR of 12.4%, with the revenue increased from RMB277.0 billion in 2013 to RMB441.6 billion in 2017. Major market drivers include the increasing per capita disposable income, increasing out-dining need and diversified dining concept, etc.. In the meanwhile, the casual dining enterprises, especially the chained ones, continued to launch new dishes and upgrade popular dishes to target many consumption groups.

For the forecast period from 2017 to 2022, the revenue of casual dining market is forecasted to reach RMB747.4 billion in 2022, representing a CAGR of 11.1% from 2017 to 2022.

Mainland China casual dining market could be divided into two types by operating model, including chain stores and non-chain stores. Due to difficulties in developing and managing scalable and standardized operations of Chinese cuisine, non-chain stores are dominant players which accounted for 79.8% of Mainland China casual dining market in 2017.

The revenue generated by chain stores accounted for 20.2% of the total casual dining market in 2017. However, with the increasing consumers' focus on the brand reputation, food safety, quality of the service and food, the revenue of chain restaurants is expected to grow from RMB89.3 billion to RMB152.2 billion from 2017 to 2022, primarily because chain restaurant brands generally have stronger capital platforms, higher brand awareness and reputation, better control on food safety, and offer high quality food and services.

Market drivers of casual dining market in Mainland China

The future growth of Mainland China's casual dining market is expected to be driven by the following factors:

Increasing per capita disposable income: Per capita disposable income in Mainland China has been rocketing up along with the rapid growth of Mainland China's economy. According to the National Bureau of Statistics, the per capita annual disposable income of urban households has increased to RMB36,396.0 in 2017 with a CAGR of 7.8% from 2013, and is expected to grow at a CAGR of 7.6% by 2022. Increasing income has promoted consumption upgrading and boosting the market of and casual dining market in Mainland China.

Changing lifestyle and growing demand for dining-out: As the per capita disposable income in Mainland China increases in recent years, consumers are gradually changing their lifestyle such as growing habits of dining out. Casual dining restaurants provide diversified types of food with moderate prices, especially theme restaurants which are popular among young customers, are attracting middle to mass customers including white collars and tourists. On the other side, the increasing trend of dining out is further promoting the development of casual dining restaurants in China.

Rich and diversified dining culture: Chinese cuisine includes cuisine originating from the diverse regions of China based on the raw materials and ingredients used, the method of preparation and cultural differences, including Cantonese cuisine, Shandong cuisine, Jiangsu cuisine, and Sichuan cuisine, etc. In addition to Western cuisine and Asian cuisine, there is emerging number of forms of fusion cuisine to cater for the demand comes from increasing number of Chinese travelers. The rich and diversified cuisine offering is expected to expand the Chinese casual dining market in the forecasted period.

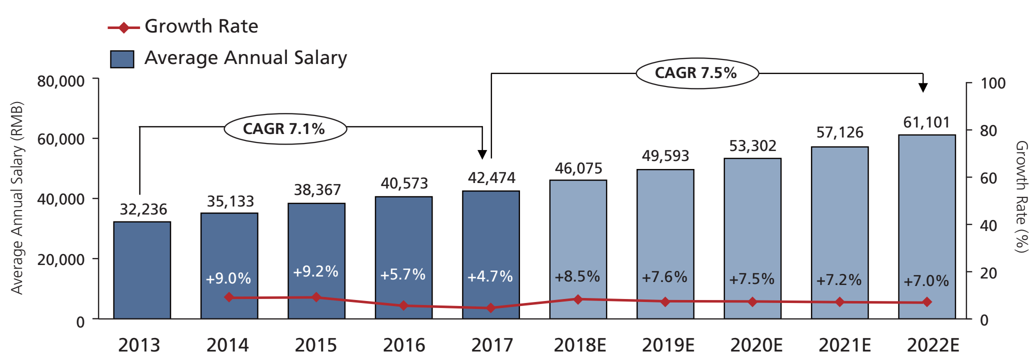
Development of technology: Technology adoption has accelerated the growth of the market. New technologies such as automatic ordering and automatic queue management provide a better dining experience for consumers. On the other hand, it has supported the operational management and enables to improve management efficiency through various aspects including seating space optimizing, supply chain management, promotion, etc.

Food cost, labour cost and rental cost of catering service provider

Average annual salary of employees in catering service market has increased rapidly from RMB32,236 in 2013 to RMB42,474 in 2017, representing a CAGR of 7.1%, according to the National Bureau of Statistics. Furthermore, it is expected that the average annual salary of employees in catering service market is expected to keep increasing with a CAGR of 7.5% during 2017 to 2022 due to the sustained booming catering industry and development of China's macro economy.

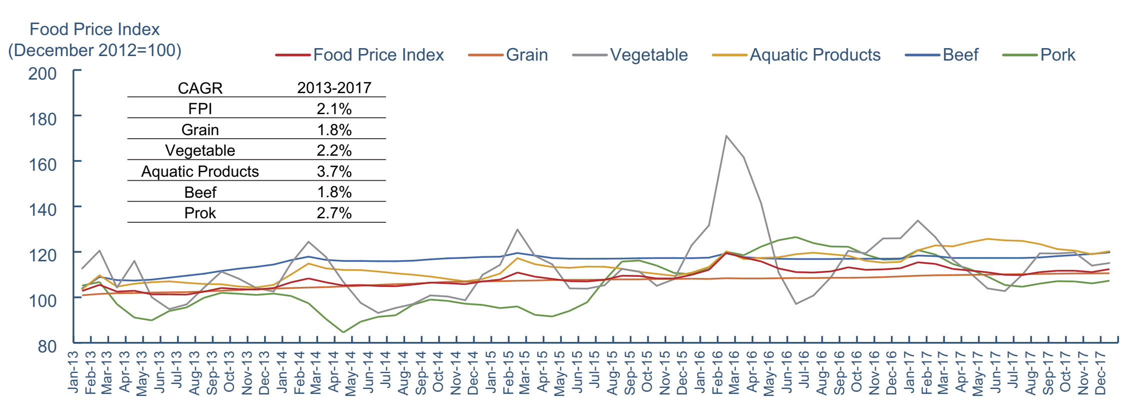
It is expected that the average annual salary of employees in catering service market is expected to keep an increasing trend with a CAGR of 7.5% during 2017 to 2022.

Average Annual Salary of Employees in Catering Service Market (Mainland China), 2013–2022E



Source: National Bureau of Statistics, Frost & Sullivan

Consumer Price Index of Food and Major Raw Materials (Mainland China), January 2013–December 2017



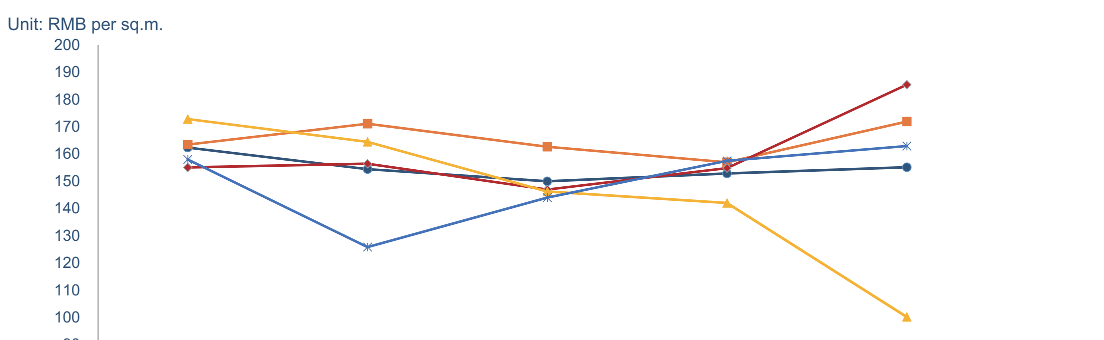
The food price index has been growing relatively steady from 2013 to 2017, it increased from 102.8 in January 2013 to 112.4 to December 2017. With further economic development, increase in disposable income and inflation, the FPI is likely to show a steady growth in the following years. Pork price index has shown a floating trend from 2013 to 2017. Looking forward, such price index is likely to remain stable or slightly decrease because of the rising demand on other categories of the meat. The price index of fresh vegetables has been fluctuating substantially during 2013 to 2017. In the following years, the price index of vegetables is likely to show an upward trend. The price index of grain has maintained a relatively stable growth pace from 2013 to 2017 because of the Chinese cuisine culture and that grain is widely consumed.

It is forecasted that the food price index of major raw materials in Mainland China is likely to remain stable or slightly rise from 2017 to 2022.

Overall average monthly rents of shopping centers in the first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) in Mainland China has gone through a slightly down pace in past few years. In particular, average monthly rent of shopping centers in Guangzhou experienced a sharp fall from 2016 to 2017. A rapidly increasing supply of commercial-used land since September 2017 results in the sharp fall of average monthly rents in Guangzhou. Average monthly rents of shopping centers in other first-tier cities such as Beijing, Shanghai and Shenzhen has enjoyed varying degrees of growth, which indicate an increasing rent cost for catering service providers in such cities.

The average monthly rents of shopping centers in the first - tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) are forecasted to keep an upward trend from 2017 to 2022. For Guangzhou, the influence of the increasing supply of commercial-used land since September 2017 is expected to be eliminated in the market resulting in the rebound of the average monthly rents in the future with a positive CAGR from 2017 to 2022. For other first-tire cities like Beijing, Shanghai and Shenzhen, it is forecasted to enjoy a stable growth during forecast period.

Average Monthly Rents of Shopping Centers (Mainland China), 2013–2017



	2013	2014	2015	2016	2017	CAGR (13-17)
First-tier Cities	162.3	154.5	150.0	152.8	155.1	-1.1%
Beijing	163.5	171.1	162.7	157.0	171.9	1.3%
Shanghai	155.1	156.4	147.0	154.8	185.5	4.6%
Guangzhou	172.8	164.5	146.2	142.0	100.2	-12.7%
Shenzhen	158.0	125.8	144.0	157.5	162.9	0.8%

Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF CASUAL DINING MARKET IN MAINLAND CHINA

The self-operated casual dining market is highly competitive and fragmented in Mainland China, with top 5 players accounting for 0.7% market share in terms of revenue generated by casual dining restaurants in 2017. In 2017, the Group was one of the leading self-operated casual dining groups in Mainland China in terms of revenue of casual dining restaurants, with a market share of 0.1% of total casual dining market. The Group recorded a revenue of RMB572.4 million and operated 52 casual dining restaurants with a brand portfolio of "Tai Hing" and "TeaWood".

Ranking by Revenue and Market Share of Top Five Self-operated Casual Dining Group (Mainland China), 2017

Ranking	Casual Dining Group	Market Share of Casual Dining Revenue (%)	No. of Self-operated Casual Dining Restaurants
1	Group C	0.3%	130
2	The Group	0.1%	52
3	Group A	0.1%	34
4	Group D	0.1%	72
5	Group E	0.1%	24
	Top 5	0.7%	

Source: Frost & Sullivan

The following is a description of the leading players in the industry segments in which we operate:

Group C is a private Cha Chaan Teng chain operator, and has over 100 self-operated restaurants in Mainland China.

Group D is a private Taiwanese casual dining chain operator, and runs self-operated restaurants in Mainland China.

Group E is a private multi-brand casual dining restaurant group, and operates restaurants under three casual dining brands in Mainland China.

Market trends of casual dining market in Mainland China

Increasing standardization and expansion of chain store: An increasing number of casual dining restaurant operators begin to expand their store network to enlarge their business and coverage of target customers. An extensive network is likely to increase exposure of the brand. Meanwhile, standardization of products and services is the key to ensure the quality and safety of the dishes. Central kitchens or food factory help to produce large quantities of semi-finished dishes to ensure the standardization of the dishes and to increase the turnover rate of the table.

Prevalence of food delivery platform: Thanks to the rising penetration of internet and mobile internet, as well as no-cash payments, the food delivery services have been prevailing among consumers in China. Along with the cooperation between restaurants and food delivery service providers, the penetration of food delivery service is expected to grow, which provides growth opportunities for the casual dining market in China.

Innovation of product & service to differentiate: Generally, casual dining restaurants offer highly homogeneous product in such a highly competitive environment. Innovation of products and services is the key to improve customers' satisfactory and experience. Some casual dining restaurants offer additional service like photo stickers, video games when customers are queuing for the table. New ingredients and dishes are the key to attract customers and maintain their interest in the restaurants.

Threats and challenges of Casual Dining Market in Mainland China

Rising labour costs and high employee turnover: Human resource is rather important in catering service industry. As the economy develops, the labour cost in Mainland China faces an increase in recent years. The rising cost and the lack of both service personnel and mid-to-high management personnel are likely to be threats to the industry.

Entry barriers of casual dining in Hong Kong and Mainland China

Initial capital: The initial start-up cost of opening a casual dining restaurant is high. It includes space rental, interior decorating, staff hiring, raw materials and equipment purchasing and marketing costs. In addition, sufficient amount of capital is also required to sustain the cost of daily operation as it takes time for a new restaurant to reach its breakeven point and begin to generate profit.

Well-established brand awareness: The building of brand names is highly dependent on food taste and quality, dishes, dining environment and services, etc. Strong brand recognition can also be achieved through successful marketing strategies. Consumers are typically willing to choose restaurants with good brand recognition. It is difficult for new entrants to establish a strong brand name within a short term.

Established relationship with supplier: Established relationship with raw food materials supplier will be crucial to newly opened restaurants. Since the freshness and quality of food ingredients will affect the taste of dishes, restaurants must find reliable suppliers in order to maintain the food quality. It may also be challenge for newcomers to partner with supplier in providing good quality products as existing competitors would have advantage in securing better quality ingredients.

Difficulty in securing rental space: The process of identifying, negotiating, and signing a commercial lease is a long process, which add complexity and uncertainty to the set-up of restaurants. Given proven track record of business operation and credibility, the existing and larger market players are preferred by the landlord and have advantage in securing rental space in prime locations.

Licensing requirements: In order to start a new restaurant in Hong Kong and Mainland China, restaurant owners are required to obtain several licences prior to the opening, including general restaurant licence, liquor licence in Hong Kong and food business licence and food safety permit in Mainland China. The process of obtaining the licenses will take up to several months, so new entrants will need to put extra focus in order to meet the regulatory requirements in order to prevent delays in restaurant opening.

Application of central kitchen or food factory: Central kitchen or food factory is generally set up as a specialty facility by a chain restaurant operator with certain operation scale with the purpose to enhance operational efficiency and effectiveness. Central kitchen or food factory model is relatively mature with casual dining and QSR chains for the dishes require less processing procedures as well as less discretionary control by the cooks. Central kitchen or food factory itself set up entry barriers for new entrances, including food preparation process and development capability, initial setup costs, scale of operation, systematic management, etc.

HONG KONG REGULATORY OVERVIEW

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

There are three principal types of licences required for the operation of our Group's restaurants in Hong Kong. They are as follows:

(a) food business licence, including general restaurant licence for restaurant operation which are required to be obtained before commencement of the relevant food business operation;

(b) water pollution control licence, which is required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences; and

(c) liquor licence, which is to be obtained before commencement of sale of liquor in the restaurant premises.

HEALTH AND SAFETY REGULATORY COMPLIANCE

General restaurant licence

Any person operating a restaurant in Hong Kong is required to obtain a general restaurant licence from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "**FBR**") before commencing the restaurant business operation. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on, among others, any restaurant business except with a licence granted under the FBR. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a general restaurant licence. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, and the fulfilment of the Buildings Department's structural standard and the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full general restaurant licence.

A provisional restaurant licence is valid for a period of six months or a lesser period and a full general restaurant licence is generally valid for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable once and a full general restaurant licence is renewable annually.

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

Food factory license

In respect of food businesses involving preparation of food for sale off-premise, a food factory license has to be obtained from the Food and Environmental Hygiene Department ("**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 license. The FEHD may grant a provisional food factory license to a new applicant who has fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full food factory license.

A provisional food factory license is valid for a period of six months or lesser and a full food factory 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 food factory license is renewable once and a full food factory license is renewable annually.

Demerit points system

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

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

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

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

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

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

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

Restricted Food Permit

Under sections 30(1), 31(A) and Schedule 2 of the FBR and according to the guideline of the FEHD, save with the restricted food permit, no person shall see, or offer or expose for sale, or possess for sale or for use in the preparation of any article of food for sale, any of the foods specified in Schedule 2 of the FBR (including sashimi, oysters to be eaten in raw state, live fish and shell fish).

Under section 35 of the FBR, any person who is guilty of an offence under section 30(1) may be liable to a maximum fine of HK$50,000, imprisonment for 6 months and HK$900 for each day where the offence is a continuing offence.

Hygiene Manager and Hygiene Supervisor Scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager and Hygiene Supervisor Scheme under which all large food establishments and food establishments producing high risk food are required to appoint a hygiene manager and a hygiene supervisor; and all other food establishments are required to appoint a hygiene manager or a hygiene supervisor. General restaurants which accommodate over 100 customers are required to appoint a hygiene manager and a hygiene supervisor. Food business operators are required to train up their staff or appoint qualified persons to take up the post of hygiene manager or hygiene supervisor. According to "A Guide to Application for Restaurant Licences (September 2016 Edition)" of the FEHD, one of the criteria for the issuance of a provisional restaurant licence/full general restaurant licence is the submission of a duly completed nomination form for hygiene manager and/or hygiene supervisor together with a copy of the relevant course certificate(s).

Occupiers Liability Ordinance

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

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. The proprietor must also provide or maintain adequate and suitable fire extinguishers so as to be readily available for use. Regulation 14(5) of the FIU(F)R stipulates that proprietor who contravenes regulation 5(1) of the FIU(F)R without reasonable excuse shall be liable to a fine of HK$200,000 and to imprisonment of six months upon conviction.

ENVIRONMENTAL REGULATIONS

Water pollution control licence

In respect of our operations in Hong Kong, we are required to obtain a water pollution control licence from the Environmental Protection Department (the "**EPD**") prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) ("**WPCO**"). Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under sections 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence. A water pollution control licence is granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

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

Under section 11 of the WPCO, (1) a person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) is liable to imprisonment for 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, to 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.

LIQUOR REGULATIONS

Liquor licence

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board (the "**LLB**") under the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the "**DCR**") before commencement of sale of liquor for consumption on the premises. It is provided under section 17(3B) of the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) (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 on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licence are referred to the Commissioner of Police and the District Officer concerned for comments.

Under Regulation 20 of the DCR, a liquor licence is valid for a period of two years or lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

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

OCCUPATIONAL SAFETY REGULATIONS

Occupational Safety and Health Ordinance

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**OSHO**") is purported to ensure the safety and health of employees when they are at work and aims to improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces. The employer shall ensure the safety and health at works of all his employees by:

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

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

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

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

(v) providing and maintaining a work environment that is safe and without risk to health.

Under section 9(1) of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening the OSHO, or has contravened in circumstances that make it likely that the contravention will be continued or repeated. Section 9(2)(e) of the OSHO stipulates that an improvement notice must require the employer or occupier either to remedy the contravention within a period specified in the notice, or to refrain from continuing or repeating the contravention. Section 9(5) of the OSHO stipulates that an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 12 months.

EMPLOYMENT REGULATIONS

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**") provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) of the EO are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK$350,000.

Employees' Compensation Ordinance

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**ECO**") establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the obligations of employers in respect of injuries sustained by, or death of their employees caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases suffered by the employees. Under section 5 of the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "**MWO**") provides a statutory minimum wage for employees in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK$37.5 per hour as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the MWO is void.

Mandatory Provident Fund Scheme Ordinance

Section 7 of the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**") requires every employer of a relevant employee must take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. Section 7A of the MPFSO requires an employer who is employing a relevant employee must, for each contribution period occurring after that commencement (a) from the employer's own funds, contribute to the relevant registered scheme the amount determined in accordance with MPFSO; and (b) deduct from the employee's relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with MPFSO.

The amount to be contributed and/or deducted by an employer for a contribution period is in the case of a casual employee who is a member of an industry scheme, an amount determined by reference to a scale specified in an order made in accordance with MPFSO.

Inland Revenue Ordinance

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) contains the provisions relevant to transfer pricing between closely connected persons. The Inland Revenue Ordinance requires the adoption of arm's length principle pricing transactions between closely connected or related parties. Specifically, the Inland Revenue Ordinance adopts the arm's length principle as set out in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ("**OECD Guidelines**"). The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for pricing transactions between related parties. In essence, the rules impose that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the parties. In December 2009, the Inland Revenue Department released the Departmental Interpretation and Practice Note No.46, which confirms that the OECD Guidelines should be relied upon as an authoritative guide for conducting a transfer pricing analysis in Hong Kong except where incompatible with the Inland Revenue Ordinance.

MAINLAND CHINA REGULATORY OVERVIEW

Our business and operations in the Mainland China are subject to laws and regulations issued by various PRC government authorities. Set forth below are the principal laws and regulations applicable to our current business and operations in the Mainland China.

Regulations on the Foreign-Invested Companies

According to the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) jointly issued by the National Development and Reform Commission of the PRC (the "**NDRC**") and the Ministry of Commerce of the PRC (the "**MOFCOM**") on 28 June 2017, the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) issued on 28 June 2018 and the Negative List of Market Access (2018 Edition) (《市場准入負面清單(2018年版)》) issued on 21 December 2018, food and beverage services and food production, processing and sales fall into the industries where foreign investment is permitted.

The establishment, operation, management and investment activities of foreign-invested companies in the PRC are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, 3 September 2016, the PRC Company Law (《中華人民共和國公司法》) promulgated on 29 December 1993 and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018, the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the MOFCOM on 8 October 2016 and subsequently amended on 30 July 2017, 29 June 2018, and the Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), which were promulgated by MOFCOM and the State Administration for Industry and Commerce on 25 July 2000 and subsequently amended on 26 May 2006, 28 October 2015.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "Foreign Investment Law") promulgated by the NPC on 15 March 2019 and shall come into effect as of 1 January 2020, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) shall be repealed on 1 January 2020.

Laws and Regulations on Food Safety and Licensing Requirement for Consumer Food Services and Food Production

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**Food Safety Law**"), which was promulgated on 28 February 2009 and amended on 24 April 2015 and 29 December 2018, and the Implementation Rules of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), which was promulgated on 20 July 2009 and amended on 6 February 2016, the State implements a licensing system for the food production and trading and a person who engages in food production, food selling or catering services shall obtain the license.

The State Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》, the "**Food Operation Licensing**") promulgated on 31 August 2015 and amended on 17 November 2017. According to the Food Operation Licensing, the principle of one license for one site shall apply to the licensing for food operation and the food and drug administrative authorities implement classified licensing according to their types of operation and the degree of risk of their operation projects. According to the Administrative Measures for Food Production Licensing (《食品生產許可管理辦法》) promulgated by the State Food and Drug Administration on 7 April 2010 and amended on 31 August 2015, 17 November 2017, the food and drug administrative authorities implement classified licensing for food production according to the degree of risk of food, and the principle of one license for one enterprise shall apply to the licensing for food production.

According to the Administrative Provisions for the Record-filing of Export Food Manufacturers (Revised in 2018) (《出口食品生產企業備案管理規定(2018年修訂)》) issued by the General Administration of Customs on 23 November 2018, export food manufacturers in the PRC should carry out record-filing, where an export food manufacturer fails to perform statutory record-filing obligations in accordance with law, or its record-filing fails to satisfy requirements upon review, its products may not be exported.

The Decision of the State Council on the Integration of Health permits and Food Business licenses in Public places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated on 3 February 2016, cancels the hygiene permits of restaurants and integrate the contents of the food safety permits into the food business licenses issued by the food and drug regulatory authorities.

Regulations on Fire Prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the National People's Congress (the "**NPC**") on 29 April 1998 and amended on 28 October 2008, the Provisions on the Administration of Fire Safety of State Organs, Organisations, Enterprises and Institutions (《機關、團體、企業、事業單位消防安全管理規定》) promulgated by the Ministry of Public Security on 14 November 2001, and the Provisions on Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》) promulgated by the Ministry of Public Security on 30 April 2009 and amended on 17 July 2012, for a construction project which needs a fire prevention design under the national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes, and upon completion of such construction project, the construction unit shall apply for fire protection acceptance or conduct fire protection filing for fire protection design and completion acceptance as the case may be. Furthermore, public gathering places shall pass a fire prevention safety inspection conducted by the local relevant fire-fighting department before the commencement of business operations. The Fire Prevention Law of the PRC was amended on 23 April 2019, and subject to the revised law, with respect to the construction projects that are required by the competent department of housing and urban-rural development under the State Council to apply for acceptance checks for fire protection, the construction unit shall apply to the competent department of housing and urban-rural development under the State Council for acceptance checks for fire protection. With respect to other construction projects apart from those mentioned above, the construction unit shall, after an acceptance check, report its results to the competent department of housing and urban-rural development for the record, and such department shall conduct a random inspection thereof.

Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》, the "**Environmental Protection Law**"), which was promulgated on 26 December 1989 and was amended on 24 April 2014, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards and safeguard human health. According to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄(2017年版)》, the "**Pollutant Discharge Catalog**") promulgated by the Ministry of Environmental Protection on 28 July 2017, and the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Environmental Protection on 10 January 2018, it is temporarily unnecessary for pollutant discharge entities not included in the Pollutant Discharge Catalog to apply for a pollutant discharge license and food and beverage places do not fall in the Pollutant Discharge Catalog.

Environment Impact Assessment Law

According to Law on Environment Impact Assessment of the PRC (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002 and amended on 2 July 2016 and 29 December 2018, the Administrative Regulations on Environmental Protection in Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and the Category-based Administration Catalogue for the Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價分類管理目錄》), which was promulgated by the Ministry of Ecological Environment on 29 June 2017 and amended on 28 April 2018, the State implements a classification-based management on the environmental impact assessment (the "**EIA**") of construction projects, construction units shall prepare the environment impact reports (the "**EIR**") or Environmental Impact Statement (the "**EIS**") or fill out the Environmental Impact Registration Form (the "**EIRF**") according to the impact of the construction projects on the environment. After the construction of a construction project for which an EIR or EIS is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report. Construction of food and beverage services are classified as projects that shall fill in the EIRF and do not require the environmental acceptance check before go into production and use.

Regulations on Drainage and Sewage Disposal

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on 2 October 2013, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on 22 January 2015.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "**EIT Law**") promulgated by the NPC on 16 March 2007 and subsequently amended on 24 February 2017, 29 December 2018, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》, the "**Implementation Rules**"), which was promulgated by the State Council on 6 December 2007 and amended on 23 April 2019, enterprises are divided into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside the PRC at the rate of enterprise income tax of 25%. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC.

PRC laws and regulations relating to transfer pricing of affiliated transactions

Pursuant to the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》, "**Implementation Regulations for Special Tax Adjustments**"), "administration related to transfer pricing" refers to work such as review and evaluations on, investigations over or adjustments to a related-party transaction carried out by a taxation authority in order to determine whether or not such a transaction complies with the arm's length principle (獨立交易原則). If the failure of compliance with such principle results in reducing the income or taxable income of the enterprise or its affiliated parties, the tax authority has the power to make an adjustment by reasonable methods.

Pursuant to the EIT Law, (i) when submitting its annual enterprise income tax return to the tax authority, an enterprise shall attach an annual report on affiliated transactions (if any) between the enterprise and its affiliated parties; (ii) and when the tax authority investigates the affiliated transactions of an enterprise, the enterprise and its affiliated parties and other enterprise in connection with such affiliated transaction investigation shall provide relevant information as required. Pursuant to the Announcement of the State Administration of Taxation on Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》, "**Announcement of the Filing of Related-Party Transactions**"), enterprises shall, in accordance with the Implementation Rules, prepare current materials based on a tax year, and submit the current materials for the related-party transactions according to the requirements of tax authorities, and current materials includes a master file, a local file and a special issue file.

Value-Added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》, the "**VAT Regulations**"), which was promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, Implementation Regulations to the VAT Regulations of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance (the "**MOF**") on 25 December 1993 and amended on 15 December 2008, 28 October 2011, and the Notice of the MOF and the SAT on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated on 23 March 2016, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services, sale of services, intangible assets, real property or importation of goods within the territory of the PRC shall pay value-added tax. According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rate (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, the VAT tax rates on sales or imported goods are adjusted from 17% and 11% to 16% and 10%, respectively.

According to the Notice of the MOF and the SAT on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises (Cai Shui [2019] No.13) (《財政部、稅務總局關於實施小微企業普惠性稅收減免政策的通知(財稅[2019]13號)》), which was promulgated on 17 January 2019, from 1 January 2019 to 31 December 2021, small and micro enterprises meet the standards under the notice can enjoy corresponding tax deductions for taxes such as VAT and EIT.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform ([2019] No.39) (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》2019年第39號) promulgated by MOF, SAT and General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%.

Withholding tax

According to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on 21 August 2006 and came into effect on 1 January 2007, and subsequently amended and became effective on 30 January 2008, 20 December

2010 and 29 December 2015, where the beneficial owner of the dividends in Hong Kong directly owns at least 25% of the capital of the PRC enterprise, the dividends received from the enterprises incorporated in the PRC shall be subject to withholding tax at a rate of 5%; in any other case, tax rate of 10%. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) promulgated by SAT on 3 February 2018 and became effective on 1 April 2018, made a definition on "beneficial owners", and introduced various factors to adversely impact the recognition of such "beneficial owners".

Laws and Regulations Relating to Foreign Exchange Registration

Under the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008 and various regulations issued by the State Administration of Foreign Exchange (the "**SAFE**"), the conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for capital account items requires the prior approval from SAFE or its local office.

According to the Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on 20 June 1996, and the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on 13 February 2015, foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau, and the administrative examination and approval procedures relating to the foreign exchange registration approval under direct investment were cancelled and the foreign exchange registration under direct investment will be directly reviewed and handled by banks.

Laws and Regulations Relating to Labour

Employment Contracts

According to the Labor Law of the PRC (《中華人民共和國勞動法》) which was effective as of 1 January 1995 and amended on 27 August 2009 and 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》, "**Labor Contract Law**") which was promulgated on 29 June 2007 and amended on 28 December 2012 and the Implementing Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated on 18 September 2008, an employment relationship is established from the date when an employee commences work for an employer, and a written employment contract must be entered into on this same date or within one month.

Labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

Employee Social Insurance and Housing Provident Funds

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and amended on 29 December 2018, employers in the PRC are required to make contributions to various social insurances on behalf of its employees, and if an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one to three times the outstanding amount might be imposed by the relevant administrative department.

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, enterprises are obliged to pay and deposit housing fund in full amount in a timely manner. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. Otherwise, an application may be made by the housing provident fund administration center to a local court for compulsory enforcement.

MACAU REGULATORY OVERVIEW

Health and Safety Regulations

License to operate a Restaurant

Under Macau law, restaurants can only open to the public after the issuance of a license obtained from the Macau Government Tourist Office (the "**MGTO**"), in accordance with the provisions of Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996. Before issuing such a license, the MGTO must analyse formal opinions of other relevant public authorities rendered on urbanistic, sanitary and fire safety conditions, the compliance of the project with the applicable legal requirements and the result of the mandatory inspection of the premises in respect of their suitability for use as a restaurant.

Once the license for the restaurant is issued, it is valid for one year and must be renewed annually. The license lapses and is cancelled if the restaurant is closed for a period of at least one year or if its renewal is not requested for two consecutive years (article 31 of Decree-Law no. 16/96/M, dated 1 April 1996).

License to operate a Food Establishment

Food establishments that are not considered restaurants can only open to the public after the issuance of a license obtained from the Civic and Municipal Affairs Bureau ("**IACM**"), in accordance with the provisions set out in Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996.

In addition, with the enactment of Administrative Regulation no. 16/2003, the licensing of a certain type of food and beverage establishment, one that is installed at a completed building or construction unit with the appropriate utilization license, has been comprehensively consolidated at the IACM, meaning that the IACM is responsible for dealing directly with all applications for obtaining licenses, and assisting applicants with processing the required documents and drawings, as well as the procedures involving other relevant public authorities.

Governed under the same legal regime of Decree-Law 16/96/M, dated 1 April 1996, once the license for the food establishment is issued, it is valid for one year and must be renewed annually. The license lapses and is cancelled if the restaurant is closed for a period of at least one year or if its renewal is not requested for two consecutive years.

Food safety and Fire Prevention Regulations

Macau's Law no. 5/2013 dated 22 April 2013 on food safety regulates supervision and management, preventing measures, control and treatment of risks and processing mechanisms related to food security, in consideration of guaranteeing human health. It applies to production and trade of foodstuff, as well as to the use of food additives and related products, thus it is also applicable to operations of food establishment and restaurant in Macau. The IACM is the entity responsible for the control and implementation of these legal provisions. The non-compliance with these standards may constitute penal and administrative offense, punishable with monetary fines and additional sanctions.

Also in respect to this matter, the abovementioned Decree-Law no. 16/96/M, dated 1 April 1996, and Ordinance no. 83/96/M, dated 1 April 1996 also provide several rules designed to guarantee that restaurants and food establishments have minimum standards for hygiene, food and fire safety, and the safeguard of public health. The non-compliance with these standards may constitute an administrative offense, punishable with monetary fines and additional sanctions.

Decree-Law no. 24/95/M, dated 9 June 1995, which approved the Regulation on Fire Safety, sets out, in detail, fire safety and fire prevention regulations, aiming to prevent the risk of fires and their spreading and propagation to neighbour buildings. Restaurants must comply with the technical and building requirements in Decree-Law no. 24/95/M, dated 9 June 1995, and such compliance will be considered at the time of licensing by the MGTO.

Employment Regulations

The 2008 Macau Labour Relations Law establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Macau Labour Affairs Bureau.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of 6 months to 2 years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of 6 months to 2 years to request new authorizations; (ii) prohibition, for a period of 6 months to 2 years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation on Occupational Health and Safety in Commercial, Office and Service Establishments).

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), the Group must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

Environmental Protection Regulations

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M, dated 11 March 1991 (the Macau Environmental Law), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also, injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

The "Smoking Prevention and Control Regime", approved by Law no. 5/2011, dated 3 May 2011 and which entered into force on 1 January 2012, set out strict rules for the sale of tobacco products and now determines that smoking is prohibited indoors in a restaurant. Non-compliance with the rules of the "Smoking Prevention and Control Regime" is an administrative offense punishable with fines ranging from MOP1,500 to MOP200,000.

Of relevance are also Decree-Law no. 46/96/M, dated 19 August 1996, which sets out the water supply and drainage regulations and technical specifications in order to ensure public health and the safety of the installations, and Decree-Law no. 54/94/M, dated 14 November 1994, which provides rules for noise prevention and control.

OVERVIEW

Our Company was incorporated on 11 December 2017 in the Cayman Islands and, as part of our Reorganisation, became the holding company of our Group with our business conducted through our subsidiaries. Throughout the Track Record Period, Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho have maintained control over all of our subsidiaries. For details on the shareholder structure of our Group companies, please see "— Reorganisation — Post-Reorganisation corporate structure" below.

Immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho, through their wholly-owned investment holding company, Chun Fat, will together hold approximately 51.2% of the voting rights of our Company. Mr. Chan, Mr. Yuen, Mr. Lau, Mr. Ho and Chun Fat have confirmed under the AIC Confirmation, among other things, that they have been acting in concert with each other for the entire duration when all of them were/are contemporaneously either the legal and/or beneficial owners of shares in each of our Group companies, and shall continue to centralise the ultimate control and right to make decisions with respect to their interest in our businesses. Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho, together with Chun Fat, are our Controlling Shareholders.

BUSINESS DEVELOPMENT

History and origin

Mr. Chan, our Chairman, was engaged in the business of meat trading prior to the establishment of our Group. In 1989, Mr. Chan and Mr. Yuen among others founded our first restaurant under the "Tai Hing" brand in Sai Wan Ho, Hong Kong, using their personal resources. Mr. Lau joined our Group when our second restaurant opened in Jardine Street in Causeway Bay in 1990. Our Group expanded to a chain operator with over 10 restaurants in around 2001 when Mr. Ho joined our Group. Since joining our Group, each of Mr. Chan, Mr. Yuen, Mr. Lau and Mr. Ho has been involved in the overall management of our Group, and together they have maintained control over all of our subsidiaries during the Track Record Period. On 30 November 2017, Chun Fat was incorporated in the BVI as an investment holding vehicle and owned as to 70.7% by Mr. Chan, 12.6% by Mr. Lau, 9.9% by Mr. Ho and 6.8% by Mr. Yuen.

Siu mei dishes have a long-standing history in Hong Kong, and it was not an easy task to integrate the traditional skills of experienced chefs with modern production technologies. We have been active in exploring opportunities to adopt automated food processing machines and information technology in our production and operation processes, and have dedicated extensive marketing efforts to enhance and enrich the image, awareness and recognition of our well-known and emerging brands. Through years of hard work, our Group has expanded from one standalone restaurant to a chain of over 190 restaurants under multiple brands, serving a variety of cuisines in Hong Kong, Mainland China, Macau and Taiwan, and at the same time adhering to our core value of delivering quality, authentic and great tasting food.

Business milestones

The key milestones in our development are set out below:

Year	Key milestones
1989	Mr. Chan and Mr. Yuen opened our first restaurant under the "Tai Hing" brand in Sai Wan Ho, Hong Kong
2004	We opened our first restaurant in Mainland China under the "Tai Hing" brand
2008	Our Hong Kong Food Factory opened in Fo Tan, Hong Kong
	We acquired the restaurant under the "Trusty Congee King" brand from an Independent Third Party
2011	Our first restaurant under the "Tokyo Tsukiji" brand opened in Mongkok, Hong Kong
	Our "Trusty Congee King" restaurant in Wanchai, Hong Kong featured in the Michelin Guide Hong Kong and Macau for the first time
2012	Our first restaurant under the "TeaWood" brand opened in Mongkok, Hong Kong
2013	The *siu mei* production unit of our Hong Kong Food Factory obtained ISO22000 accreditation
2014	We opened our first restaurant under the "TeaWood" brand in Mainland China
2015	Our first restaurant under the "Fisher & Farmer" brand opened in Tsim Sha Tsui, Hong Kong
	We entered into the first of the Hong Kong Airport Tai Hing Franchise Agreements with our Tai Hing Franchise Partner and opened a "Tai Hing" restaurant in Hong Kong International Airport
2016	We opened our first restaurant under the "Trusty Congee King" brand in Mainland China
	We acquired the brand of a standalone "bing sutt" (冰室) named Man Wah Bing Teng (文華冰廳) which was subsequently rebranded as Men Wah Bing Teng (敏華冰廳)

Year	Key milestones
2017	We opened our first Vietnamese restaurant under the "Phở Lệ" brand in Kwun Tong, Hong Kong
2018	We opened our Mainland China Food Factory in Dongguan, Mainland China
	Our first factory canteen under the "Rice Rule" brand opened in Fo Tan, Hong Kong
	Our "Trusty Congee King" restaurant in Wanchai, Hong Kong has been conferred the Michelin Guide Bib Gourmand award for 2 consecutive years in Michelin Guide Hong Kong Macau 2018 Selection and Michelin Guide Hong Kong Macau 2019 Selection.
2019	We opened our first Taiwanese hotpot restaurant under the "Hot Pot Couple" brand in Mongkok, Hong Kong
	We opened our first restaurant in Taiwan under the "Tai Hing" brand

OUR GROUP

As at the Latest Practicable Date, our Group comprises our Company and 69 subsidiaries established in the BVI, Hong Kong, Macau, the PRC and Taiwan. The following table sets out information regarding our material subsidiaries:

Name	Date and place of incorporation/ establishment	Share capital(1)	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
Subsidiaries engaged in our restaurant operations						
Café 308 Company Limited	3 June 2010 in Hong Kong	100	100%	Operation of restaurants under the "Men Wah Bing Teng" brand in Hong Kong	3 June 2010	Wholly-owned by Huge Profit Star Limited(3)(4)
CTC Congee Limited	22 October 2008 in Hong Kong	10,000	100%	Operation of restaurants under the "Trusty Congee King" brand in Hong Kong	22 October 2008	Wholly-owned by Hugh Boom Limited(3)(4)
Miyasaki Yakiniku Company Limited	13 October 2010 in Hong Kong	100	100%	Operation of restaurants under the "Hot Pot Couple" brand in Hong Kong	13 October 2010	Wholly-owned by Tai Hing Catering Group Limited(3)(4)
Roast.Pot Limited	31 July 2012 in Hong Kong	100	100%	Operation of restaurants under the "Fisher & Farmer" brand and "Rice Rule" brand in Hong Kong	31 July 2012	Wholly-owned by Tai Hing Catering Group Limited(3)(4)

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
Tai Hing Worldwide Development Limited	2 January 2001 in Hong Kong	10,000	100%	Operation of restaurants under the "Tai Hing" brand and our Hong Kong Food Factory	2 January 2001	Owned as to 99.9% by Tai Hing (Samoa)[(4)] and 0.1% by Mr. Chan
TeaWood Taiwanese Dining Bar Limited	31 July 2012 in Hong Kong	100	100%	Operation of restaurants under the "TeaWood" brand in Hong Kong	31 July 2012	Wholly-owned by Tai Hing Catering Group Limited[(3)(4)]
Tokyo Tsukiji Ramen Limited	1 November 2010 in Hong Kong	100	100%	Operation of restaurants under the "Tokyo Tsukiji" brand in Hong Kong	1 November 2010	Wholly-owned by Auto Success Enterprise Limited[(3)(4)]
VIET Corner Limited	5 August 2016 in Hong Kong	100	100%	Operation of restaurants under the "Phở Lệ" brand in Hong Kong	5 August 2016	Wholly-owned by Huge Profit Star Limited[(3)(4)]
Tai Hing Catering Management (Macau) Limited	11 April 2016 in Macau	MOP25,000	100%	Operation of restaurant under the "Tai Hing" brand in Macau	11 April 2016	Owned as to 96.0% by Wealthy Grace Investment Limited[(3)(4)] and 4.0% by Mr. Chan
東莞永富食品有限公司 Dongguan Yongfu Food Limited* [(2)]	13 May 1991 in the PRC	HK$101,350,000	100%	Operation of our Mainland China Food Factory	13 May 1991 [(2)]	Wholly-owned by Bright Rich (China) Limited[(2)(3)(4)]
太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*	22 June 2009 in the PRC	HK$88,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	22 June 2009	Wholly-owned by Tai Hing Catering Management (China) Limited[(3)(4)]
青島太興餐飲管理有限公司Qingdao Tai Hing Catering Management Limited*	26 March 2015 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	26 March 2015	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*[(3)(4)]
廣州太興餐飲管理有限公司 Guangzhou Tai Hing Catering Management Limited*	18 January 2011 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	18 January 2011	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*[(3) (4)]

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital(1)	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
南寧太興餐飲管理有限公司 Nanning Tai Hing Catering Management Limited*	3 August 2012 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	3 August 2012	Wholly-owned by廣州太興餐飲管理有限公司 Guangzhou Tai Hing Catering Management Limited*(3) (4)
瀋陽太興餐飲管理有限公司 Shenyang Tai Hing Catering Management Limited*	25 March 2011 in the PRC	RMB1,050,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	25 March 2011	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*(3) (4)
鞍山太興餐飲管理有限公司 Anshan Tai Hing Catering Management Limited*	4 December 2018 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	4 December 2018	Wholly-owned by 瀋陽太興餐飲管理有限公司 Shenyang Tai Hing Catering Management Limited*
濟南太興餐飲服務有限公司 Jinan Tai Hing Catering Services Limited*	24 June 2011 in the PRC	RMB2,050,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	24 June 2011	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited* (3) (4)
北京太興餐飲管理有限公司 Beijing Tai Hing Catering Management Limited*	17 June 2010 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	17 June 2010	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*(3) (4)
天津太興餐飲管理有限公司 Tianjin Tai Hing Catering Management Limited*	22 November 2011 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	22 November 2011	Wholly-owned by 北京太興餐飲管理有限公司 Beijing Tai Hing Catering Management Limited*(3) (4)
惠州太興餐飲管理有限公司 Huizhou Tai Hing Catering Management Limited*	17 March 2017 in the PRC	RMB100,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	17 March 2017	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*(3) (4)

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital(1)	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
上海太興餐飲管理有限公司 Shanghai Tai Hing Catering Management Limited*	18 May 2010 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	18 May 2010	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited* (3) (4)
杭州太興餐飲管理有限公司 Hangzhou Tai Hing Catering Management Limited*	8 April 2013 in the PRC	RMB1,000,000	100%	Operation of restaurants under the "Tai Hing" brand in Mainland China	8 April 2013	Wholly-owned by上海太興餐飲管理有限公司 Shanghai Tai Hing Catering Management Limited* (3) (4)
鄭州太興餐飲管理有限公司 Zhengzhou Tai Hing Catering Management Limited*	11 February 2014 in the PRC	RMB100,000	100%	Operation of restaurant under the "Tai Hing" brand in Mainland China	11 February 2014	Wholly-owned by 太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited*(3) (4)
廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*	3 January 2017 in the PRC	HK$1,000,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	3 January 2017	Wholly-owned by Great Art Development Limited (3) (4)
深圳靠得住餐飲管理有限公司 Shenzhen CTC Congee Catering Management Limited*	28 June 2017 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	28 June 2017	Wholly-owned by廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited* (3) (4)
上海靠得住餐飲管理有限公司 Shanghai CTC Congee Catering Management Limited*	14 June 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	14 June 2018	Wholly-owned by廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*
杭州靠得住餐飲管理有限公司 Hangzhou CTC Congee Catering Management Limited*	6 June 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	6 June 2018	Wholly-owned by 廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*

* *For identification purposes only*

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
北京靠得住餐飲管理有限公司 Beijing CTC Congee Catering Management Limited*	1 August 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	1 August 2018	Wholly-owned by 廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*
瀋陽靠得住餐飲管理有限公司 Shenyang CTC Congee Catering Management Limited*	25 March 2019 in the PRC	RMB100,000	100%	Operation of restaurant under the "Trusty Congee King" brand in Mainland China	25 March 2019	Wholly-owned by 廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited*
錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited*.	29 November 2017 in the PRC	HK$1,000,000	100%	Operation of restaurant under the "Phở Lệ" brand in Mainland China	29 November 2017	Wholly-owned by Niceway International Enterprise Limited[(3) (4)]
廣州錦麗餐飲管理有限公司 Guangzhou PhoLe Catering Management Limited*	11 July 2018 in the PRC	RMB100,000	100%	Operation of restaurant under the " Phở Lệ" brand in Mainland China	11 July 2018	Wholly-owned by 錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited*
新世代餐飲管理(深圳)有限公司 New Generation Catering Management (Shenzhen) Limited*	23 June 2010 in the PRC	HK$41,000,000	100%	Operation of restaurant under the "Tai Hing" brand in Mainland China	23 June 2010	Wholly-owned by Tai Hing Gourmet Limited[(3) (4)]
茶木餐飲管理(深圳)有限公司 TeaWood Catering Management (Shenzhen) Limited*	17 October 2014 in the PRC	HK$14,000,000	100%	Operation of restaurant under the "TeaWood" brand in Mainland China	17 October 2014	Wholly-owned by Teawood Taiwanese Dining Bar Limited[(3)(4)]
廣州茶木餐飲有限公司 Guangzhou TeaWood Catering Management Limited*	15 December 2014 in the PRC	RMB100,000	100%	Operation of restaurant under the "TeaWood" brand in Mainland China	15 December 2014	Wholly-owned by 茶木餐飲管理(深圳)有限公司 TeaWood Catering Management (Shenzhen) Limited*[(3) (4)]
杭州錦麗飲食管理有限公司 Hangzhou PhoLe Catering Management Limited*	15 February 2019 in the PRC	RMB100,000	100%	Operation of restaurant under the "Phở Lệ" brand in Mainland China	15 February 2019	Wholly-owned by 錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited*

* *For identification purposes only.*

Name	Date and place of incorporation/ establishment	Share capital[(1)]	Interest attributable to our Group after the Reorganisation	Principal business activities	Date of commencement of business	Shareholding as at 1 January 2016/ date of acquisition/ commencement of business
台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited*	11 April 2019 in Taiwan	1,500,000	51%	Operation of restaurant under the "Tai Hing" brand in Taiwan	11 April 2019	51% by Nice Bloom Investment Limited[(5)] and 49% by 緯豆投資有限公司 Weidoe Investment Co., Ltd.*

Note:

1. The share capital structure of our subsidiaries incorporated in Hong Kong or Taiwan refer to their issued shares. The share capital structure of our subsidiaries incorporated in Macau or established in the PRC refer to their registered capital. As at the Latest Practicable Date, except for Shenyang CTC Congee Catering Management Limited*, Guangzhou PhoLe Catering Management Limited* and Hangzhou PhoLe Catering Management Limited* all shares or share capital under the "Share capital structure" column were fully paid-up.

2. On 30 November 2016, we acquired Bright Rich (China) Limited, a holding company of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* from an Independent Third Party at consideration of HK$47.5 million.

3. These companies were in turn wholly-owned by Tai Hing (Samoa).

4. As at 1 January 2016, Tai Hing (Samoa) was owned by our Controlling Shareholders as to 27.0% by Mr. Chan, 11.8% by Mr. Lau, 11.0% by Mr. Ho and 5.3% by Mr. Yuen. The remaining shareholders were Independent Third Parties, save for Mr. Lau Hon Loi, a brother of Mr. Lau.

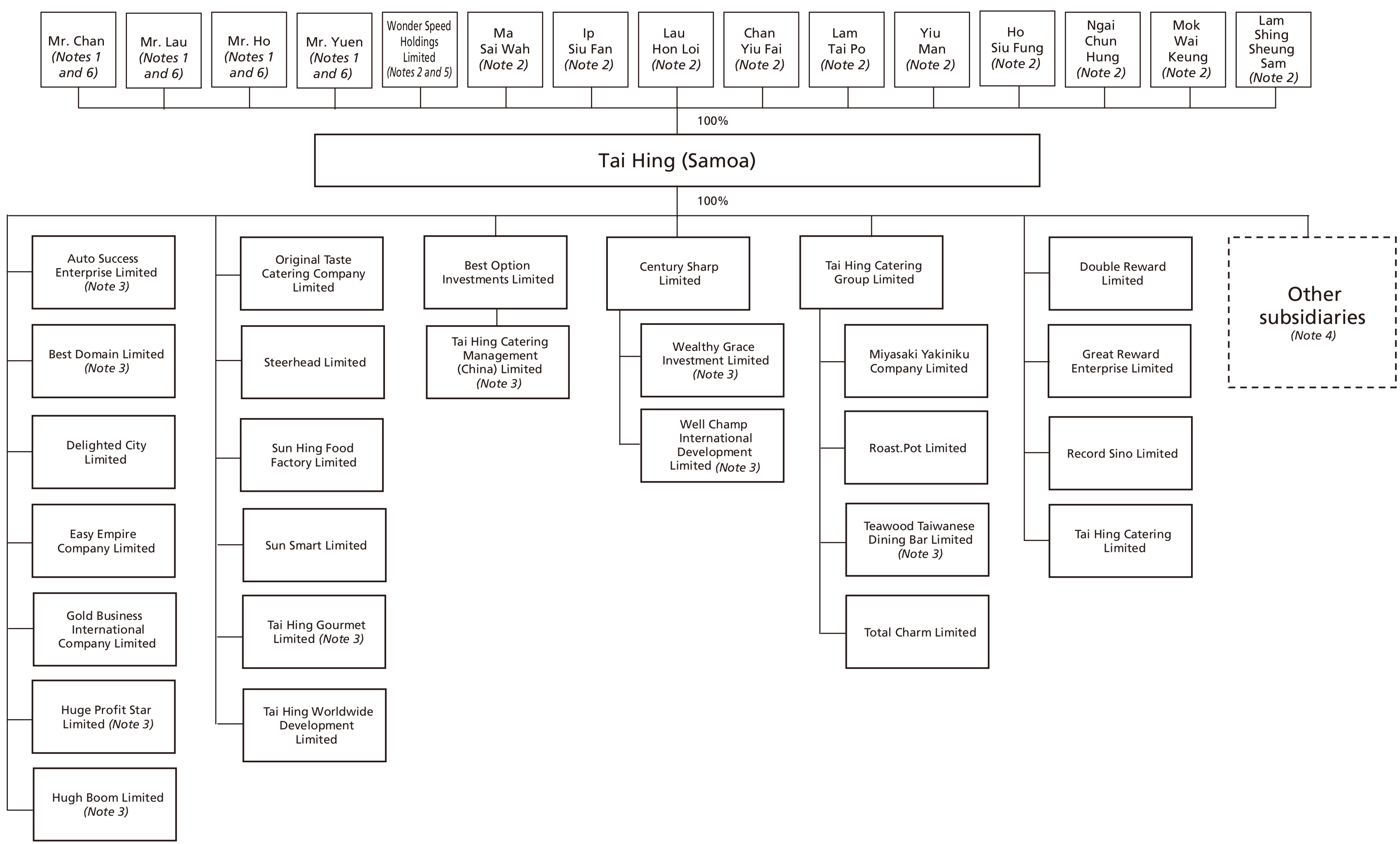
5. Nice Bloom Investment Limited is wholly-owned by our Company.

* *For identification purposes only*

REORGANISATION

Pre-Reorganisation corporate structure

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



Notes:

1. The shareholding of Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen in Tai Hing (Samoa) is set out below:

Name	Shareholding
Mr. Chan	50.4%
Mr. Lau	9.0%
Mr. Ho	7.1%
Mr. Yuen	4.8%
Total	71.3%

2. The shareholding of other shareholders of Tai Hing (Samoa) is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	6.8%
Ma Sai Wah	6.3%
Ip Siu Fan	4.3%
Lau Hon Loi	2.9%
Chan Yiu Fai	1.8%
Lam Tai Po	1.4%
Yiu Man	1.4%
Ho Siu Fung	1.4%
Ngai Chun Hung	0.9%
Mok Wai Keung	0.9%
Lam Shing Sheung Sam	0.6%
Total	28.7%

3. Wholly-owned subsidiaries held by each of the relevant subsidiaries are as follows:

Name of holding subsidiary	Name of wholly-owned subsidiary(ies)
Auto Success Enterprise Limited	Chance Spread Limited Tokyo Tsukiji Ramen Limited
Best Domain Limited	深圳得好勵投資諮詢有限公司 Shenzhen Dehaoli Investment Advisory Limited*
Huge Profit Star Limited	Auto Plus Limited Café 308 Company Limited Niceway International Enterprise Limited VIET Corner Limited 錦麗餐飲管理(深圳)有限公司 PhoLe Catering Management (Shenzhen) Limited* (established on 29 November 2017) 廣州錦麗餐飲管理有限公司 Guangzhou PhoLe Catering Management Limited* (established on 11 July 2018) 杭州錦麗飲食管理有限公司 Hangzhou PhoLe Catering Management Limited* (established on 15 February 2019)
Hugh Boom Limited	CTC Congee Limited Gold Rainbow Limited Great Art Development Limited 廣州靠得住餐飲管理有限公司 Guangzhou CTC Congee Catering Management Limited* 深圳靠得住餐飲管理有限公司 Shenzhen CTC Congee Catering Management Limited* 杭州靠得住餐飲管理有限公司 Hangzhou CTC Congee Catering Management Limited* (established on 6 June 2018)

* *For identification purposes only*

Name of holding subsidiary	Name of wholly-owned subsidiary(ies)
	上海靠得住餐飲管理有限公司 Shanghai CTC Congee Catering Management Limited* (established on 14 June 2018) 北京靠得住餐飲管理有限公司 Beijing CTC Congee Catering Management Limited* (established on 1 August 2018) 瀋陽靠得住餐飲管理有限公司 Shenyang CTC Congee Catering Management Limited* (established on 25 March 2019)
Tai Hing Catering Management (China) Limited	太興飲食管理(中國)有限公司 Tai Hing Food and Beverage Management (China) Limited* 廣州太興餐飲管理有限公司 Guangzhou Tai Hing Catering Management Limited* 南寧太興餐飲管理有限公司 Nanning Tai Hing Catering Management Limited* 上海太興餐飲管理有限公司 Shanghai Tai Hing Catering Management Limited* 杭州太興餐飲管理有限公司 Hangzhou Tai Hing Catering Management Limited* 鄭州太興餐飲管理有限公司 Zhengzhou Tai Hing Catering Management Limited* 北京太興餐飲管理有限公司 Beijing Tai Hing Catering Management Limited* 天津太興餐飲管理有限公司 Tianjin Tai Hing Catering Management Limited* 惠州太興餐飲管理有限公司 Huizhou Tai Hing Catering Management Limited* 濟南太興餐飲服務有限公司 Jinan Tai Hing Catering Services Limited* 青島太興餐飲管理有限公司 Qingdao Tai Hing Catering Management Limited* 瀋陽太興餐飲管理有限公司 Shenyang Tai Hing Catering Management Limited* 鞍山太興餐飲管理有限公司 Anshan Tai Hing Catering Management Limited* (established on 4 December 2018) Spring Market Investments Limited (disposed on 9 July 2018) 北京秀慧投資諮詢有限公司 Beijing Xiuhui Investment Consulting Limited* (disposed on 9 July 2018)
Tai Hing Gourmet Limited	新世代餐飲管理(深圳)有限公司 New Generation Catering Management (Shenzhen) Limited*
Teawood Taiwanese Dining Bar Limited	茶木餐飲管理(深圳)有限公司 TeaWood Catering Management (Shenzhen) Limited* 廣州茶木餐飲管理有限公司 Guangzhou TeaWood Catering Management Limited*
Wealthy Grace Investment Limited	Tai Hing Catering Management (Macau) Limited
Well Champ International Development Limited	Bright Rich (China) Limited 東莞永富食品有限公司 Dongguan Yongfu Food Limited* 東莞太興餐飲管理有限公司 Dongguan Tai Hing Catering Management Limited*

4. These subsidiaries of Tai Hing (Samoa) were either inactive or used for investment holding purposes.

5. Wonder Speed Holdings Limited is wholly-owned by Chan Brian Hankin.

6. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

* *For identification purposes only*

Our Reorganisation involved the following steps:

Incorporation of Tai Hing (BVI)

Tai Hing (BVI) was incorporated with limited liability in the BVI on 1 November 2017 and is authorised to issue 50,000 shares of a single class with a par value of US$1.00. On the same day, one share in Tai Hing (BVI) was allotted and issued, credited as fully-paid, to Tai Hing (Samoa).

Acquisition of shares in various subsidiaries by Tai Hing (BVI) in 2017

On 30 November 2017, the following transfers took place:

(a) Acquisition of 100 shares in Huge Profit Star Limited, 100 shares in Hugh Boom Limited, 100 shares in Auto Success Enterprise Limited, 100 shares in Delighted City Limited, 200,000 shares in Easy Empire Company Limited, 10,000 shares in Gold Business International Company Limited, 10,000 shares in Tai Hing Worldwide Development Limited, 100 shares in Original Taste Catering Company Limited, 100 shares in Steerhead Limited, 100 shares in Sun Hing Food Factory Limited, 100 shares in Best Domain Limited, 100,000 shares in Sun Smart Limited and 100 shares in Tai Hing Gourmet Limited from Tai Hing (Samoa), at a consideration of 13 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(b) Acquisition of 100 shares in Well Champ International Development Limited from Century Sharp Limited, at a consideration of one share in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(c) Acquisition of 100 shares in TeaWood Taiwanese Dining Bar Limited, 100 shares in Roast.Pot Limited, 100 shares in Miyasaki Yakiniku Company Limited and 100 shares in Total Charm Limited from Tai Hing Catering Group Limited, at a consideration of 4 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

(d) Acquisition of 10 shares in Tai Hing Catering Management (China) Limited from Best Option Investments Limited, at a consideration of 2 shares in Tai Hing (BVI) allotted and issued to Tai Hing (Samoa).

Consideration for shares in respect of the transfers set out above was determined with reference to nominal value. As a result of the above transfers, the relevant subsidiaries became wholly-owned subsidiaries of Tai Hing (BVI).

Incorporation of our Company

Our Company was incorporated with limited liability in the Cayman Islands on 11 December 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully-paid, to our initial subscriber, and was subsequently transferred to Chun Fat. On 18 December 2017, 71,275 Shares, 6,827 Shares, 6,274 Shares, 4,317 Shares, 2,900 Shares, 1,793 Shares, 1,446 Shares, 1,446 Shares, 1,446 Shares, 897 Shares, 896 Shares and 482 Shares, respectively, were allotted and issued to Chun Fat, Wonder Speed Holdings Limited, Mr. Ma Sai Wah, Ms. Ip Siu Fan, Mr. Lau Hon Loi, Mr. Chan Yiu Fai, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Ho Siu Fung, Mr. Ngai Chun Hung, Mr. Mok Wai Keung and Mr. Lam Shing Sheung Sam, respectively.

Acquisition of Tai Hing (BVI) by our Company

On 28 December 2017, the entire issued share capital of Tai Hing (BVI) was transferred to our Company by Tai Hing (Samoa) at a nominal consideration of US$21.

Disposal of Spring Market Investments Limited by Tai Hing Catering Management (China) Limited

On 9 July 2018, Tai Hing Catering Management (China) Limited disposed of the entire issued share capital of Spring Market Investments Limited (and its wholly-owned subsidiary, 北京秀慧投資諮詢有限公司) at a consideration of RMB8,000,000 (with reference to the market valuation of the relevant property held by Spring Market Investments Limited) to an Independent Third Party for the purpose of transferring a property not intended to be included in our Group.

Acquisition of shares in various subsidiaries by Tai Hing (BVI) in 2018

On 4 September 2018, Tai Hing (BVI) acquired 100 shares in Double Reward Limited, 100 shares in Great Reward Enterprise Limited, 100 shares in Record Sino Limited and 10,000 shares in Tai Hing Catering Limited from Tai Hing (Samoa), and 100 shares in Wealthy Grace Investment Limited from Century Sharp Limited, at a nominal consideration of HK$5.00. As a result of these transfers, the relevant subsidiaries became wholly-owned subsidiaries of Tai Hing (BVI).

Pre-IPO investments

Acquisitions of Shares by Mr. Chan Ka Keung, Ms. Chan Shuk Fong, Mr. Ho Siu Fung, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Sin Wai Hung, Ms. Yu Lin Ho, Mr. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice (the "Pre-IPO Investments")

In November 2018, Mr. Chan Ka Keung, Ms. Chan Shuk Fong, Mr. Ho Siu Fung, Mr. Lam Tai Po, Mr. Yiu Man, Mr. Sin Wai Hung, Ms. Yu Lin Ho, Mr. Tsun Tsz Wai and Ms. Tsun Tsz Yan

Venice, through the following share transfers, acquired 6,876 Shares, representing approximately 6.9% interest in our Company immediately prior to the Global Offering and Capitalisation Issue:

Pre-IPO investor	Vendor	Date of transfer	Date of completion	Consideration	Shares being transferred	Percentage of Shareholding being transferred	Shareholding of the Pre-IPO investor in our Company immediately upon completion of the Global Offering and the Capitalisation Issue
				(HK$)		(%)	(%)
Chan Ka Keung	Chun Fat	12 November 2018	27 November 2018	13,200,000	1,000	1.000	0.750
Chan Shuk Fong	Chun Fat	12 November 2018	27 November 2018	19,800,000	1,500	1.500	1.125
Ho Siu Fung . .	Chun Fat	15 November 2018	27 November 2018	5,794,800	439	0.439	1.414 *(Note 1)*
Lam Tai Po . .	Wonder Speed Holdings Limited	15 November 2018	20 November 2018	3,735,600	283	0.283	
	Lau Hon Loi	15 November 2018	20 November 2018	1,584,000	120	0.120	
	Chan Yiu Fai	15 November 2018	20 November 2018	475,200	36	0.360	
	Subtotal:			5,794,800	439	0.439	1.414 *(Note 1)*
Yiu Man	Ma Sai Wah	12 November 2018	20 November 2018	3,432,000	260	0.260	
	Ip Siu Fan	12 November 2018	20 November 2018	2,362,800	179	0.179	
	Sub-total:			5,794,800	439	0.439	1.414 *(Note 1)*
Sin Wai Hung .	Chan Yiu Fai	12 November 2018	20 November 2018	501,600	38	0.038	
	Ngai Chun Hung	12 November 2018	20 November 2018	488,400	37	0.037	
	Mok Wai Keung	12 November 2018	20 November 2018	488,400	37	0.037	
	Lam Shing Sheung Sam	12 November 2018	20 November 2018	264,000	20	0.020	
	Chun Fat	12 November 2018	27 November 2018	237,600	18	0.018	
	Sub-total:			1,980,000	150	0.150	0.113
Yu Lin Ho . . .	Ip Siu Fan	16 November 2018	21 November 2018	12,817,200	971	0.971	0.728
Tsun Tsz Wai .	Ip Siu Fan	16 November 2018	20 November 2018	12,790,800	969	0.969	0.727
Tsun Tsz Yan Venice	Ip Siu Fan	16 November 2018	20 November 2018	12,790,800	969	0.969	0.727
Total:				**90,763,200**	**6,876**	**6.876**	**8.412**

Notes:

1. Mr. Ho Siu Fung, Mr. Lam Tai Po and Mr. Yiu Man each held 1,446 Shares prior to the Pre-IPO Investments.

The consideration for the Pre-IPO Investments was funded by the Pre-IPO investors set out above from their own resources.

Principal terms of the Pre-IPO Investments

The principal terms of the Pre-IPO Investments are set out in the table below:

Background of investors	Ms. Chan Shuk Fong is our executive Director. Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Sin Wai Hung are members of the senior management of our Company Ms. Chan Shuk Fong is a cousin of Mr. Chan and the aunt of Mr. Chan Ka Keung. Mr. Chan Ka Keung is the son of Mr. Chan and the nephew of Ms. Chan Shuk Fong Ms. Yu Lin Ho, Mr. Tsun Tsz Wai and Ms. Tsun Tsz Yan Venice are Independent Third Parties
Dates of transfer	Please refer to the table under "— Reorganisation — Pre-IPO investments" in this section
Dates of completion	Please refer to the table under "— Reorganisation — Pre-IPO investments" in this section
Consideration and payment date	Please refer to the table under "— Reorganisation — Pre-IPO investments" in this section for the consideration paid by each of the investors Payments were made in full by the investors on or before 27 November 2018
Basis of determination of the consideration	Consideration was determined after arm's length negotiation between the relevant vendor and Pre-IPO investor with reference to the fair value of the relevant Shares in a valuation report prepared by an independent valuer
Investment cost	Approximately HK$13,200.00 before Capitalisation Issue or approximately HK$1.76 per Share taking into account the effect of Capitalisation and the Global Offering but assuming the Over-allotment Option is not exercised
Discount over mid-point of the Offer Price Range	Approximately 46.7% (based on the mid-point of the Offer Price range of HK$3.30)
Use of net proceeds and its utilisation by the vendor	None of the proceeds are received by our Company as no new Shares are issued under the Pre-IPO Investments

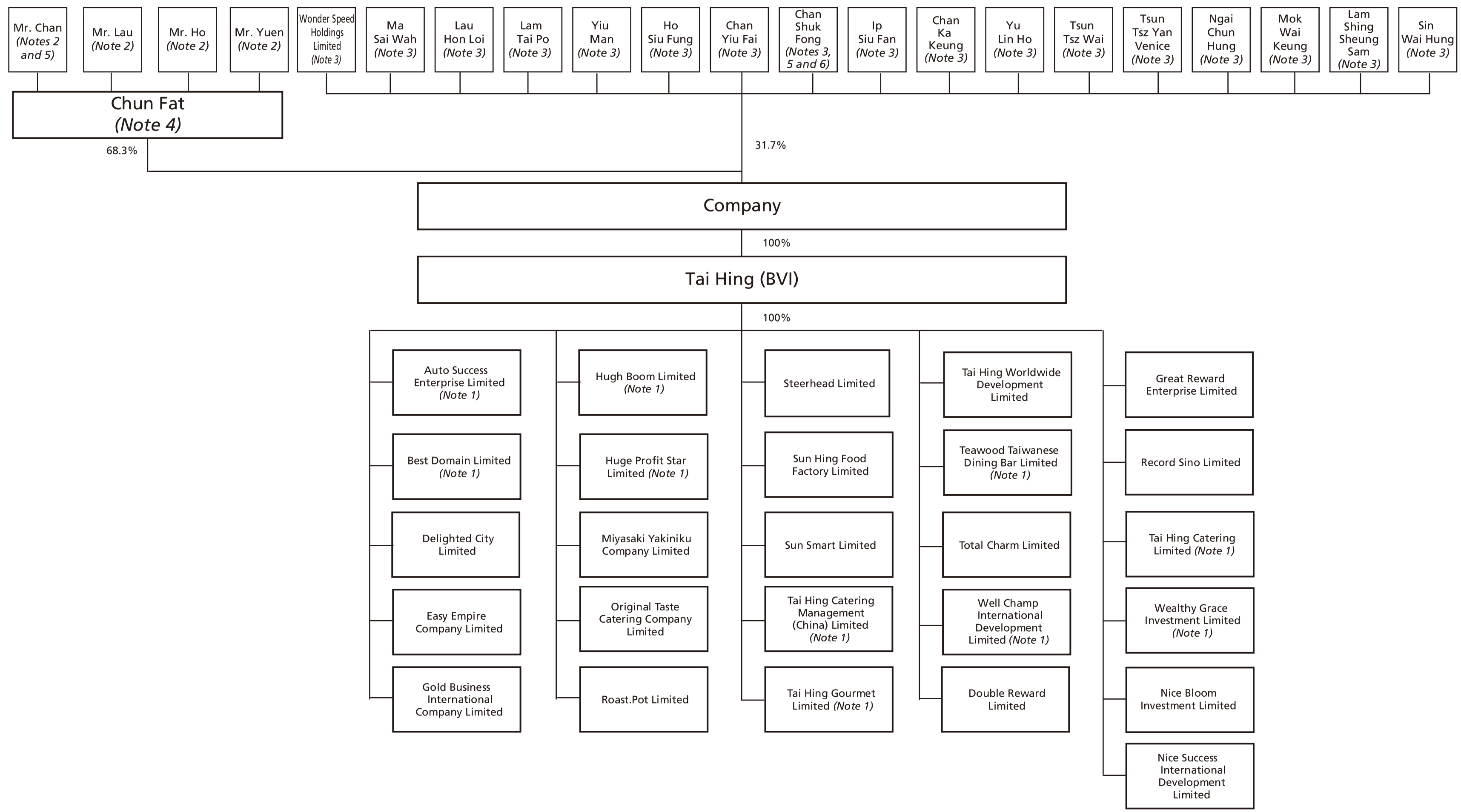
Special rights granted to the investors	None was granted
Lock-up of the investment made as part of the terms of the Pre-IPO Investments	None
Public float for the purposes of Rule 8.08 of the Listing Rules	Save for the Shares held by Ms. Chan Shuk Fong (being an executive Director and a core connected person of our Company), the relevant Shares will be considered part of our public float
Strategic benefits to our Company	None of the transfers were initiated by our Company by way of issuance of new shares. It is noted that transfers were initiated by the respective Pre-IPO investors and our Directors believe that the investment made by Ms. Chan Shuk Fong, Mr. Chan Ka Keung, Mr. Lam Tai Po, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Sin Wai Hung, who are our employees, will bring in synergy to the development of our Group by creating a sense of belonging and ownership to the investor in our Group
Share-based payments	The investments made did not result in any share-based payment expense as the consideration of the transfer was determined at arm's length basis with reference to the fair value of the relevant Shares at the time of the transfer

The Sole Sponsor's confirmation

After reviewing the terms of the Pre-IPO Investments, the Sole Sponsor has confirmed that each of the transactions under the Pre-IPO Investments is in compliance with the Interim Guidance on Pre-IPO Investments HKEx-GL29-12, the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12 issued by the Stock Exchange.

Post-Reorganisation corporate structure

Set out below is the shareholding and corporate structure of our Group immediately after the implementation of the Reorganisation:



Notes:

1. Please refer to the table under "— Reorganisation — Pre-Reorganisation corporate structure — Notes: 3." in this section for the wholly-owned subsidiaries held by each of the relevant subsidiaries.

2. The shareholding of Chan Wing On, Lau Hon Kee, Ho Ping Kee and Yuen Chi Ming in Chun Fat is set out below:

Name	Shareholding
Mr. Chan	70.7%
Mr. Lau	12.6%
Mr. Ho	9.9%
Mr. Yuen	6.8%
Total	100.0%

3. The shareholding of our Shareholders other than Chun Fat in our Company is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	6.5%
Ma Sai Wah	6.0%
Lau Hon Loi	2.8%
Lam Tai Po	1.9%
Yiu Man	1.9%
Ho Siu Fung	1.9%
Chan Yiu Fai	1.7%
Chan Shuk Fong	1.5%
Ip Siu Fan	1.2%
Chan Ka Keung	1.0%
Yu Lin Ho	1.0%
Tsun Tsz Wai	1.0%
Tsun Tsz Yan Venice	1.0%
Ngai Chun Hung	0.8%
Mok Wai Keung	0.8%
Lam Shing Sheung Sam	0.5%
Sin Wai Hung	0.2%
Total	31.7%

4. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

5. Mr. Chan is the cousin of Ms. Chan Shuk Fong and father of Mr. Chan Ka Keung.

6. Ms. Chan Shuk Fong is the aunt of Mr. Chan Ka Keung.

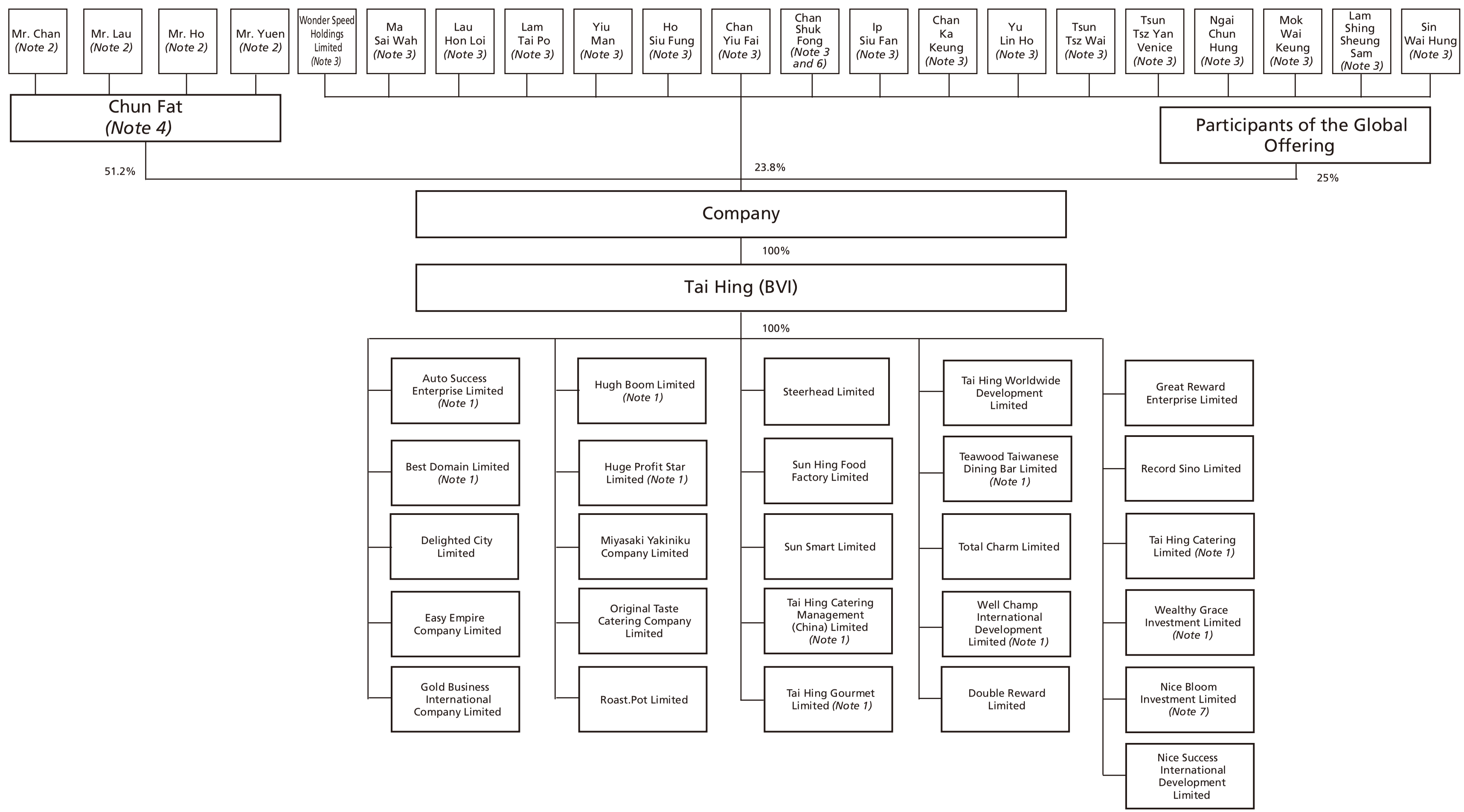
As at the date of this Prospectus, except for the Capitalisation Issue and the Global Offering (which will take place on the Listing Date), all the steps of the Reorganisation have been properly and legally completed and settled, all relevant regulatory approvals for the Reorganisation have been obtained and the Reorganisation has complied with applicable laws and regulations. Save as disclosed in this section, we had not carried out any major disposals, acquisitions and mergers during the Track Record Period.

OFFERING OF SHARES AND CAPITALISATION ISSUE

Conditional upon the Listing Committee granting the approval for the listing of and permission to deal in the Shares on the Main Board of the Stock Exchange, our Company will offer 250,000,000 Shares, being 25.0% of total issued share capital of our Company (as enlarged by the Shares offered under the Global Offering and issued under the Capitalisation Issue, excluding the Shares which may be issued upon exercise of the Pre-IPO Share Options, the Post-IPO Share Options or the Over-allotment Option in whole or in part) for subscription.

Conditional upon the share premium account of our Company being credited with the proceeds of the Global Offering, an appropriate sum will be capitalised and applied in paying up in full at par such number of shares in our Company to be allotted and issued to the then existing shareholders of our Company so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75.0% of the issued share capital of our Company.

The following is the shareholding structure of our Group upon the completion of the Capitalisation Issue and the Global Offering (but not taking into account any Shares that may be allotted and issued upon the exercise of the Pre-IPO Share Options, the Post-IPO Share Options or the Over-allotment Option):



Notes:

1. Please refer to the table under "— Reorganisation — Pre-Reorganisation corporate structure — Notes: 3." in this section for the wholly-owned subsidiaries held by each of the relevant subsidiaries.

2. The shareholding of Chan Wing On, Lau Hon Kee, Ho Ping Kee and Yuen Chi Ming in Chun Fat Company Limited is set out below:

Name	Shareholding
Mr. Chan	70.7%
Mr. Lau	12.6%
Mr. Ho	9.9%
Mr. Yuen	6.8%
Total	100.0%

3. The shareholding of our Shareholders other than Chun Fat in our Company is set out below:

Name	Shareholding
Wonder Speed Holdings Limited	4.9%
Ma Sai Wah	4.5%
Lau Hon Loi	2.1%
Lam Tai Po	1.4%
Yiu Man	1.4%
Ho Siu Fung	1.4%
Chan Yiu Fai	1.3%
Chan Shuk Fong	1.1%
Ip Siu Fan	0.9%
Chan Ka Keung	0.8%
Yu Lin Ho	0.7%
Tsun Tsz Wai	0.7%
Tsun Tsz Yan Venice	0.7%
Ngai Chun Hung	0.7%
Mok Wai Keung	0.7%
Lam Shing Sheung Sam	0.4%
Sin Wai Hung	0.1%
Total	23.8%

4. Mr. Chan, Mr. Lau, Mr. Ho, Mr. Yuen and Chun Fat executed the AIC Confirmation on 14 December 2018.

5. Mr. Chan is the cousin of Ms. Chan Shuk Fong and father of Mr. Chan Ka Keung.

6. Ms. Chan Shuk Fong is the aunt of Mr. Chan Ka Keung.

7. 台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited* is a non wholly-owned subsidiary of Nice Bloom Investment Limited, and is owned as to 51% by Nice Bloom Investment Limited and 49% by 緯豆投資有限公司 Weidoe Investment Co., Ltd.*.

* *For identification purposes only.*

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licensing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", "Rice Rule" and "Hot Pot Couple". As at the Latest Practicable Date, we had 191 restaurants (comprising 184 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 126 restaurants in Hong Kong, 63 restaurants in Mainland China, one restaurant in Macau and one restaurant in Taiwan.

We offer a wide range of cuisines in Hong Kong, Mainland China, Macau and Taiwan. When we introduce new cuisines from different countries and regions to our offering, we select representative dishes from that culinary culture with an aim of creating a distinctive dining experience to our customers under each brand.

According to the Frost & Sullivan Report, in 2017, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of self-operated restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China.

Our management has always strived to offer customers with affordable and diversified choices of quality food, in a tasteful and comfortable dining environment. Leveraging on the knowledge and success of our management and operation of our Tai Hing Restaurants, we have gradually expanded our market by adopting the multi-brand business model to capture a wider spectrum of customers since 2008. As at the Latest Practicable Date, we had 191 restaurants in our restaurant network, comprising 126 in Hong Kong, 63 in Mainland China, one in Macau and one in Taiwan, under nine different brands. We believe that our multi-brand strategy has allowed us to attract customers with different dining preferences, seize opportunities to increase our market share and drive our sustainable growth.

Consistency in dining experience for each of our brands across all of such brand's restaurants is vital to the success of our operations. We adopt standardised operation processes for different brands and have implemented automated production processes in our restaurants as well as Food Factories. Food safety is crucial for maintaining consumers' confidence in our brands and we safeguard food safety, and thereby our brand value, through stringent quality control. These measures are key to ensuring consistent quality, allowing us to better replicate our tradition and success to new restaurants and brands, and contribute to our growth over the years. In FY2016, FY2017 and FY2018, we opened 28, 32 and 32 new restaurants under different brands, most of which have achieved breakeven typically within two to four months. We believe that our replicable operation model and strong capabilities in expanding our brand portfolio by adapting to the ever-changing market condition and customer preference will continue to be one of the critical factors for our future success.

During the Track Record Period, we primarily generated our revenue by providing dining services through our restaurants and we also generated a small percentage of revenue from sales of canned food products and festive specialty products. For FY2016, FY2017 and FY2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$3,126.1 million, and our profit for the year was HK$196.9 million, HK$209.6 million and HK$304.9 million, respectively.

The following table sets out the breakdown of our revenue and gross profit for FY2016, FY2017 and FY2018:

	FY2016				FY2017				FY2018			
	Total revenue	% of total revenue	Gross profit	Gross profit margin	Total revenue	% of total revenue	Gross profit	Gross profit margin	Total revenue	% of total revenue	Gross profit	Gross profit margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Restaurant operations												
Tai Hing	1,868,481	74.4	1,299,762	69.6	1,900,924	68.6	1,349,979	71.0	2,023,634	64.7	1,442,031	71.3
TeaWood	392,094	15.6	294,258	75.0	536,509	19.4	401,296	74.8	555,499	17.8	416,978	75.1
Trusty Congee King	114,877	4.6	84,997	74.0	149,928	5.4	107,131	71.5	207,823	6.6	146,473	70.5
Men Wah Bing Teng	–	–	–	–	26,312	0.9	18,453	70.1	120,470	3.9	86,718	72.0
Phở Lệ	–	–	–	–	21,464	0.8	14,491	67.5	96,263	3.1	62,891	65.3
Tokyo Tsukiji	29,436	1.2	20,912	71.0	28,817	1.0	19,984	69.3	23,562	0.8	16,800	71.3
Fisher & Farmer	18,463	0.7	13,752	74.5	18,166	0.7	13,690	75.4	13,809	0.4	10,422	75.5
Rice Rule	–	–	–	–	–	–	–	–	2,230	0.1	1,352	60.6
Other brands (Note)	31,335	1.2	20,040	64.0	29,836	1.1	17,698	59.3	18,380	0.5	10,258	55.8
Sub-total	2,454,686	97.7	1,733,721	70.6	2,711,956	97.9	1,942,722	71.6	3,061,670	97.9	2,193,923	71.7
Sale of food products	58,284	2.3	44,087	75.6	59,321	2.1	41,525	70.0	64,383	2.1	45,068	70.0
Total	2,512,970	100.0	1,777,808	70.7	2,771,277	100.0	1,984,247	71.6	3,126,053	100.0	2,238,991	71.6

Note: This represents our brands that were discontinued during the Track Record Period and up to the Latest Practicable Date.

COMPETITIVE STRENGTHS

We are a leading market player in the Hong Kong and Mainland China catering service industry with strong brand recognition

According to the Frost & Sullivan Report, in 2017, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong; (ii) first in terms of the number of self-operated restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China. We believe that our brand is built on our dedication to providing our customers with quality dining experience at affordable prices. Together with our team of management, our founders, Mr. Chan and Mr. Yuen, together, with Mr. Lau and Mr. Ho, have developed our Group into a leading restaurant group through over 29 years of dedication and quality services. Our Directors believe that our brand "Tai Hing" gives our customers confidence in food safety, food quality, restaurant and food factory hygiene and enjoyable dining experiences, which differentiate us from our competitors. In recognition of our efforts, we have won numerous awards, such as Hong Kong Top Service Brand Ten Year Achievement Award in 2018 by Hong Kong Brand Development Council, Market Leadership in Casual Dining 2017/18 and Triple Crown Winner in 2018 by Hong Kong Institute of Marketing, Service and Courtesy Award in 2018 and Top 10 Outstanding Service Retail Brands in 2018 by Hong Kong Retail Management Association.

We believe that our strong brand recognition provides us with a number of competitive advantages, such as (i) stronger leverage in securing favourable terms in leasing desirable restaurant locations catering for our strategic needs, (ii) higher bargaining power with our suppliers and service providers for competitive prices, priority supply and customised ingredients and services, and (iii) easier recruitment and retention of experienced management and other staff. With our leading market position and ability to capitalize on our strong brand recognition, we believe we are well-positioned to capture new market opportunities for sustainable future growth.

Strong capability and track record in developing brands and growing our brand portfolio to capture a broad spectrum of customers

We recognise the importance of capturing a diverse range of customers in the catering service market, and we take pride in our ability to design and develop new brands. We believe that our success in running a multi-brand business model stems from our management's willingness to embrace innovative ideas, the use of automation in production and food preparation, as well as our strong capability in formulating and implementing standardised production processes and restaurant operation models which can be readily replicated across new restaurant brands and outlets for our expansion.

In addition to operating restaurants under our long standing original brand "Tai Hing", we were also operating 81 restaurants under eight other brands as at the Latest Practicable Date, namely, "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", "Rice Rule" and "Hot Pot Couple", serving a variety of cuisines under different styles of dining environment. As detailed in the paragraph headed "— Our Restaurants — our brands" below, even though we developed most of our brands in-house, we would also look to cooperate or acquire other brands or businesses when opportunities arise. We have a proven track record in developing different types of brands. We have strong capabilities and management skills in expanding our brand portfolio and running our restaurants and are capable of catering to ever-changing market conditions and customer preferences. This is evidenced by the popularity of the self-developed "TeaWood" brand which ranked first in terms of the number of self-operated restaurants in the Taiwanese casual dining market in Hong Kong according to the Frost & Sullivan Report, the successful remodelling of "Men Wah Bing Teng" from a single and traditional stand-alone restaurant to a chain operation with 13 restaurants as at the Latest Practicable Date, the development of a chain of modern Vietnamese restaurants under the "Phở Lệ" brand originated from a local noodle store in Ho Chi Minh City, and the remodelling of the "Trusty Congee King" brand which was acquired by us in 2008 and subsequently being conferred the Bib Gourmand award in the Michelin Guide Hong Kong Macau for two consecutive years in 2018 and 2019.

With our multi-brand strategy, we offer Chinese (including Cantonese, Sichuan and Beijing and Taiwanese cuisines), Vietnamese and various Japanese cuisines. In support of this strategy, the interior decor and design of each of these brands have been carefully developed by our management. We aim to provide our customers with unique and fresh dining experiences when they dine at each of our restaurants under different brands. For example, the traditional old-fashioned "bing teng" (冰廳) setting in the old days of Hong Kong has been applied to our Men Wah Bing Teng Restaurants, while a carefree self-service canteen setting has been applied to our Rice Rule Restaurant. In our TeaWood Restaurants, different themes, such as circus, sea breeze and butterfly fairy, are adopted. Such settings allow our customers to have a taste of originality and local experience from where our cuisines stem from. These unique designs have also earned us the German Award Design, a prestigious design award presented by the German Ministry for Economics and Technology, in 2018. We strive to achieve diversity within a single brand, with our TeaWood brand evolving over the years to provide various dining experiences including full service restaurants, café style restaurants, as well as café offering bakery products under the same concept. The "T-Factory" mobile application launched under the TeaWood brand was awarded the "Hong Kong Digital Brand Award" by the Metro Broadcast Limited and The Chamber of Hong Kong Computer Industry in 2018.

Our history of opening and operating different styles of restaurants offering a variety of cuisines and services to a diversified customer base provides us with valuable experience and helps us develop an acumen for adjusting to the constantly changing and competitive catering service market, condition and consumer preferences. Our Directors believe that our ability to adapt to the tastes and preferences of customers in different market segments and different locations through our multi-brand strategy has broadened our customer base as well as capturing wider market segments and will continue to support our expansion in the future.

Highly standardised operation, automated production and food preparation processes and efficient management system as a systematic platform to sustain future growth

We believe our highly standardised operation and efficient management system have enabled us to maximise our profitability, control our operational costs, achieve economies of scale and establish a scalable business model, as evidenced by our growth to date. Our standardised and efficient operation primarily consist of the following aspects:

- *Extensive application of automated food processing machinery at restaurant level.* The catering service industry is a labour intensive industry and labour costs commonly constitute a substantial portion of the operating costs. For the purpose of ensuring high quality dishes, higher labour costs would typically be required for recruiting, training and retaining skilled and experienced chefs.

  To tackle the traditional heavy reliance on skilled labour, our management took the initiative and introduced different kinds of automated food processing machinery at our restaurants. This increased our operational efficiency, helped to ensure consistency in dish portion and quality, and created a safer and healthier working environment for our kitchen employees. These automated food processing machinery include automated woks with synchronised voice prompt for the kitchen staff, programmed barbecue pork sauce mixers, programmed chicken poaching machines and programmed poultry roasting ovens. The use of automated machines helps to reduce the skill level required of kitchen staff and minimise repetitive motions and heavy-lifting in cooking processes and thereby reduce common occupational diseases among kitchen employees. We have obtained three innovative application patents for our automated food processing machines.

  With the help of our automated food processing machinery, we are able to standardise the key production process of our dishes and maintain a uniformly high quality of our dishes. Thus, we enjoy more flexibility in recruiting and hiring employees with less skill and experience to carry out functions (e.g. cooking) which would otherwise be expected to be performed by skilled chefs. For the same reason, there are less restrictions on gender and age requirements which would otherwise be required for complicated and more physically demanding cooking steps. Our Directors believe that having implemented these systems, we are able to better control our labour costs and labour turnover rate and reduce our reliance on skilled chefs.

- *Food Factories*. Our Hong Kong Food Factory has an area of approximately 158,414 sq.ft.. For FY2018, approximately 60% of the raw materials, semi-processed or processed food ingredients used in our restaurants in Hong Kong were supplied by our Hong Kong Food Factory. In October 2018, our Mainland China Food Factory, with an approximate gross floor area of 253,430 sq.ft., commenced operation and started to supply semi-processed and processed food ingredients to our restaurants in Hong Kong and Mainland China. We believe the key benefits from the use of a food factory include the ability to control costs efficiently by centralising purchasing and food processing functions, reducing wastage of food ingredients, whilst offering broader dish selection, as well as ensuring quality consistency across various restaurants by centralising quality control of food processing and storage. In addition, the use of a food factory (i) improves the space efficiency of our individual restaurants by reducing the kitchen space and storage space required, and (ii) reduces the workload of our restaurant-level chefs in respect of the initial stage of food ingredients processing so they are able to focus on the final stages of food preparation. We believe the use of our Food Factories has contributed to our success and will provide a platform for our expansion in the future. Our Directors also expect that our dish offerings at our restaurants could be further enhanced since our Food Factories will have the capacity to prepare and carry out most of the complicated preparation steps prior to their delivery to each restaurants.

- *Standardised process and quality control system*. We have implemented a standardised process and quality control system to ensure the high quality and safety of our food. Our Food Factories have adopted the Hazard Analysis Critical Control Point, known as HACCP, a comprehensive quality control standard. The *siu mei* (燒味) production unit of our Hong Kong Food Factory was awarded the ISO 22000 certification in 2013. In addition, we implement the "5-S" (五常法) management system throughout our entire operational process, starting from sourcing and processing of food ingredients, maintaining of hygiene standards, staff training and daily management of our individual restaurants.

  We have in-house testing laboratories in our Food Factories and we also engage third-party testing laboratories with relevant certification to monitor the personal hygiene of our employees, restaurant hygiene and food quality of all of our restaurants. Various testing, including, among others, food testing and water sampling and monitoring services covering multiple chemical, microbiological and sensory examinations regarding safety and quality of food, are conducted from time to time. We believe our standardised quality control system is an essential element of our operation and will contribute to our expansion in the future.

- *Systematic employee training and advancement programs*. We conduct a series of systematic training and advancement programs for all our employees, from serving staff, cashiers, floor managers, chefs to restaurant managers. These training programs are offered by our in-house training centres and are intended to ensure that all staff are equipped with the skills required for their positions and for their career advancement.

  We offer career prospects to our employees through participation in the qualifications framework schemes operated by the Hong Kong government, as well as through our own internal advancement programs. Under our internal advancement programs, selected employees with outstanding working performance could attend a different training path in order to provide him/her a faster route to attain a higher position in our Group. A number of supervisory and managerial positions in the frontline operation of our Group are taken up by internally promoted employees. Further, our employees are encouraged and allowed to self-nominate for assessments for taking advancement programs and nominations by their supervisors are not necessary. We believe our training and advancement programs provide our staff with clear advancement guidelines and promote good employee incentives.

Well positioned to capture the growth in the Mainland China catering service market to support future growth

We first set foot in the Mainland China market back in 2004. As at the Latest Practicable Date, we were operating 58 restaurants in Mainland China under the brands "Tai Hing", "TeaWood", "Trusty Congee King" and "Phở Lệ", with five other restaurants located in different airports in Mainland China being operated by our franchisees under franchise arrangement. As at the Latest Practicable Date, we operate in 12 cities in Mainland China, including Shenzhen, Beijing, Shanghai, Guangzhou, Shenyang, Hangzhou and Tianjin.

Through over 14 years of operation in Mainland China, our Directors believe that we have accumulated knowledge and experience in identifying business opportunities there, and have developed a restaurant operation model that suits the consumption pattern and habit of the Mainland China market. Leveraging on the success and reputation of our restaurant business in Hong Kong and our prior restaurant operation experience in Mainland China, we have gradually deepened our market penetration in Mainland China by localising and adapting our "Tai Hing" brand as a leading Hong Kong-style restaurant chain. According to the Frost & Sullivan Report, we ranked second in terms of revenue in the self-operated casual dining market in Mainland China in 2017.

To maximise the benefits of the solid foundation which we established throughout our restaurant operations in Mainland China, we have recently set up and commenced the operation of our Mainland China Food Factory. With the support of our newly established Mainland China Food Factory, more ingredients, semi-processed food and processed food can be prepared centrally prior to delivery to our restaurants, and thereby ensuring consistency in food quality across our network of restaurants. Our Directors estimate that our Mainland China Food Factory can provide support to around 200 restaurants in Mainland China and the production of certain products for our restaurants in Hong Kong (depending on their scale of operation), enabling us to expand our operations in Mainland China and increase our productivity in products.

We strongly believe that our Mainland China Food Factory will synergise with our established restaurant network and enable us to capture the high food and beverage consumption demand in Mainland China.

Leadership under experienced and passionate restaurateurs and professional management team

Our management has continuously adhered to their vision and commitment to provide quality food and services to our customers. Mr. Chan, one of our founders, has over 30 years of experience in the food and beverage industry in Hong Kong. Mr. Chan currently holds the position of President at Hong Kong Federation of Restaurants and Related Trades (香港餐飲聯業協會) while Mr. Chan Ka Keung, the key driver of our original brand "TeaWood" is currently one of its vice presidents. Through their leadership, we have grown and endured both prosperity and difficult economic times in Hong Kong to become a thriving chain of over 190 restaurants in Hong Kong, Mainland China, Macau and Taiwan as at the Latest Practicable Date.

In addition, Mr. Ho Siu Fung, Mr. Yiu Man and Mr. Lam Tai Po, members of our senior management, have extensive industry experience and are long-serving employees of our Group. They have contributed to our success in frontline operations and network expansion. We have also built a professional senior management team that is highly experienced in corporate, financial, information technology, logistics, branding, retail management, tourism and business management. Our team of professional senior management is headed by Ms. Chan Shuk Fong, Mr. Sin Wai Hung, Mr. Wong Kin Pong Edmond and Ms. Zhou Yuewu, who are dedicated employees of our Group throughout our development history. Please refer to the section headed "Directors and Senior Management" in this prospectus for the detailed experience of our senior management team.

We believe that the vision, industry experience and management capabilities of our executive Directors and senior management team will continue to help us to deliver sustainable growth in the future.

BUSINESS STRATEGIES

We intend to implement the following business strategies to expand our market share, profitability and brand recognition:

Continuous development of our brand portfolio and expansion of our restaurant network

According to Frost & Sullivan, the casual dining market in Hong Kong is highly fragmented in Hong Kong with top 3 players contributing 8.4% of revenue generated by casual dining restaurants in 2017. In 2017, we were the largest casual dining group in terms of revenue of casual dining restaurants in Hong Kong and accounted for a market share of 4.0%.

The self-operated casual dining market is highly competitive and fragmented in Mainland China, with top 5 players accounting for 0.7% market share in terms of revenue generated by casual dining restaurant in 2017. In 2017, we were one of the leading self-operated casual dining groups in Mainland China in terms of revenue of casual dining restaurants, with a market share of 0.1% of total casual dining market.

In 2017, revenue from casual dining accounted for approximately 40% of the revenue of the catering service market in Hong Kong, we believe that the casual dining segment will continue to remain as a significant contributor to the catering service market in Hong Kong. According to Frost & Sullivan, the casual dining segment is expected to grow at a CAGR of 3.6% from 2017 to 2022.

While in Mainland China, the casual dining segment only accounted for around 10% to 11% of the revenue of the catering service market in Mainland China, it is the fastest growing segment, reaching a CAGR of 12.4% from 2013 to 2017. Further, Chinese cuisine steadily contributed to over 80% of the revenue of catering service market in Mainland China throughout 2013 to 2017 and is forecasted to grow at a CGAR of 9.3% from 2017 to 2022, while Asian cuisine is forecasted to grow at a CGAR of 15.7% from 2017 to 2022. As such, we will continue to increase our market share in Mainland China with a focus in offering Chinese and Asian cuisines.

We believe that our multi-brand strategy is crucial to our success and we intend to continue to expand in Hong Kong, Mainland China and Taiwan by (i) opening new restaurants under our existing brands; and/or (ii) developing new brands to launch new restaurants offering cuisines that differ from our existing offering.

Subject to various factors, such as, availability of desirable premises at reasonable price, then customers' preference towards our respective brands and negotiation with the respective landlords, the following table summarises the brands, locations and number of the new restaurants we intend to open/already opened in FY2019:

Geographical area	Brands	Number of restaurants
Hong Kong	**Existing brands**	
	Tai Hing	4
	TeaWood	3
	Trusty Congee King	1
	Men Wah Bing Teng	7
	Phở Lệ	3
	Fisher & Farmer	–
	Rice Rule	–
	New brands	
	Hot Pot Couple	1
	Upcoming Cha Chaan Teng brand	1
	Sub-total	20
Mainland China	**Existing brands**	
	Tai Hing	6 (Shenzhen (2), Guangzhou (2), Beijing (1) and An Shan (1))
	Trusty Congee King	3 (Shanghai (1), Guangzhou (1) and Beijing(1))
	Men Wah Bing Teng	1 Guangzhou
	Phở Lệ	1 Hangzhou
	Sub-total	11
Taiwan	**Existing brands**	
	Tai Hing	1
	Trusty Congee King	–
	Phở Lệ	–
	Sub-total	1
	Grand total	32

- *Hong Kong*

For new restaurants under our existing brands, we intend to open these restaurants primarily in major shopping malls or at street level with stable customer traffic. We expect to open 18, 19 and 20 new restaurants under our existing brand portfolio in FY2019, FY2020 and FY2021, respectively.

Currently, in Hong Kong, the penetration level of our Tai Hing Restaurants is relatively high as compared to our other existing brands, this is due to the long standing history of the brand and the well- acceptance of our Tai Hing Restaurants by our customers. Despite the relative maturity of this brand, we are of the view that this brand is far from saturation and we will continue to open new restaurants at a steady rate over years. TeaWood Restaurants were well received by our customers during the Track Record Period and we are contemplating to open affiliated lines under TeaWood, which maybe express lines or deluxe lines. Different lines under TeaWood will not be subject to our Same Brand Expansion Policy (as defined under "— Site Selection and New Restaurant Opening Process — Measures to avoid cannibalisation" under this section of the Prospectus) and each of them will be targeting at different customer segment and serving different products. As such, we believe there will still be room for further growth for our TeaWood Restaurants. Our Men Wah Bing Teng and Phở Lê are brands developed during the Track Record Period with overwhelming response, given the limited number of restaurants opened, we are of the view that there is ample room of growth for these brands in Hong Kong. Similarly, for other existing brands, their number of restaurants are less extensive than the aforementioned, therefore, we believe there is also ample room of growth of these brands in Hong Kong.

We plan to introduce two new brands offering Asian cuisine, one being "Hot Pot Couple" which principally serves Taiwanese spicy hotpot and the other being an upcoming brand which would serve relatively more sophisticated Cha Chaan Teng style delicacies. We expect to open two restaurants offering Asian cuisine in each of FY2019, FY2020 and FY2021. As at the Latest Practicable Date, one restaurant under "Hot Pot Couple" was opened in FY2019. Our Directors believe that this expansion of cuisine offering will enable us to capture a wider spectrum of potential customers and provide our existing customers with a broader choice of cuisines at our restaurants.

To open a new restaurant, we primarily incur costs of interior design and renovation, fitting of kitchen equipments, furniture and fixtures. We incurred an average cost of HK$3.7 million, HK$3.8 million and HK$3.7 million to open a new restaurant in Hong Kong for FY2016, FY2017 and FY2018 and an aggregate capital expenditure of HK$58.4 million, HK$76.9 million and HK$81.4 million for the corresponding periods to open new restaurants in Hong Kong. The fluctuation in the average cost incurred to open a restaurant was mainly contributed by the differences in the sizes of these restaurant premises. The total planned capital expenditure for our restaurant network expansion in Hong Kong is expected to be approximately HK$71.2 million, HK$75.3 million and HK$79.3 million for FY2019, FY2020 and FY2021, respectively, which will be funded by the net proceeds from the Global Offering.

- *Mainland China*

Leveraging on our success in restaurant operations, we intend to further expand our network of restaurants under our existing brand portfolio. As at the Latest Practicable Date, we had 51, 3, 6 and 3 restaurants in Mainland China under "Tai Hing", "TeaWood", "Trusty Congee King" and "Phở Lệ" brands, respectively, in various cities in Mainland China, including Shenzhen, Beijing, Shanghai and Guangzhou. Given the large population in these cities in Mainland China and in order to enhance our market penetration in these cities, we intend to open 11, 12 and 13 restaurants under our existing brand portfolio for FY2019, FY2020 and FY2021, respectively.

Based on the proven track record of our Mainland China restaurants, we currently intend to primarily focus on expanding in first-tier cities and the greater bay area for FY2019 to FY2021. As "Tai Hing" has always been our flagship brand, given the size of the Mainland China market, we believe there is still ample room of growth for our Tai Hing Restaurants, we will also develop our "Trusty Congee King", "Men Wah Bing Teng" and "Phở Lệ" brand, which serves cuisines that we believe would suit the customers' preference in Mainland China.

To open a new restaurant, we primarily incur costs of interior design and renovation, fitting of kitchen equipments, furniture and equipments. We incurred an average cost of HK$4.2 million, HK$4.1 million and HK$1.8 million to open a new restaurant in Mainland China for FY2016, FY2017 and FY2018 and an aggregate capital expenditure of RMB32.0 million, RMB49.8 million and RMB7.6 million for the corresponding periods to open 9, 14 and 5 new restaurants in Mainland China. The fluctuation in the average cost incurred to open a restaurant was contributed by the differences in the sizes of these restaurant premises. The aggregate capital expenditure incurred to open new restaurants in FY2018 was relatively less because these newly opened restaurants where under the brand "Trusty Congee King" and "Phở Lệ", customers of which usually look for a quick and simple meal rather than any sophisticated decoration or dining set up, as such, we could cater for restaurant premises with a relatively small gross floor area. The total planned capital expenditure for our restaurant network expansion in Mainland China is approximately HK$36.7 million, HK$40.6 million and HK$44.6 million for FY2019, FY2020 and FY2021, respectively, 96% of which will be funded by the net proceeds from the Global Offering and the remaining by our internal resources.

Despite that our Mainland China restaurant operations have not been performing as satisfactorily as our Hong Kong restaurant operations, the Mainland China restaurant operations had recorded operating profit for the Track Record Period. Given the massive market potential in Mainland China, we will continue to pursue our expansion plan and we expect our Mainland China restaurant operations' performance will improve for the following reasons:

Ramping up of our Mainland China Food Factory — We believe that without the support of a food factory, it would be difficult of a chain restaurant operator to operate efficiently. We had been running our Mainland China restaurants with their respective standalone kitchen previously without the support of a central kitchen. As our Mainland China Food Factory only commenced operations in late 2018 and is in the process of ramping up, the benefits of which it could be brought across our Mainland China operations are yet to be reflected, these benefits includes (i) widening of our menu portfolio at our restaurants; (ii) minimising efforts in maintenance of standardisation of products across our Mainland China restaurant network; (iii) having better utilisation of kitchen space in our restaurants as less cooking equipments and labour skillset in restaurants will be required for food processing; (iv) effectively reducing expenses on inventory management and (v) buying price benefits brought by the bulk purchases by our food factory centrally. We believe the quantitative and qualitative benefits will be fully reflected in our Mainland China operations in the coming financial years.

More extensive implementation of automation in our Mainland China restaurants — While our Hong Kong restaurants have widely adopted the use of automated equipment during food processing, the implementation of such automated equipment in our Mainland China restaurants are relatively less due to time lag incurred for the purpose of ensuring the concept first worked out and proven in Hong Kong. Having learned the benefit brought by the automated equipment to our Hong Kong operations, we have decided to speed up our effort in the implementation of automation in our Mainland China restaurants to improve the maintenance of quality consistency while reducing reliance on skilled chefs and thus labour and time costs.

Focused expansion in first-tier cities in Mainland China and greater bay area — through over 14 years of restaurant operation experience in Mainland China, we have been continuously refining our retail concept, for example, tailoring our menu items to cater for the taste preferences of the locals, adjusting the restaurant size and restaurant locations to better capture our target customers and taking a better balance between the marketing effect and the rental cost of our restaurant premises. Leveraging on our accumulated experience in restaurant site selection, costs control as well as the brand awareness we have built for the past years, we will focus to expand in cities where we have presence which is either in or near first-tier cities in Mainland China or the greater bay area. We believe that by focusing in these cities, we will benefit from the foundation we have built through our past efforts as well as enhancing our market penetration to benefit from the economies of scale.

- *Taiwan*

According to the Frost & Sullivan Report, the catering service market in Taiwan has grown rapidly in recent years with revenue increased from NT$374.9 billion in 2013 to NT$516.3 billion in 2017, representing a CAGR of 8.3% for the same period. Furthermore, revenue of the catering service market in Taiwan is expected to keep such an upward trend in the future, with revenue likely to reach NT$759.4 billion by 2022, representing a CAGR of 8.0% from 2017 to 2022.

We have entered into the Taiwan Joint Venture Agreement to set up a joint venture company to open and operate restaurants under our "Tai Hing", "Trusty Congee King" and "Phở Lệ" brands in Taiwan. Please see "— Site Selection and New Restaurant Opening Process — New Restaurant Opening Process — Expansion into Taiwan" below for details.

We plan to open one, two and three new restaurants in Taiwan in FY2019, FY2020 and FY2021, respectively. The total planned capital expenditure for our restaurant network expansion in Taiwan is expected to be approximately HK$2.5 million, HK$5.0 million and HK$7.5 million for FY2019, FY2020 and FY2021, respectively, which will be funded by our internal resources. As at the Latest Practicable Date, we had one restaurant in Taiwan under the "Tai Hing" brand.

In addition to the above, our Directors will also explore opportunities to expand into other overseas market if and when our Directors identify appropriate opportunities.

For details of measures adopted by us to avoid cannibalisation between our restaurants, please see "Business — Site selection and new restaurant opening process — Measures to avoid cannibalisation".

Uplifting of our existing restaurants in Hong Kong and Mainland China

We place great emphasis on the up-keeping of (i) our automated kitchen equipment, (ii) the dining environment of our customers at our restaurants; (iii) working environment of our restaurant-level employees and (iv) our corporate brand image. We will renovate our restaurants from time to time as and when our management considers appropriate.

We plan to carry out renovation work for certain restaurants in Hong Kong and Mainland China with a view to enhancing their image and popularity. As part of such renovation, we may also replace, upgrade and acquire new equipment for our operations as appropriate. We plan to carry out substantial renovation for 23, 23 and 23 restaurants (which would require the temporary suspension of restaurant operation) in FY2019, FY2020 and FY2021, respectively.

We incurred capital expenditure of HK$5.3 million, HK$10.0 million and HK$30.0 million for FY2016, FY2017 and FY2018 for renovation works, among which we carried out substantial renovation for 3, 4 and 10 of our then existing restaurants, respectively, and incurred an average renovation cost of approximately HK$1.8 million, HK$1.5 million and HK$1.5 million per restaurant for the corresponding periods, respectively. The average renovation cost may vary depending on the restaurant size, the extent and magnitude of renovation work being carried out. The total planned capital expenditure for our restaurant renovation is approximately HK$30.0 million, HK$31.0 million and HK$32.1 million for FY2019, FY2020 and FY2021, respectively, 91% of which will be funded by the net proceeds of the Global Offering. The planned capital expenditure is estimated based on the actual cost incurred across different brands and our renovation plan is principally driven by the number of operating years of our restaurants since their last renovation. We generally renovate our restaurants which were last renovated at least two to three years ago or at the request of our landlords at the time of lease renewal.

Enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory

Our Hong Kong Food Factory comprises 86 owned properties, which we acquired through a series of acquisitions, and eight leased properties. It currently has an aggregate area of approximately 158,414 sq.ft.. Currently, our Hong Kong Food Factory is supporting the supplies of around 120 restaurants and we are still looking to further enhance our restaurant network in Hong Kong. Our Food Factories cater for the production of a mixed portfolio of food products according to the schedule as set by our management in accordance with the demand from our restaurants. Our food processing equipment are not generally set for the production of only one kind of food product, for example, the same equipment could be used for the production of marinated mushrooms, chicken wings, minced pork, beef shanks and etc. or the same equipment could be applied to the production of soup bases for Vietnamese cuisine or Taiwanese cuisine or hotpot which would require input of different ingredients as well as processing time. Apart from the specific nature of producing a mixed portfolio of products, our management also need to take into consideration other factors such as the inter-batch cleaning required, the effectiveness in maintaining our hygiene standard and the delivery schedule of our roasted products to our restaurants as we would need to ensure the freshness of the same, when they decide on how to operate our Food Factories in the most efficient manner.

The 86 owned properties forming our current Hong Kong Food Factory comprise of various stand-alone units scattered on different floors within two industrial buildings in Fotan. As our Group grew steadily over the years of operations, we have acquired such premises unit by unit over the years in order to expand our Hong Kong Food Factory to support the increasing number of our restaurants. However, due to limitation on the availability of connecting units at the relevant times, we are unable to systematically organise our units to occupy the entire floors to maximise the efficiency of use of space. Raw materials and products are currently being transported from one floor to another where necessary, due to such arrangement, we have placed significant resources to ensure smooth transport between the units/ buildings as well as control over the food safety standard of our raw materials and products.

In light of limitations on the maximum number of production machines and equipment which could be housed by the premises of our Hong Kong Food Factory and the inefficiency arising from scattered locations of our production units, our Directors estimated that the number of additional restaurants that could be supported by our current Hong Kong Food Factory would be around 50 to 60 restaurants. As disclosed under "Business — Business

Strategies — Continuous development of our brand portfolio and expansion of our restaurant network — Hong Kong" and "Future Plans and Use of Proceeds", we intend to open an aggregate of 63 restaurants in Hong Kong for FY2019, FY2020 and FY2021. In order to cope with our expansion plan and our future development, it is essential for us to identify a suitable site for the relocation of our Hong Kong Food Factory which would provide higher efficiency in the usage of space and the installation of additional production machines and equipment.

Apart from our bakery, noodle and related department (which is currently located on the same floor with an aggregate floor area of approximately 15,000 sq. ft. and is expanding), we intend to relocate the rest of our existing food factory to a new site. We expect such new site of at least 150,000 sq. ft. should comprise of several whole floors as opposed to scattered units on different floors so as to avoid frequent inter-unit or inter-floor logistics. Such site must be able to fit additional cold storage space and various customised roasting machines. Further, preference will also be given to sites where there are lifts or loading bays which can be exclusively used by us. By unifying the units of our Hong Kong Food Factory, we hope to improve space utilisation, reduce cost in managing inter-unit/ inter-floor logistics and better control over the food safety of our raw materials and products.

Our management is in the process of identifying a suitable location in Hong Kong for the expansion or relocation of our Hong Kong Food Factory in FY2021. Our Directors currently estimate the acquisition cost of the new site to be approximately HK$525.0 million, and the fitting out and acquisition of plant and equipment will amount to approximately HK$108.0 million. The capital expenditure expected to be incurred in FY2021 is approximately HK$633.0 million, of which HK$188.5 million will be funded by the net proceeds from the Global Offering while the rest will be funded by our Group's internal resources and/or bank facilities. Regarding the vacated properties located in Fotan, we currently intend to sell these vacated properties after the relocation of our Hong Kong Food Factory and the proceeds from disposal of these property transactions will be applied to the repayment of our bank loans.

In the meantime, in order to cope with our expansion plan in FY2019, FY2020 and FY2021, enhancement work will have to be carried out at our current Hong Kong Food Factory. In particular, some of our production lines and machines have been worn out due to intensive usage and require replacement and upgrading. Further, in anticipation of the continuous growth of restaurants under our "Tai Hing", "TeaWood", "Trusty Congee King", "Men Wah Bing Teng" and "Phở Lệ" brands, we intend to implement additional supporting production and storage facilities, including bread production lines, high-speed frosting machines, and cold storage and raw meat production lines. These production lines, equipment and storage facilities are intended to be transferred to the planned new food factory as and when appropriate. It is expected that the capital expenditure on the enhancement of our Hong Kong Food Factory will be approximately HK$17.5 million and HK$17.5 million in FY2019 and FY2020, respectively, which will be funded by the net proceeds from the Global Offering.

We plan to deepen our penetration in the Mainland China market by expanding our restaurant network in various cities offering Asian cuisines under different brands. However, to maintain the consistency of food quality to be delivered to our customers under our newly developed brands, we believe that it is crucial for us to have control over the preparation of raw ingredients to be supplied to our new restaurants. Our Mainland China Food Factory only commenced operations in October 2018, our Mainland China Food Factory is currently supporting our Group by producing cured meat, frozen product and canned milk tea. As set out under "Business — Business Strategies — Continuous development of our brand portfolio and expansion of our restaurant network", we intend to expand our restaurant network in Mainland China focusing on Chinese and Asian cuisines. It is currently our plan to open restaurants under the brands "Tai Hing", "Trusty Congee King", "Phở Lệ" and "Men Wah Bing Teng" in the near future. Given that the dishes offered by these restaurants will have a high demand in noodles and meatballs, our management is of the view that we should regain a higher degree of control over the production of noodles and meatballs (which are currently sourced from Independent Third Parties) for the purpose of better assurance over quality and stability of our product quality as well as better management over costs. Accordingly, we plan to expand our Mainland China Food Factory by implementing one meatball production line (with an annual production value of RMB30.0 million) and one noodles production line (with an estimated annual production value of RMB4.0 million) to enhance our production capability. The expected capital expenditure for implementing these two production lines is approximately HK$45.0 million, which is expected to be incurred in FY2020 and to be funded by the net proceeds from the Global Offering.

Enhancement and enrichment of our brand image, awareness and recognition for our future business growth

We believe successful branding and marketing is the key to our multi-brand strategy and business development.

We aim to associate our "Tai Hing" brand with authentic and great tasting food and have launched the "My Hero" advertising campaign to connect our brand values, food quality and the spirit of Hong Kong people. Our three successive waves of television commercials, including celebrity endorsements of Mr. Eric Kwok and Mr. Rex Tso, have received numerous marketing awards. We intend to solidify the market position of "Tai Hing" and increase public awareness through similar advertisement campaigns.

We plan to partner with international and well-known brands to further increase coverage and awareness of our brands. In 2014 and 2017, we collaborated with Cathay Dragon (previously known as Dragonair) to offer our Tai Hing Hong Kong-style milk tea on their flights to tourists from all over the world. We were also engaged by Hong Kong Airlines in 2015 to design 18 dishes to be served in business class.

In pursuit of long-term business growth, we will continue to strengthen promotion of our brands. We have successfully secured sponsorships and collaborations in the past and actively explore opportunities to utilise social media. In 2015, we sponsored the screening of a popular Taiwanese movie in Hong Kong to promote our "TeaWood" brand and coordinated with the plot of the movie to launch a special dish. We commissioned a mini movie in 2017 to promote our Phở Lệ brand, and launched our "T-Factory" mobile application in the same year. Our TeaWood Restaurants launched themed decorations, dishes and drinks, collectable items and a mobile game to leverage on the popularity of a Japanese cartoon character in 2018. Our marketing efforts on promoting our emerging brands have generated media coverage, increased customer traffic and raised brand awareness.

We will continue to develop and make use of innovative multi-media promotional channels such as mobile applications and social media, and seek out timely and popular sponsorships and collaborations in the future.

OUR BUSINESS MODEL

During the Track Record Period, we generated substantially all of our revenue from restaurant operations. To a lesser extent, we also generated revenue from our sales of food products.

Our restaurants are operated under two main business models — self-operated (under our owned brands and licensed brand) or franchised. During the Track Record Period, over 97% of our revenue was derived through our self-operated restaurants and we also generated royalty income from the franchised restaurants operated by our franchisee under the Tai Hing Franchise Agreements.

The following table sets out the breakdown of our revenue and gross profit for our restaurant operation and sales of food products for FY2016, FY2017 and FY2018:

	FY2016				FY2017				FY2018			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Restaurant operation												
Self-operated under our own brands	2,423,351	96.5	1,713,681	70.7	2,660,656	96.0	1,910,533	71.8	2,947,027	94.3	2,120,774	72.0
Self-operated under licensed brand *(Note 1)*	–	–	–	–	21,464	0.8	14,491	67.5	96,263	3.1	62,891	65.3
Other brands *(Note 2)*	31,335	1.2	20,040	64.0	29,836	1.1	17,698	59.3	18,380	0.5	10,258	55.8
Sales of food products	58,284	2.3	44,087	75.6	59,321	2.1	41,525	70.0	64,383	2.1	45,068	70.0
Total *(Note 3)*	2,512,970	100.0	1,777,808	70.7	2,771,277	100.0	1,984,247	71.6	3,126,053	100.0	2,238,991	71.6

Notes:

1. As at the Latest Practicable Date, we operated 11 Phở Lệ Restaurants (consisting of eight in Hong Kong and three in Mainland China) pursuant to the Phở Lệ Cooperation Agreement.

2. This represents our brands that were discontinued during the Track Record Period and up to the Latest Practicable Date.

3. The total revenue of our Group does not include royalty income from restaurants operated by our franchisee.

OUR RESTAURANTS

As at the Latest Practicable Date, there were 191 restaurants operated by us or our franchisees (comprising 173 self-operated restaurants under our own brands and 11 self-operated restaurants under a licensed brand and seven Tai Hing Restaurants operated by our franchisees) under nine different brands, namely "Tai Hing", "TeaWood" "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", "Rice Rule" and "Hot Pot Couple" in Hong Kong, Mainland China, Macau and Taiwan. The following tables set out the number of restaurants (i) in each location; and (ii) under each brand (including restaurants operated by us (under our owned brands and licensed brand) and our franchisees), as well as their movement, during the periods indicated:

(i) Number of restaurants in each location

	FY2016					FY2017				FY2018				From 1 January 2019 and up to the Latest Practicable Date			As at the Latest Practicable Date
Location	As at 1 January	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	
Hong Kong	85	17	(2)	(3)	97	20	(4)	(5)	108	22	(6)	(2)	122	5	(1)	–	126
Mainland China	46	11	(3)	–	54	11	(5)	(1)	59	10	(5)	(2)	62	5	(4)	–	63
Macau	–	–	–	–	–	1	–	–	1	–	–	–	1	–	–	–	1
Taiwan	–	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–	1
Singapore	1	–	–	–	1	–	(1)	–	–	–	–	–	–	–	–	–	–
Total	132	28	(5)	(3)	152	32	(10)	(6)	168	32	(11)	(4)	185	11	(5)	–	191

(ii) Number of restaurants under each brand

	FY2016					FY2017				FY2018				From 1 January 2019 and up to the Latest Practicable Date			As at the Latest Practicable Date
Brand	As at 1 January	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	As at 31 December	Opened[(1)]	Closed[(2)]	Relocated[(1)]	
Tai Hing	98	15	(3)	(3)	107	17	(7)	(5)	112	7	(6)	(3)	110	4	(4)	–	110
TeaWood	18	9	(1)	–	26	8	(1)	(1)	32	2	(2)	–	32	1	(1)	–	32
Trusty Congee King	8	3	–	–	11	2	(1)	–	12	5	–	–	17	2	–	–	19
Men Wah Bing Teng	–	–	–	–	–	3	–	–	3	8	–	–	11	2	–	–	13
Phở Lệ	–	–	–	–	–	2	–	–	2	8	–	–	10	1	–	–	11
Tokyo Tsukiji	4	1	(1)	–	4	–	–	–	4	–	(1)	–	3	–	–	–	3
Fisher & Farmer	1	–	–	–	1	–	–	–	1	1	–	(1)	1	–	–	–	1
Rice Rule	–	–	–	–	–	–	–	–	–	1	–	–	1	–	–	–	1
Hot Pot Couple	–	–	–	–	–	–	–	–	–	–	–	–	–	1	–	–	1
Others[(3)]	3	–	–	–	3	–	(1)	–	2	–	(2)	–	–	–	–	–	–
Total	132	28	(5)	(3)	152	32	(10)	(6)	168	32	(11)	(4)	185	11	(5)	–	191

Notes:

(1) Opened restaurants include restaurants which were opened as a result of relocation.

(2) Closed restaurants include restaurants that have been rebranded during the periods indicated. Restaurants were usually closed due to (i) continuous underperformance of the restaurant or brand during the lease renewal assessment process or result of annual restaurant performance review; and (ii) despite efforts to improve performance (including increased marketing and promotion, revising menu price and/or cost cutting policies), the restaurants' or brand's performance had not improved for an extended period.

(3) "Others" represents brands that have been discontinued during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we discontinued three of our casual dining brands (each of which only operated 1 restaurant during the Track Record Period), namely, "Dim Sum Mary" (a brand that served dimsum), "MinMix" (a brand that served cart noodles) and "Miyasaki" (a brand that served yakiniku) during the Track Record Period as the respective restaurants operating under these brands had continuously underperformed for at least 18 months and as we did not see a favourable turnaround in the foreseeable future, we had made the management decision to discontinue these brands.

The following table summarises the cuisine type, aggregate approximate floor area, seating and the typical ranges of breakeven and investment payback periods of existing restaurants operated by us as at Latest Practicable Date according to different brands:

				Typical range of breakeven period(2) (months)			Typical range of investment payback period(3) (months)		
Brand	Cuisine type	Aggregate approximate floor area(1) (sq.ft.)	Seating	Hong Kong and Macau	Mainland China	Group	Hong Kong and Macau	Mainland China	Group
Tai Hing	Chinese	366,494	14,416	2-8	2-4	2-6	16-31	19-32	17-32
TeaWood	Taiwanese	70,183	2,957	2	2-3	2	9-15	19	9-16
Trusty Congee King	Chinese	34,423	1,576	2-3	2-4	2-3	14-36	16	14-36
Men Wah Bing Teng	Chinese	17,758	807	2	–	2	6-15	–	6-15
Phở Lệ	Vietnamese	13,943	581	2	4	2-4	7	–	7
Tokyo Tsukiji	Japanese	2,840	157	2-8	–	2-8	11-29	–	11-29
Fisher & Farmer . . .	Chinese	6,592	152	–(4)	–	–	–(4)	–	–
Rice Rule	Chinese	3,172	100	–(4)	–	–	–(4)	–	–
Hot Pot Couple . . .	Taiwanese	4,975	184	–(4)	–	–	–(4)	–	–

Notes:

(1) Floor area information is based on the relevant licences.

(2) Breakeven period refers to the time required for a restaurant to achieve breakeven (i.e. the monthly revenue of the restaurant is at least equal to the monthly expense of that restaurant) for two consecutive months. Lower end and higher end of typical range refer to the time period within which 25% and 75% of the restaurants under the relevant brand achieved breakeven, respectively. This data does not cover the 23 restaurants that have not achieved breakeven as at the Latest Practicable Date, including one restaurant in Taiwan.

(3) Investment payback period means the time it takes for the accumulated monthly operating cash flow generated from a restaurant to equate the initial costs of opening that restaurant. The lower end and upper end of the typical range refer to the time within which 25% and 75% of the restaurants under the relevant brand achieve investment payback, respectively. This data does not cover the 82 restaurants that have not achieve investment payback as at the Latest Practicable Date, including one restaurant in Taiwan.

(4) There is no available data for calculation as there is only one restaurant operated under this brand (which only opened during FY2018 and FY2019) and it has not yet achieved investment payback nor breakeven.

Breakeven and investment payback period of our existing self-operated restaurants

As at the Latest Practicable Date, the typical range of breakeven period of our restaurants, generally ranged from 2 to 4 months. For our self-operated restaurants opened during the Track Record Period, the typical range of breakeven period generally ranged from two to three months (two months in Hong Kong and Macau, and two to three months in Mainland China). For our upcoming restaurants which we plan to open, as set out in the section headed "Future Plan and Use of Proceeds" in this prospectus, our Directors estimate that these restaurants will breakeven in two to four months.

Depending on the size, location, brand, cuisine, operating performance and initial investment costs being offered by the restaurant, at the Latest Practicable Date, the typical range of investment payback period of our restaurants is 12 to 26 months. For our self-operated restaurants opened during the Track Record Period, the typical range of investment payback period is 11 to 20 months (nine to 20 months in Hong Kong and Macau, and 16 to 19 months in Mainland China). For our upcoming new restaurants which we plan to open as set out in the section headed "Future Plan and Use of Proceeds" in this prospectus, our Directors currently estimate that the majority of these restaurants will take not more than 24 months to achieve that investment payback.

As at the Latest Practicable Date, among the 184 self-operated restaurants, 39 restaurants had failed to achieve breakeven within the typical range of two to four months (among which, 28 restaurants achieved breakeven after four months in operation, and 11 restaurants had not yet achieved breakeven but operated for more than four months), and 45 restaurants had failed to achieve investment payback within the typical range of 12 to 26 months (among which, 20 restaurants achieved investment payback after 26 months in operation, and 25 restaurants had not yet achieved investment payback but operated for more than 26 months).

Brand	Breakeven		Investment payback	
	Number of restaurant(s) not achieving the typical range of breakeven period	Number of months in operations *(Note 1)*	Number of restaurant(s) not achieving the typical range of investment payback period	Number of months in operations *(Note 2)*
Tai Hing				
Hong Kong	13	5-22 months	13	29-51 months
Mainland China	11	5-14 months	22	27-101 months
Macau	–	–	–	–
Taiwan	–	–	–	–
TeaWood				
Hong Kong	2	6 months	1	34 months
Mainland China	1	17 months	2	31-50 months

Brand	Breakeven		Investment payback	
	Number of restaurant(s) not achieving the typical range of breakeven period	Number of months in operations (Note 1)	Number of restaurant(s) not achieving the typical range of investment payback period	Number of months in operations (Note 2)
Trusty Congee King				
Hong Kong	4	7-15 months	6	34-49 months
Mainland China	1	9 months	–	–
Men Wah Bing Teng.				
Hong Kong	1	8 months	–	–
Phở Lệ				
Hong Kong	2	7-8 months	–	–
Mainland China	1	6 months	–	–
Tokyo Tsukiji				
Hong Kong	1	8 months	1	29 months
Fisher & Farmer				
Hong Kong	1	9 months	–	–
Rice Rule				
Hong Kong	1	9 months	–	–
Hot Pot Couple				
Hong Kong	–	–	–	–

Note:

(1) For restaurant(s) which achieved breakeven, the number of months refers to the number of months such restaurant was in operation until it achieved breakeven; For restaurant(s) which had not yet achieved breakeven, the number of months refers to the number of months such restaurants was in operation.

(2) For restaurant(s) which achieved investment payback, the number of months refers to the number of months such restaurant was in operation until it achieved investment payback; For restaurant(s) which had not yet achieved investment payback within the typical range, the number of months refers to the number of months such restaurants was in operation.

(3) The restaurants failed to achieve their respective typical range of breakeven period and/or investment payback due to reasons such as lower pedestrian flow than expected, relatively high rental fee yet such cost could not be efficiently transferred to our customers or the carrying on of renovation work nearby which negatively affected the performance of our restaurants. These restaurants are not closed down even though they have not yet achieved breakeven within the typical range of breakeven period and/or investment payback within the typical range of investment payback period because (i) the relevant restaurant(s) have a positive cashflow, (ii) for strategic reasons, such as maintaining a good relationship with the relevant landlord or part of a negotiated package deal; (iii) the underperformance of the relevant restaurant(s) are going to be short term due to reasons such as renovation of shopping malls or nearby areas; and/or (iv) performance improvement efforts, such as marketing and sales and revising of menu prices, have not been exhausted.

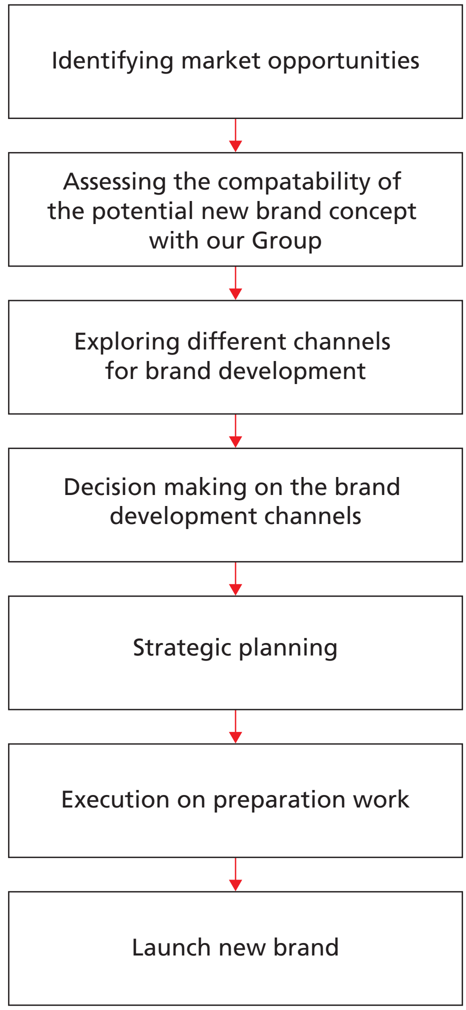
(4) We reviewed the performance of each restaurant at the end of each reporting period and assessed whether there are any indication for impairment. An impairment exists only when the carrying value of the restaurant's property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Save and except for three Tai Hing Restaurants in Mainland China which have been operating within the range of 41 to 52 months of which we had made a provision for impairment in aggregate of HK$4.6 million No further provision for impairment had been made for the above restaurants as we considered that the recoverable amount of the related restaurant's fixed assets exceeds their carrying amount.

Our Brands

Our Directors believe that our multi-brand strategy helps to increase our market share and allows our customers to enjoy a more diversified choice of dishes. Through each brand's own signature dishes and interior decor, we offer our customers a taste of local culture of the originating country of that cuisine.

We develop our brands in-house and we also acquire or obtain licenses for other signature brands or businesses when such opportunities arise. We have a proven track record in our brand development, such as the development of our popular in-house developed "TeaWood" brand, successful remodelling of "Men Wah Bing Teng" from a single standalone restaurant to a chain operation, development of a chain of modern Vietnamese restaurants in Hong Kong under a licensed "Phở Lệ" brand that had originated from a local noodles stores in Ho Chi Minh City, and having our restaurant under the acquired "Trusty Congee King" brand featured on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau.

We set out below the summary of steps involved in our brand development:



Identifying market opportunities — Our Directors and senior management will meet regularly to identify market opportunities and brainstorm new brand concepts. Consideration will be given to latest market food trends, cuisines identified by Directors and senior management on their cuisine study trips from time to time as well as requests from certain landlords.

Assessing the compatibility of the potential new brand concept with our Group — We will assess the compatibility and synergy of the new brand concept with our existing business by taking into account the target customer group and the new cuisine offerings by such brand concept to supplement our existing portfolio. A project leader will be assigned to take lead on the following steps.

Exploring different channels for brand development	— Our project leader will prepare analysis on costs and benefits required for developing the new brand in-house and actively seek for potential acquisition or license target(s) for commencement of initial negotiation of major terms and conditions.
Decision making on the brand development channels	— Balancing the pros and cons of developing the new brand in-house or through acquisition or co-operation, our management will make a final decision on the brand development method.
Strategic planning	— Management will form strategies on various aspects, including, brand positioning, target customer, target average spending per customer and seating capacity.
Execute preparation work	— Subsequent to the final decision of the management, various departments will follow through the execution work, including restaurant design, product development and site selection.
Launch new brand	— Upon completion of the execution plan, the new brand will be rolled out accordingly.

"Tai Hing" (太興)

Our Tai Hing Restaurants offer signature dishes which carry the flavour of Hong Kong style quick and easy comfort food for casual diners. "Tai Hing" is the first brand developed by us. To cater for the changing trends and customer preferences, we have carried out a series of renovations to provide a modern dining environment to our customers, as well as various marketing campaigns to enhance the image of "Tai Hing" to attract the younger generation. As at the Latest Practicable Date, our "Tai Hing" brand comprised 103 restaurants operated by us (including 55, 46, one and one restaurant(s) in Hong Kong, Mainland China, Macau and Taiwan, respectively) and seven restaurants located at various airports operated by our franchisees. Our signature "Tai Hing" dishes include Chilled Milk Tea, 5-Star Roast Pork, Sweet and Sour Pork, Barbecued and Marinated Platter, Tai Hing Supreme Roast Goose, Luncheon Meat and Scrambled Egg Instant Noodles, Rice Noodles with Beef in Swiss Sauce and Spicy Fried Rice Vermicelli. We place great emphasis on the production of various *siu mei*, such as roast pork, roast goose, BBQ pork and sliced chicken. Our Tai Hing Restaurants are generally equipped with various automated machines to prepare these *siu mei* daily on-site, while our 5-star roast pork is prepared in our Hong Kong Food Factory three times a day and promptly delivered to our Tai Hing Restaurants based on demand.

Our Tai Hing Restaurants in Mainland China serve more stir-fry dishes on top of the Hong Kong style comfort food that we offer in our Tai Hing Restaurants in Hong Kong. This is because, in Mainland China, we target customers with relatively high spending power who will choose our Tai Hing Restaurants for their business events and family and friends gatherings.

Our Tai Hing Restaurant in Macau is located in a luxury hotel and casino resort targeting tourists, casino visitors and hotel staff.

Our Tai Hing Restaurant in Taiwan is located in a shopping mall in buzzling district of Taipei.

Interior Design

Dishes

Tai Hing Supreme
Roast Goose
(太興滿燻燒鵝)

Chilled Milk Tea
(冰鎮奶茶)

Rice Noodles with Beef
in Swiss Sauce
(牛柳絲瑞士汁炒濕河)

"TeaWood" (茶木)

We established our Taiwanese-themed "TeaWood" brand in 2012. Our TeaWood Restaurants serve Taiwanese style cuisine and desserts in a modern and comfortable environment suitable for couples and friend gatherings. As our target customers for TeaWood Restaurants are relatively young, we constantly work to provide a sense of fresh appeal. We also deploy various marketing and promotion strategies catered for such target market, including various celebrity endorsements.

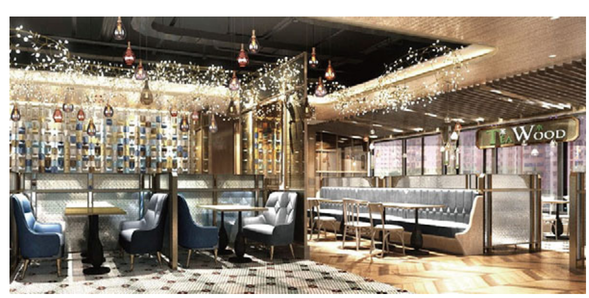
Currently, we operate our TeaWood Restaurants under two sub-lines, namely, TeaWood Café & Restaurant and Little Teawood. Each of our TeaWood Restaurants has its own customised and unique interior design and decor. As at the Latest Practicable Date, we operated 31 TeaWood Café & Restaurants and one Little Teawood.

Our TeaWood Café & Restaurants are relatively large, with a floor area ranging from approximately 1,030 sq.ft. to 5,390 sq.ft. and a seating capacity of 56 to 148. The menu offering of TeaWood Café & Restaurants is more extensive as it targets customers looking for full meal consumption. Its signature dishes include TeaWood Noodles with Stewed Beef, Mixed Fruit Tea and Strawberry Ice Cream Honey Toast.

On the other hand, our Little Teawood line generally has a café style interior design and a relatively smaller restaurant size, with a floor area ranging from approximately 500 sq.ft. to 600 sq.ft. and a seating capacity of approximately 25. We focus on providing café style food and beverages and target customers looking for lighter meals or tea time snacks and drinks.

As at the Latest Practicable Date, we operated 29 and three TeaWood Restaurants in Hong Kong and Mainland China, respectively.

Interior Design



Dishes

TeaWood Noodles with
Stewed Beef
(茶木紅燒牛肉麵)

Mixed Fruit Tea
(綜合鮮果茶)

Strawberry Ice Cream
Honey Toast
(草莓香草蜜糖磚塊)

"Trusty Congee King" (靠得住)

Our first Trusty Congee King Restaurant was located in Wanchai, Hong Kong and was acquired by us from an Independent Third Party in 2008. After our acquisition and through our remodelling, it has been a "Michelin Recommended Restaurant" for seven consecutive years since 2011. In 2018, it also became the first ever congee restaurant to feature on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau. It has been conferred the Michelin Guide Bib Gourmand award for two consecutive years. Our Trusty Congee King Restaurants serve traditional Chinese cuisine including various types of congee, noodles and rice dumplings. As at the Latest Practicable Date, we operated 13 and six Trusty Congee King Restaurants in Hong Kong and Mainland China, respectively.

Signature dishes of our Trusty Congee King Restaurants include Fish Belly Congee, Rice Dumpling Stuffed with Salted Meat and Shrimp Wonton Soup Noodles.

Interior Design

Dishes

Fish Belly Congee
(香滑魚腩粥)

Shrimp Wonton Soup Noodles
(招牌雲吞麵)

Rice Dumpling
Stuffed with Salted Meat
(靠得住鹹肉糭)

"Men Wah Bing Teng"

Our "Men Wah Bing Teng" brand originated from a standalone "bing sutt" (冰室) named Man Wah Bing Teng (文華冰廳) in Kowloon, Hong Kong with a long history dating back to the 1970's. In order to pursue our initiative to expand into the bing sutt market, we acquired this Man Wah Bing Teng brand in 2016 from an Independent Third Party and have expanded our Chinese cuisine offering to cover traditional style quick bites and small dishes with a hint of western influence which are typically served in these "bing sutt" (冰室) in the old days of Hong Kong. In order to provide our customers with a nostalgic dining environment, we have adopted the typical layout and decor of a "bing sutt" (冰室) back in the 1960's and 1970's. To create a more distinct brand, we have recently rebranded it to "Men Wah Bing Teng" (敏華冰廳). Our Men Wah Bing Teng Restaurants serve signature dishes such as Men Wah BBQ Pork with Egg and Rice, Egg in Boiling Water and Sa Cha Beef Noodles, which we believe allows our customers to reminisce on such earlier years of Hong Kong.

As at the Latest Practicable Date, we operated 13 Men Wah Bing Teng Restaurants in Hong Kong.

Interior Design

Dishes

Men Wah BBQ Pork
with Egg and Rice
(敏華黯然銷魂飯)

Egg in Boiling Water
(滾水雞蛋)

Sa Cha Beef Noodles
(沙茶牛肉麵)

"Phở Lệ" (錦麗)

"Phở Lệ" is a brand which originated from a standalone family-run noodle stall in Ho Chi Minh City, Vietnam. The Wall Street Journal described it as "the best pho in Ho Chi Minh City, Vietnam" and it was ranked 23rd out of over 2,000 restaurants in 2014 restaurants in Ho Chi Minh City by TripAdvisor.

On 6 September 2016, we entered into the Phở Lệ Cooperation Agreement with the owner of the Phở Lệ noodle stores in Vietnam, which is an Independent Third Party, to become the exclusive business owner of Phở Lệ Restaurants and trademark owner of the "Phở Lệ" brand in Hong Kong, Mainland China, Macau and Taiwan, the material terms of which are summarised below.

Consideration payable by us

Fixed fee in installments, which will be increased by a fix rate per year from the 11^{th} year of the agreement, payable on a quarterly basis.

Roles and obligations of the licensor

The licensor transfer to us all technology, skill, knowledge, cooking technique, recipe, menu and other information relating to the operation of Phở Lệ restaurant in Vietnam; and provide training and support to us (including annual on-site training, on-going operational and technical support and skill transfer) for our operation of Phở Lệ Restaurants in the abovementioned regions.

Our roles and obligations

We shall maintain the reputation of the "Phở Lệ" trademark in Hong Kong, Mainland China, Macau and Taiwan; and arrange for two persons designated by the licensor to travel from Vietnam to Hong Kong annually to provide training and support to us.

Non-competition

The licensor shall not during the term of the agreement and for one year after its termination engage in, be concerned with or interested in, manage or operate any business, which might directly or indirectly compete with our Phở Lệ Restaurants in Hong Kong, Mainland China, Macau or Taiwan.

Term

From 6 September 2016 until such date as may be agreed in writing by the parties.

Building on the reputation of Phở Lệ, we have added contemporary elements in the restaurant setting of our Phở Lệ Restaurants to present our customers with a new image as compared to the original traditional street noodle stall in Vietnam. Our Phở Lệ Restaurants are dedicated in delivering the local Vietnamese flavour of beef noodles to customers.

As at the Latest Practicable Date, we operated eight and three Phở Lệ Restaurant(s) in Hong Kong and Mainland China, respectively.

Interior Design

Dishes

Phở with Medium Rare and well-done Beef and Meatball (錦麗綜合牛肉粉)

Shrimp and Vietnamese Sausage Rice Paper Roll (大蝦扎肉米紙卷)

French Style Butter Chicken Wings (法式牛油雞翼)

"Tokyo Tsukiji" (東京築地食堂)

Our Tokyo Tsukiji Restaurants offer Japanese cuisine with a focus on ramen, along with skewers and Japanese style dons. Our chefs adhere to the motto of "ramen making with sincerity, soup making with conscience". As at the Latest Practicable Date, we operated three Tokyo Tsukiji Restaurants in Hong Kong.

Interior Design

"Fisher & Farmer" (漁牧)

Having observed the rising market demand in certain specialty cuisines in Mainland China, namely Boiled Fish with Bean Sprouts in Hot Chili Oil, Peking Duck and Signature Chicken in Casserole, we developed the brand "Fisher & Farmer" to serve these signature dishes of Beijing and Sichuan. We believe that the combination of Beijing and Sichuan dishes is a unique mix of cuisine offering that is not common in Hong Kong which, coupled with special ingredients and our modern cooking technique, would attract customers looking for interesting fusion meals. Further, our Fisher & Farmer Restaurant provides a special setting to our customers.

As at the Latest Practicable Date, we operated one Fisher & Farmer Restaurant in Hong Kong.

Interior Design

Dishes

Boiled Fish with Bean Sprouts in Hot Chili Oil (漁牧沸騰魚)

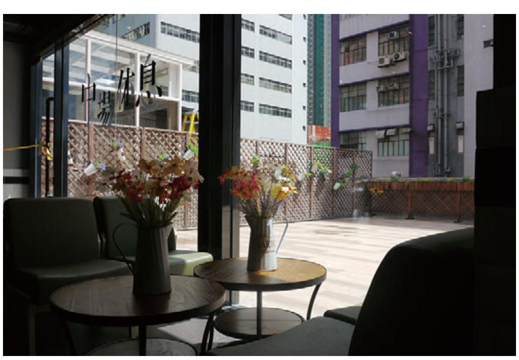
Peking Duck (老北京烤鴨)

Signature Chicken in Casserole (招牌奇香雞煲)

"Rice Rule" (飯規)

Differing from our table service restaurants under our other brands, we developed our "Rice Rule" brand in 2018 to carry a line of restaurants that adopts the layout of a typical fast food canteen where customers are expected to self-serve. The setting of the restaurants seeks to create a very casual and carefree environment for customers to enjoy a quick meal. As at the Latest Practicable Date, we operated one factory canteen under the brand "Rice Rule" in Hong Kong.

Interior Design



"Hot Pot Couple" (夫妻沸片)

The most recent addition to our brand portfolio is "Hot Pot Couple". Restaurants under this brand will principally focus on offering Taiwanese-style spicy hotpot and fresh ingredients. We aim to provide a casual dining environment through the decor and setting in restaurants under this brand. We serve the Taiwan Style Spicy Hotpot as our signature.

As at the Latest Practicable Date, we operated one restaurant under the brand "Hot Pot Couple" in Hong Kong.

Interior Design



Dish

Taiwanese-style spicy hotpot

Operational Performance of our Restaurants

The following table sets forth certain key performance indicators of our restaurants by brands for the periods indicated:

	FY2016	FY2017	FY2018
Approximate average spending per guest(Note 1) (HKD)			
Tai Hing	67.3	66.4	70.4
TeaWood	96.3	94.8	96.6
Trusty Congee King	68.7	60.3	61.4
Men Wah Bing Teng (Note 2)	–	38.5	42.3
Phở Lệ	–	84.7	84.0
Tokyo Tsukiji	84.9	76.6	77.1
Fisher & Farmer	214.9	195.8	181.9
Rice Rule	–	–	43.1
Overall	71.6	70.6	72.6

	FY2016	FY2017	FY2018
Approximate total number of guests served(Note 3) (thousands)			
Tai Hing	26,552	27,095	27,328
TeaWood	4,069	5,637	5,017
Trusty Congee King	1,563	2,271	2,855
Men Wah Bing Teng	–	571	1,460
Phở Lệ	–	249	994
Tokyo Tsukiji	347	376	280
Fisher & Farmer	86	93	65
Rice Rule	–	–	45
Overall	32,617	36,292	38,044
Approximate average guests per day per restaurant(Note 4)			
Tai Hing	722	708	737
TeaWood	528	525	488
Trusty Congee King	452	543	584
Men Wah Bing Teng	–	779	967
Phở Lệ	–	547	467
Tokyo Tsukiji	216	257	231
Fisher & Farmer	235	255	234
Rice Rule	–	–	295
Overall	653	646	661
Approximate average daily sales per restaurant (Note 5) (HKD)			
Tai Hing	50,785	49,687	53,598
TeaWood	50,908	49,931	48,829
Trusty Congee King	33,230	35,834	38,893
Men Wah Bing Teng	–	35,896	47,926
Phở Lệ	–	47,174	40,310
Tokyo Tsukiji	18,375	19,738	18,033
Fisher & Farmer	50,445	49,770	44,376
Rice Rule	–	–	14,572
Overall	48,546	47,725	49,960
Approximate seat turnover rate(Note 6)			
Tai Hing(Note 7)	5.0	5.1	5.1
TeaWood	5.2	5.3	4.9
Trusty Congee King(Note 7)	5.5	6.7	6.9
Men Wah Bing Teng	–	16.0	17.1
Phở Lệ	–	11.1	9.3
Tokyo Tsukiji	4.2	4.7	4.2
Fisher & Farmer	1.8	2.0	1.5
Rice Rule	–	–	3.0
Overall	5.0	5.2	5.4

The following table sets forth certain key performance indicators of our restaurants by brands and geographic segments for the periods indicated:

	Hong Kong and Macau			Mainland China		
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Approximate average spending per guest[(Note 1)] (HKD)						
Tai Hing	61.0	61.2	65.4	84.0	80.3	84.4
TeaWood	97.9	97.1	99.5	86.2	77.1	73.1
Trusty Congee King	69.1	60.7	62.2	50.1	54.6	56.7
Men Wah Bing Teng [(Note 2)]	–	38.5	42.3	–	–	–
Phở Lệ	–	84.7	82.3	–	–	104.8
Tokyo Tsukiji	84.9	76.6	77.1	–	–	–
Fisher & Farmer	214.9	195.8	181.9	–	–	–
Rice Rule	–	–	43.1	–	–	–
Overall	67.6	67.9	69.9	84.0	79.6	82.4
Approximate total number of guests served[(Note 3)] (thousands)						
Tai Hing	19,250	19,676	20,151	7,302	7,419	7,177
TeaWood	3,534	5,005	4,470	535	632	547
Trusty Congee King	1,528	2,122	2,431	35	149	424
Men Wah Bing Teng	–	571	1,460	–	–	–
Phở Lệ	–	249	920	–	–	74
Tokyo Tsukiji	347	376	280	–	–	–
Fisher & Farmer	86	93	65	–	–	–
Rice Rule	–	–	45	–	–	–
Overall	24,745	28,092	29,822	7,872	8,200	8,222
Approximate average guests per day per restaurant[(Note 4)]						
Tai Hing	908	898	991	468	454	429
TeaWood	539	541	518	463	422	334
Trusty Congee King	454	556	636	359	408	398
Men Wah Bing Teng	–	779	967	–	–	–
Phở Lệ	–	547	531	–	–	188
Tokyo Tsukiji	216	257	231	–	–	–
Fisher & Farmer	235	255	234	–	–	–
Rice Rule	–	–	295	–	–	–
Overall	748	739	792	467	450	414
Approximate average daily sales per restaurant[(Note 5)] (HKD)						
Tai Hing	58,562	59,199	67,239	40,216	36,944	37,030
TeaWood	52,767	52,572	53,201	40,373	33,629	25,761
Trusty Congee King	33,627	37,078	43,447	19,310	22,822	22,576
Men Wah Bing Teng	–	35,896	47,926	–	–	–
Phở Lệ	–	47,174	45,026	–	–	19,681
Tokyo Tsukiji	18,375	19,738	18,033	–	–	–
Fisher & Farmer	50,445	49,770	44,376	–	–	–
Rice Rule	–	–	14,572	–	–	–
Overall	52,842	53,162	57,850	40,108	36,388	34,978

	Hong Kong and Macau			Mainland China		
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018
Approximate seat turnover rate (Note 6)						
Tai Hing (Note 7)	8.5	8.5	8.4	2.4	2.4	2.5
TeaWood	6.7	5.7	5.6	2.1	3.2	2.4
Trusty Congee King (Note 7)	6.1	6.8	7.5	1.1	6.0	4.7
Men Wah Bing Teng	–	16.0	17.1	–	–	–
Phở Lệ	–	11.1	10.7	–	–	3.6
Tokyo Tsukiji	4.2	4.7	4.2	–	–	–
Fisher & Farmer	1.8	2.0	1.5	–	–	–
Rice Rule	–	–	3.0	–	–	–
Overall	7.8	7.6	7.8	2.4	2.5	2.5

Notes:

(1) Calculated by dividing gross revenue generated from restaurant operation (excluding takeaway orders) by total number of guests served.

(2) Six of our Men Wah Bing Teng Restaurants adopt self-service order machines and therefore we are unable to accurately calculate the number of guests served. These six restaurants have been excluded for the purpose of this table.

(3) This is based on our point-of-sale system used for most of our restaurants which captures and records the number of guests served (excluding takeaway orders).

(4) Calculated by dividing the total number of guests served (excluding takeaway orders) by the total restaurant operation days.

(5) Calculated by dividing the gross revenue from restaurant operation by the total restaurant operation days.

(6) Calculated by dividing the total number of guests served (excluding takeaway orders) by total seating capacity by average operating days.

(7) One of our Tai Hing Restaurants and one of our Trusty Congee King Restaurants were located in food court and shared seating area with other restaurants. As individual seating capacity is not available, seat turnover rate of these restaurants cannot be calculated and is excluded from the calculation.

Our key performance indicators have remained relatively stable during the Track Record Period. We experienced a slightly larger decrease in the average guest count per day for Tai Hing and TeaWood Restaurants in Mainland China for FY2018 in comparison to FY2016 and FY2017. Such decrease for Tai Hing was mainly due to a relatively higher increase in our menu prices for a majority of our Tai Hing Restaurants in Mainland China during FY2018 in comparison to previous years. While for TeaWood, such decrease in the average guest count per day in FY2018 as compared with FY2017 and FY2016 mainly resulted from the closure of one of our TeaWood Restaurants with a high seating capacity after experiencing a decrease in operating performance during the first half of 2018. Having considered the underperformance of this restaurant, our management decided to close such TeaWood Restaurant in June 2018 and rebranded it into a Trusty Congee King Restaurant in August 2018. There was a lower average spending per guest in Trusty Congee King Restaurants for FY2017 and FY2018 in comparison with FY2016, which was mainly because we have extended the operating hours by offering breakfast during FY2017, which generally has lower prices than lunch and dinner dishes. While such extension of operating hours increased the average daily sales per restaurant of Trusty Congee King over the Track Record Period. The decrease in average spending per guest in Tokyo Tsukiji Restaurants for FY2017 and FY2018 in comparison with FY2016 was due to promotions we offered starting in FY2017, while the decrease in average spending per guest in Fisher & Farmer Restaurant for FY2018 in comparison with FY2017 was due to relocation of the restaurant during FY2018 from Tsim Sha Tsui to Kowloon Bay.

SALES OF FOOD PRODUCTS

During the Track Record Period, we also generated revenue from the sale of canned products and festive products. Sales of food products accounted for approximately 2.3%, 2.1% and 2.1% of our revenue for FY2016, FY2017 and FY2018, respectively.

Canned Products

We offer canned food and beverage products, including our signature Hong Kong-style milk tea, borsch soup, curry chicken, curry beef brisket and minced beef sauce. These products are available for purchase at most of our Tai Hing Restaurants, some supermarkets, convenient stores and online platforms. Before the establishment of our Mainland China Food Factory in 2018, we engaged an independent third party manufacturer to produce our canned products. Recently, we have commenced the production of some of our canned products in our Mainland China Food Factory.

Festive Products

Our Tai Hing Restaurants also offer Chinese festive products, such as "poon choi" (盆菜), "preserved Chinese sausage" (臘腸) for Chinese New Year and rice dumplings for Tuen Ng festival. Regarding its manufacturing, similar arrangements as to the canned products have been adopted.

Cash Coupons

We offer cash coupons at our restaurants to promote our sales. Sales through the redemption of coupons contributed to 3.0%, 2.7% and 2.7% of our revenue in FY2016, FY2017 and FY2018, respectively. Such coupons generally have a validity period of 24 months to 30 months from the date of purchase.

Sales of cash coupons are first recognised as contract liabilities in our consolidated statements of financial position, and revenue is recognised when our customers redeem the coupons. Such contract liabilities were HK$52.5 million, HK$62.7 million and HK$75.1 million as at 31 December 2016, 2017 and 2018, respectively. We implement a contractual expiry policy for these coupons under which any unutilised coupon are fully recognised in our consolidated statement of profit or loss and other comprehensive income. For FY2016, FY2017 and FY2018, other income recognised upon their forfeiture were HK$1.9 million, HK$2.0 million and HK$1.1 million, respectively.

Our Directors confirm that there has been no legal claim against us during the Track Record Period in relation to the sales of cash coupons to our customers.

RESTAURANT NETWORK

We leased all of the properties on which our restaurants operate as at the Latest Practicable Date and all of our restaurants are strategically located in densely populated residential and commercial areas in Hong Kong, Mainland China, Macau and Taiwan. We had a restaurant network of 152, 168, 185 and 191 restaurants operated by us or our franchisees as at 31 December 2016, 31 December 2017, 31 December 2018 and the Latest Practicable Date, respectively. As at the Latest Practicable Date, there were 184 self-operated restaurants (which included 11 restaurants operated by us under a licensed brand) and seven restaurants operated by our franchisees.

The following maps show the location of our restaurants in Hong Kong, Mainland China, Macau and Taiwan as at the Latest Practicable Date.

Location	No. of restaurants
Hong Kong Island	25
Kowloon	48
New Territories	53
Total	126

Location	No. of restaurants
Hong Kong	126
Shenzhen	15
Beijing	12
Shanghai	5
Guangzhou	10
Shenyang	5
Hangzhou	8
Tianjin	3
Other cities in Mainland China	5
Macau	1
Taiwan	1
Total	191

The following table sets forth a breakdown of our restaurants by brand and by location as at the Latest Practicable Date:

	Number of restaurants in each location													
	Hong Kong			Mainland China								Macau	Taiwan	Total
	Hong Kong Island	Kowloon	New Territories	Shenzhen	Beijing	Shanghai	Guangzhou	Shenyang	Hangzhou	Tianjin	Other cities			
Tai Hing	11	22	24	10	11	4	6	5	7	3	5	1	1	110
TeaWood	7	11	11	2	–	–	1	–	–	–	–	–	–	32
Trusty Congee King	2	5	6	1	1	1	3	–	–	–	–	–	–	19
Men Wah Bing Teng	4	5	4	–	–	–	–	–	–	–	–	–	–	13
Phở Lệ	1	2	5	2	–	–	–	–	1	–	–	–	–	11
Tokyo Tsukiji	–	1	2	–	–	–	–	–	–	–	–	–	–	3
Fisher & Farmer	–	1	–	–	–	–	–	–	–	–	–	–	–	1
Rice Rule	–	–	1	–	–	–	–	–	–	–	–	–	–	1
Hot Pot Couple	–	1	–	–	–	–	–	–	–	–	–	–	–	1
Total	25	48	53	15	12	5	10	5	8	3	5	1	1	191

For the operation of seven Tai Hing restaurants located in the international airports in Hong Kong, Beijing, Shanghai and Haikou, we have entered into the Tai Hing Franchise Agreements with the Tai Hing Franchise Partner as franchisee, which has significant experience in operating restaurants in international airports. We grant the franchisee exclusive right to operate Tai Hing restaurants in the relevant international airports for renewable terms of five years, terminable by either party's notice in certain circumstances, e.g. insolvency or material breach of the agreement. We receive fixed franchise fee and royalty fees equivalent to a fixed percentage of the franchised restaurant's monthly net sales. We are responsible for providing technical and design support for the franchisee's tender submission, providing training, operation manuals and standards, advertising, and conducting quality audits; and the franchisee shall bear the construction costs for the franchised restaurants, purchase designated products from us or our approved suppliers, protect and promote the franchised restaurant's reputation, and comply with our manuals. We have undertaken not to operate or grant right to operate Tai Hing restaurant in the relevant airports, and the franchisee has undertaken not to be directly or indirectly engaged or interested in the management or operation of any business in the relevant airports which is similar to ours during the term of the agreements and for one year thereafter.

We have adopted various measures to ensure that the franchised Tai Hing Restaurants are operated in accordance with our standards and requirements. In general, we are responsible for (i) providing technical and design support for the franchisee's tender submission; (ii) providing training to the franchisee's staff for the opening and on-going operation of the franchised restaurant; (iii) providing operating manuals for the operation of the franchised restaurant; and (iv) conducting quality and hygiene audits on the franchised restaurants from time to time. We also require our franchisee(s) to (i) attend our trainings for a requisite period; (ii) comply with our operating manuals; and (iii) purchase certain designated products from us or our approved suppliers. During the Track Record Period, there had been no material breach of the franchise agreements we have entered into by us or the relevant counterparty.

According to the Frost & Sullivan Report, the food delivery services trend has been rising and is becoming increasingly popular among consumers in Hong Kong and Mainland China, and the rising penetration of food delivery services would act as a driver to the overall catering industry, benefiting the growth of our Group's operations in the casual dining segment. Despite such trend may potentially lead to a drop in the demand for sit-in services as well as introduce a relative more fierce competition environment as our competitors are no longer limited by the physical location of their restaurants which may result in an adverse impact on our financial performance, we embrace such trend as we see the following benefits from our co-operation with food delivery services providers: (i) we have established a strong brand reputation on our consistency of food quality which we could further leverage on; (ii) an additional distribution channel of our food products by providing door-to-door delivery service covering a wider delivery area could potentially bring in additional revenue to our Group as compared to only providing sit-in service and take-away service to nearby areas; and (iii) our restaurants will no longer be limited by its physical locations, rather, the reach of our participating restaurants will be efficiently enhanced by the network of the food delivery service provider(s) and allow us to reach a broader potential customer's base. We entered into contracts with food delivery service provider(s) in Hong Kong and Mainland China, in August 2017 and October 2018, respectively. We co-operate with Deliveroo and Food Panda in Hong Kong and Meituan in Mainland China. Currently, only a limited number of selected restaurants under our "Tai Hing", "TeaWood", "Trusty Congee King" and "Fisher & Farmer" brands in Hong Kong and our "Tai Hing" brand in Mainland China have been participating in such services, after balancing the costs involved and the positive financial performance brought in by such participation. Our Directors intend to increase the number of participating restaurants in the future as and when appropriate. The increase in use of third-party food delivery services partly contributed to the increase in our bank and delivery handling charges.

SITE SELECTION AND NEW RESTAURANT OPENING PROCESS

Site Selection Process

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

New Restaurant Opening Process

Our restaurant opening process from site selection to restaurant opening generally requires six months and primarily consists of (i) approval of restaurant sites by an executive Director, lease negotiations and approval by an executive Director; (ii) designing the restaurant; (iii) renovation (generally taking 1 to 2 months) by our engineering team together with external contractors in accordance with our interior design which is approved by our general manager (property and project development); and (iv) obtaining all required licences and permits, relocation of store management and other staff to a new site, training of new staff and other pre-operating preparations.

Expansion into Taiwan

The casual dining market is highly competitive and fragmented in Taiwan, with top 5 players together accounting for less than 10% market share in terms of revenue. The major participants in Taiwan's casual dining market are local and international ones who adopted multi-brand strategy and providing diversified cuisines covering Taiwan cuisine, Hong Kong cuisine, Asian cuisine, Western cuisine, etc.

As part of our strategy to expand into Taiwan, on 13 September 2018, we entered into a joint venture agreement with Weidoe Investment Co., Ltd.* (緯豆投資有限公司) a company incorporated in Taiwan engaging in the operation of restaurants ("**Taiwan JV Partner**") in respect of the formation of a joint venture company to open and operate new restaurants under our "Tai Hing", "Trusty Congee King" and "Phở Lệ" brands in Taiwan. Our Taiwan JV Partner is a food and beverage operator incorporated in Taiwan in 2015, who is experienced in introducing Hong Kong brands into Taiwan, and currently owns a central kitchen and operates around 6 restaurants with a particular focus on dim sum and clay pot rice in Taipei. Under this arrangement, we believe we can enjoy our Taiwan JV Partner's solid restaurant operation experience in Taiwan and their market intelligence, while retaining a majority of interest in the joint venture company(ies) operating such restaurants will allow us to control the major decision making process and set the future

* *For identification purpose only.*

business direction and strategy of our restaurant operations in Taiwan. Principal terms of the joint venture agreement are set out below:

Incorporation	The parties will incorporate a close company (閉鎖性股份有限公司, a special type of company limited by shares) in Taiwan in the name of 台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited* ("**JV Company**").
Business activity	To open and operate restaurants under the brands "Tai Hing", "Trusty Congee King" and "Phở Lệ" in Taiwan and any other business as to be agreed by its board of directors. Our first restaurant under the "Tai Hing" brand opened in Taiwan in May 2019.
Share capital	The JV Company shall have total share capital of NTD50 million and shall be owned by us and Taiwan JV Partner as to 51% and 49%, respectively.

To the best of our Directors' knowledge, apart from this joint venture arrangement, the Taiwan JV Partner has no past or present relationship with our Company, our subsidiaries, our shareholders, directors, senior management or any of our respective associates. Our Taiwan JV Partner has restaurant operation experience in introducing Hong Kong brands to Taiwan. Our Directors' believe that we may benefit from its experience, local network, marketing and brand development strategies and its central kitchen for launching of our brands in Taiwan.

Additional funding	Any additional funding for the JV Company shall be approved by the board and the shareholders of the JV Company
Board of directors	We have the right to nominate directors constituting majority of the board of directors

* *For identification purposes only*

Rights and responsibilities	We shall, among others, procure that the brands "Tai Hing", "Trusty Congee King" and "Phở Lệ" be licensed to the JV Company as franchisee to operate restaurants under these brands in Taiwan. In return, we shall receive a licence fee. Taiwan JV Partner shall be responsible for matters such as preparation of business proposal, financial budget and financial report, day-to-day management (including financial, human resources, administration and rental matters) in compliance with applicable laws and regulations in Taiwan. In return, Taiwan JV Partner shall receive administration fee
Reserved matters	The following matters, among others, shall require unanimous approval of the shareholders: (a) reorganisation or restructuring of the JV company in any manner; (b) any acquisition or disposal of assets in excess of the agreed threshold by the JV Company; (c) any resolutions causing spin-off, merger or amalgamation, cessation of business, winding up, appointment of receiver, or the entering into of any settlement agreements or arrangements with creditors of the JV Company; (d) undertaking of any liability, borrowing or provision of guarantee in excess of the agreed threshold; (e) any fund raising from existing shareholders or any other third parties in excess of the agreed threshold; and (f) offering or accepting a settlement amount in any mediation or arbitration in relation to any legal proceedings.
Transfer of shares	Without the prior written consent of the other shareholder(s) of the JV Company, any shareholder of the JV Company shall not: (a) transfer any of its interest (including shares or shareholders' loan) in the JV Company to any third party; or (b) create or permit to exist any encumbrances over any of its interest (including shares or shareholders' loan) in the JV Company.

Non-competition	Taiwan JV Partner undertakes not to: (1) operate or hold interest in, whether directly or through third parties, food and beverage business in Taiwan of a nature that is identical or similar to that of the JV Company; or (2) sell, whether directly or through third parties, products of the JV Company or products related or similar to those of "Tai Hing", "Trusty Congee King" or "Phở Lệ" brands in restaurants of Taiwan JV Partner or its shareholder(s).
Termination	The agreement shall terminate upon any of the following events ("**Event of Default**"): (1) the JV Company recorded loss in two consecutive years and its board of directors resolved to terminate this agreement; (2) where a shareholder committed a material breach of the agreement and where such breach is remediable, the non-breaching shareholder has served a notice requiring remediation, and the shareholder in breach fails to remedy the breach within 14 working days (or such time limit as specified by the non-breaching shareholder) of such notice; (3) a shareholder (or its holding company or subsidiaries) fails to satisfy its debt in its business operations; (4) a shareholder ceases, or threatens to cease, the business operation of the JV Company; (5) the taking of possession by rights owner, or appointment of receiver or trustee in respect of all or any material business, property or assets of a shareholder; or (6) the making of any order or resolution in respect of the winding up of a shareholder.

In the event the agreement is terminated, the non-breaching shareholder shall have the right to acquire the interest of the breaching shareholder at a price determined based on the net asset value of the JV Company as at the last day of the month immediately preceding the Event of Default.

Our Directors expect that we will enter into a franchise agreement with the JV Company at an appropriate time.

In addition to the above agreements, we may from time to time enter into new business arrangements to expand our operations if we identify other appropriate franchisees or business partners in the future.

Measures to avoid cannibalisation

To avoid cannibalisation among our restaurants, we have implemented the following measure(s):

(a) we adopt a multi-brand strategy where we have the capability to self-develop or co-operate with third parties in developing new brands with different cuisine focuses for our customers to enjoy. With distinctive focuses of cuisines, we believe our restaurants under different brands are able to target at different customers with different cuisine preferences;

(b) during the expansion of restaurant network of any existing brands, we generally will not open any additional restaurant under the same brand within a restricted area ("**Same Brand Restricted Area**"), being a walking distance of approximately 1 kilometer or within the same shopping mall or commercial complex ("**Same Brand Expansion Policy**");

(c) if we come across any landmark locations, shopping mall(s) or commercial complex(es), we would still adhere to our Same Brand Expansion Policy while we may look to open restaurants under different brands in the Same Brand Restricted Area to capture the particularly high pedestrian flow and target customers;

(d) we will conduct new restaurant feasibility studies prior to making any decision to open a new restaurant. Apart from taking into account all costs and capital expenditure to be incurred, we will also factor in any possible cannibalisation effect and balance it against the potential revenue to be generated from the restaurant; and

(e) we will continuously monitor the operational and financial performance of our restaurants. If there is any unsatisfactory performance, we will carry out relevant analysis and adjust our strategies and future plans accordingly.

SEASONALITY

Our business is subject to seasonality. During the Track Record Period, we generally recorded higher monthly revenue during major holidays, such as Christmas, Chinese New Year and summer, with lower monthly revenues during the period after these major holidays.

FOOD FACTORIES

As at the Latest Practicable Date, we had two food factories, namely the Hong Kong Food Factory and the Mainland China Food Factory. In order to support our expansion in Hong Kong, we established a food factory in Fo Tan, Hong Kong in 2008. In 2016, to improve the standardisation and effectiveness of our operations in Mainland China, we commenced construction of our Mainland China Food Factory, which commenced operation in October 2018.

Our current Hong Kong Food Factory has an area of approximately 158,414 sq.ft.. Our Hong Kong Food Factory is currently supporting all of our restaurants in Hong Kong. With the current capacity of our Hong Kong Food Factory, if we (i) purchase additional industrial pressure boilers, kettles and/or oven; and (ii) increase the numbers and working hours of our employee, we will be able to support an additional 50 to 60 restaurants in Hong Kong. While our Mainland China Food Factory only commenced production in October 2018 mainly producing cured meat, frozen products and canned milk tea and recorded only a production value of approximately RMB2.3 million in the fourth quarter of 2018 as it was not in full force. As our Mainland China Food Factory gradually ramps up its production, with the production lines in place and a 15% buffer for coping with festive factors and contingency, it is currently expected that our Mainland China Food Factory would reach a potential production value of around HK$500 million per year. Drawing references from the average consumption of supplies from our Hong Kong Food Factory by each of our Hong Kong store during the Track Record Period, we estimated that our Mainland China Food Factory is able to support about 200 restaurants in Mainland China and the production of certain products for our restaurants in Hong Kong. Our Food Factories enable us to centralise our food ingredients and supplies purchasing, food processing, quality control of raw materials, semi-processed or processed food ingredients, as well as packaging, warehousing and distribution functions.

The food processing functions currently assumed by our Food Factories primarily include preparing processed and semi-processed meat, noodles, bread and sauces, seasonings and spices used in our dishes. For FY2018, approximately 60% of our raw materials, semi-processed and processed food ingredients used in our restaurants in Hong Kong are supplied by our Hong Kong Food Factory.

Raw materials and food ingredients are processed into semi-processed or processed products at our Food Factories and are then delivered to each of our restaurants. This promotes standardisation in the food preparation process and quality control, and also assists us in negotiating for bulk purchase discounts in our food ingredient purchases. With our Food Factories, we are able to reduce part of the food preparation functions in our restaurants.

Food hygiene and safety is one of our key success factors. We have implemented a comprehensive set of procedural guidelines on the entire production cycle from procurement of food ingredients and supplies, to preparation and processing, quality control and distribution of food.

We believe the key benefits from the use of our Food Factories include:

- *Standardisation across our restaurant network.* Our Food Factories allow us to standardise a significant portion of our food preparation process to ensure food quality consistency across various restaurants. Our centralised inventory storage facility also enables us to achieve a significant degree of centralisation of quality inspection to ensure consistent quality of food ingredients.

- *Economies of scale.* We benefit from greater food production efficiency through economies of scale in production, such as economic use of food ingredients and specialisation of labor in our Food Factories. Our Food Factories allow us to control costs efficiently by centralising purchasing and food processing functions and reducing wastage of food ingredients.

- *Better utilisation of space and labour.* Our centralised storage facilities improve the space utilisation of our individual restaurants by reducing the kitchen space and storage space required at our individual restaurants, as well as reducing the workload of our restaurant-level chefs in respect of the initial stages of food ingredients processing so they are able to focus their attention on the final stages of food preparation.

- *Reduced inventory management expense.* The use of centralised storage facilities helps us to reduce inventory management expenses by consolidating the inventory storage, monitoring and logistics functions.

We primarily use our self-owned and self-operated refrigerated trucks to deliver semi-processed and processed food from our Hong Kong Food Factory to our restaurants. We also use Independent Third Party logistic service providers. Deliveries from our Mainland China Food Factory to our restaurants are undertaken by Independent Third Party logistic service providers. During the Track Record Period, we did not experience any material vehicle malfunction that hindered food delivery.

Compliance with relevant regulations on transfer pricing

It is currently expected that our Mainland China Food Factory will produce, among others, (i) marinated frozen raw meat; (ii) frozen processed meat; (iii) pre-packed soup; (iv) condiments; (v) Chinese rice dumplings; (vi) canned products; and (vii) cured meat to our restaurants in Hong Kong and Mainland China. These supplies will be delivered from our Mainland China Food Factory to our Hong Kong Logistics Centre, and thereafter, to be delivered to our Hong Kong restaurants for their onward processing and sales in accordance with the orders placed by our Hong Kong Logistics Centre. Since our Mainland China Food Factory only commenced operation in October 2018, there was only an immaterial transaction amount in relation to canned products and festive products between our Hong Kong restaurants and our Mainland China Food Factory, amounting to approximately RMB968,000 excluding value added tax in FY2018. However, as the operation of our Mainland China Food Factory ramps up, it is expected that the transactions between our Hong Kong restaurants and our Mainland China Food Factory will increase accordingly. Our Hong Kong restaurants will be charged on a cost plus basis, in light of the relevant regulations on transfer pricing in Hong Kong and the Mainland China, details of which are set out in the section headed "Regulatory Overview" in this Prospectus. In respect of the transfer pricing mechanism, we had used the transactional net margin method as calculated by marking-up on total costs except interest expenses and profit tax with a net margin with reference to median of the three-year weighted average interquartile range of the net margin of comparable companies. We have engaged an external tax consultant to perform a transfer pricing study with respect to the intra-group buy-sell transactions between the Mainland China Food Factory and our Hong Kong restaurants pursuant to the prevailing transfer pricing regulations in Mainland China and Hong Kong. After such consultation, our Directors have implemented the recommended transfer pricing arrangement, and consider that the subject transactions of the Mainland China Food Factory are in compliance with the relevant transfer pricing regulations.

OUR CUSTOMERS

Revenue generated by our restaurant business accounted for over 97% of our total revenue during the Track Record Period. Due to the nature of our business, all customers of our restaurants are retail customers from the general public while customers of our food products are retail customers and corporate customers. None of our customers accounted for 5% or more of our total revenue for FY2016, FY2017 and FY2018 and we did not rely on any single customer during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contracts with our customers.

OUR SUPPLIERS

Our suppliers mainly consisted of food ingredients and beverage suppliers.

Top five suppliers

The following table sets forth the details of our top five suppliers based on our total purchases attributable to them during the Track Record Period:

FY2016

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$84.3 million	11.4%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$42.6 million	5.7%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$28.3 million	3.8%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$20.9 million	2.8%	Poultry	15 days after month end	Bank transfer
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$16.1 million	2.2%	Eggs	30 days after month end	Bank transfer

FY2017

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$85.9 million	10.9%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$47.8 million	6.1%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$33.4 million	4.2%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$26.5 million	3.4%	Poultry	15 days after month end	Bank transfer
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$20.0 million	2.5%	Eggs	30 days after month end	Bank transfer

FY2018

Rank	Our supplier	Principal business activities	Approximate years of business with our Group as at the Latest Practicable Date	Purchase amount	Approximate % of our total purchases attributable to the supplier	Products supplied	Credit term	Settlement method
1	Supplier A	Importing and distributing meats	Over 7 years	HK$77.8 million	8.6%	Meat	30 days after month end	Bank transfer
2	Supplier B	Distributing processed food	Over 7 years	HK$44.8 million	5.0%	Processed food	20 days after invoice date	Bank transfer
3	Supplier C	Importing and wholesaling food ingredients	Over 7 years	HK$38.8 million	4.3%	Groceries	30 days after month end	Bank transfer
4	Supplier D	Importing and distributing poultry products	Over 7 years	HK$31.5 million	3.5%	Poultry	15 days after month end	Bank transfer
5	Supplier E	Importing and wholesaling food ingredients	Over 7 years	HK$22.6 million	2.5%	Eggs	30 days after month end	Bank transfer

We have established business relationship with all of our five largest suppliers for more than seven years. During the Track Record Period, the total amount of purchases from our five largest suppliers in aggregate was approximately HK$192.2 million, HK$213.6 million and HK$215.5 million, representing 25.9%, 27.1% and 23.9% of our total amount of purchases, while the total purchases from our largest supplier was approximately HK$84.3 million, HK$85.9 million and HK$77.8 million, representing 11.4%, 10.9% and 8.6% of our total amount of purchases, for FY2016, FY2017 and FY2018, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contracts with our suppliers. Our Directors believe that this allows us to have greater bargaining power and flexibility to negotiate more favourable terms based on market conditions. We have established stable business relationships with our top five suppliers during the Track Record Period and we did not experience any significant interruptions in securing the supply and sufficient quantities of our required food ingredients that had any material adverse impact on our business or results of operations. Given our established relationships with our existing suppliers and our internal policy, our Directors believe that we will not experience any difficulty in securing supply of ingredients from our existing suppliers.

None of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

Credit terms

Our suppliers generally grant us a credit period of 15 days to 55 days after the last day of the relevant month. We will only arrange payment after the invoices and monthly statements from our suppliers have been reconciled to ensure that there are no unrecognisable items. Such documents are checked by our finance department. During the Track Record Period, most of the purchases made by our Group was settled and denominated in HKD and RMB.

PURCHASING

We adopted central purchase policy with vender selection and terms of all purchases is negotiated by our buying team.

Our ability to maintain consistently high quality standards throughout our restaurants depends on our ability to procure high quality food ingredients in sufficient quantities from reliable sources. We have implemented a procurement process for food ingredients and supplies, including contingency plans for our major food ingredients and supplies, which is integrated with our food preparation processes at our Food Factories. During the Track Record Period, we did not experience any interruption of our food ingredients supply, early termination of supply agreements, or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business or results of operations.

Supplier Selection and Management

Our purchasing team provides the necessary information, including detailed specifications of the food ingredients, to our suppliers and obtain samples of the food ingredients to ensure the food and supplies delivered meet the specified standards.

We purchased food and supplies from more than 500 suppliers during the Track Record Period. Generally, we prefer to purchase from larger suppliers with whom we have established relationships over the years. As at the Latest Practicable Date, we had over seven years of business relationship with our major suppliers.

Our major suppliers were generally engaged in the business of supplying pork, poultry and vegetables. We have purchased food and supplies for over seven years from all of our five largest suppliers. Frozen meat, chilled meat and vegetables sourced by us usually have a shelf life of approximately six to 12 months, one week and two days, respectively. We cleared out all such perishable supplies before the expiry of their shelf lives.

Our Directors consider that it is generally not difficult to replace our existing suppliers given that there are a variety of alternative suppliers for the food ingredients required by us. During the Track Record Period, none of our major suppliers ceased or indicated that it would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our major suppliers.

We believe the increases in prices of our major food ingredients during the Track Record Period were reasonable and did not have a material adverse effect on our business, financial condition and results of operations.

Our purchasing team comprises about over 25 staff. Both of the heads of our purchasing teams in Hong Kong and Mainland China have around 15 years of experience in food ingredients purchasing. Other staff in our purchasing team generally have over seven years of experience in food ingredients purchasing. We follow a fair and open competitive process to select our suppliers. Our purchasing team selects a supplier of food ingredients and supplies based on (i) quality and stability of the products or services offered by the potential supplier and overall reputation of the potential supplier, (ii) pricing of the products or services, (iii) capacity and business operations of the potential supplier and variety of the products or services offered by the potential supplier, and (iv) general supply terms and conditions, such as payment terms, delivery schedule and discount.

Our purchasing team generally conducts site visits of the potential supplier of our major ingredients and conducts sample reviews and trial orders from the potential supplier when considering whether to include a potential supplier in our supplier list. Any decision in relation to inclusion of a new supplier requires approval by our general manager. Our purchasing team also conducts evaluations of our suppliers annually. Suppliers that fail to meet our standards in the annual evaluation are removed from our supplier list.

Our five largest suppliers also confirmed to us that they are independent from, and do not pay any kickbacks to, members of our purchasing team.

We believe these standards and restrictions imposed by us are able to effectively prevent us from entering into kickback arrangements or bribery schemes with our suppliers.

Purchasing Procedures

We have established purchase procedures for all purchase orders of food ingredients and other supplies, including the centralised purchases. Our operations team is required to provide food specifications to our purchasing team, which solicit samples and commence negotiation on price and terms with our suppliers. Purchasing requests raised from our restaurants are consolidated by our computerised procurement system and sent to our Hong Kong Food Factory or our suppliers every day. For details, please refer to the paragraph headed "— Information Technology" below.

Inventory Management

Leveraging on our centralised purchasing function, our purchasing team negotiates buying terms with our suppliers while the users places daily replenishment orders. Bulk purchase items are delivered and stored in our Food Factories to reduce inventory management expenses by consolidating inventory storage, monitoring and logistics functions. Perishables such as vegetables and fresh poultry are delivered to our restaurants directly by our suppliers.

Our restaurants in Hong Kong place orders to either our Hong Kong Food Factory or our approved suppliers. To keep the food ingredients and supplies fresh and reduce wastage, we keep a minimal level of fresh and perishable food ingredients on hand and generally for not more than one to two days. For non-perishable food ingredients, which mainly include frozen meats, we ensure that an adequate level of stock is maintained in both our Hong Kong Food Factory and our restaurants based on operational needs. We seek to minimise the amount of food that we store in our Hong Kong Food Factory by utilising our inventory auto-replenishment system which use historical data to project future demand.

If prices of certain food ingredients decrease significantly, we may consider using such food ingredients to develop promotional dishes for our customers. We may place bulk orders to secure sufficient food ingredients for our promotional dishes. During the Track Record Period, our restaurants in Mainland China placed orders only to our approved suppliers. Since our Mainland China Food Factory commenced operation in October 2018, our restaurants in Mainland China have started placing orders with our Mainland China Food Factory and such orders will increase as we ramp up the operations of such Food Factory. Without the full support of a central kitchen or food factory, our Mainland China restaurants generally keep perishable food ingredients for a slightly longer period as compared to Hong Kong restaurants while non-perishable goods will be kept at an adequate level based on the restaurant's operational needs. In the event that prices of food ingredients increase significantly, we may adjust menu prices or items to pass on the increase in purchase cost to our customers.

QUALITY CONTROL

We have implemented a standardized quality control system to ensure the high quality and safety of our food in our restaurants through training and supervision of personnel and the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. We implemented the "5-S (五常法)" management system throughout our entire operational process, including sourcing and processing of food ingredients, maintaining hygiene standards, staff training and daily management of our individual restaurants. Our quality control systems primarily comprise quality controls in the supply chain, at our Food Factories, logistics and our restaurants.

Supply Chain Quality Control

We require all our suppliers to comply with quality standards imposed by regulatory authorities and our own internal quality standards covering food packaging, labeling, transportation and storage of food ingredients and other supplies. To ensure the quality of our supply chain, we annually evaluate the quality and quantity of purchases from our suppliers.

We carry out on-site inspections of our major food processing suppliers once every year. During the on-site inspections, our quality control team inspect the storage facilities, hygiene conditions and food handling procedures of our suppliers. For the procedures we adopt in selecting suppliers, see "— Purchasing — Supplier selection and management" above.

Food Factories Quality Control

Food safety and quality are our highest priorities. We apply the food safety and quality management principles embodied in various quality standards issued by the ISO in our Food Factories quality control system.

Our Food Factories have quality assurance personnel implementing quality control policies and procedures, primarily including:

- *Food ingredients inspection.* The quality assurance personnel inspects the quality of all food ingredients received by the Food Factories based on our formulated quality inspection procedures and standards.

- *Operation quality control.* The quality assurance personnel and production personnel jointly oversee the quality control at each stage of food processing. Food that is not compliant with our formulated food processing procedures and requirements will be either re-processed or destroyed.

- *Finished goods quality control.* The quality assurance personnel conduct laboratory sample testing of the processed food. Processed food ingredients that pass both tests are then delivered to our restaurants.

The *siu mei* production unit of our Hong Kong Food Factory has obtained ISO 22000 accreditation for our food safety and quality management system in 2013, which is valid till 2021. We adopted specific food preparation, packaging, storage and distribution standards with respect to our semi-processed and processed food ingredients, in accordance with the Hazard Analysis Critical Control Point (HACCP). The HACCP is a food safety process that has been established for minimizing and preventing the occurrence of identified hazards and risks during food processing.

Our Food Factories have specialized quality inspection teams which are responsible for quality control of food ingredients. As of the Latest Practicable Date, the quality inspection team at our Hong Kong Food Factory comprised our general manager and director of central production and product development, Mr. Yiu Man, and six other members, while the quality inspection team at our Mainland China Food Factory comprised five members, all of whom are responsible for inspecting our food ingredients and supplies. Our quality control team oversees quality control at each stage of food processing in accordance with our formulated food processing procedures and HACCP standard. Our quality control manager has over ten years of experience in food quality control. Our general manager has over 30 years of experience in food quality control. We provide internal HACCP training for food safety management systems to our quality inspection teams at our Food Factories. Our quality inspection team is well trained and well equipped with the knowledge and skills to inspect the quality of all food ingredients prepared in our Food Factories.

The food samples are tested at laboratories located in the Food Factories and/or external laboratories with relevant certification on a regular basis. During the Track Record Period, there were no material deficiencies in our food samples identified during the reviews and inspections.

We have adopted hygiene standards both for Food Factories as well as our restaurants. The hygiene standards are implemented and closely monitored by our trained personnel.

Logistics Quality Control

We established our own delivery team to deliver raw, semi-processed and processed food ingredients from our Hong Kong Logistics Centre to our restaurants in Hong Kong. As of the Latest Practicable Date, our delivery team owned and were operating 13 refrigerated trucks. We have formulated strict procedures and requirements with respect to the hygiene and temperature of the refrigerated trucks we use for transportation. Some deliveries are carried out by Independent Third Party logistic service providers. Upon delivery of the food ingredients to the restaurants, restaurant staff stores the food ingredients under appropriate temperature and storage conditions in accordance with our formulated procedures.

Restaurant Quality Control

To keep a high standard in restaurant quality control, we adopt the same quality control standards for our restaurants as that in our Food Factories. While inspecting food ingredients and supplies, our restaurant-level staff will check all food delivery and supplies on site and report to the purchasing director through our in-house developed food quality reporting system. Any deviation or irregularity in the quality of food ingredients. Food ingredients and supplies which do not meet our standard will be rejected.

We have established operating procedures and quality standards to regulate the stages of food preparation done at our restaurants. We require our restaurant staff to strictly adhere to the procedures and standards to ensure the consistent taste and quality of our dishes. We utilise automated food processing machines in our restaurants to process ingredients and prepare dishes in order to avoid inconsistency in food standard and ensure food quality. We believe consistent taste and quality of our food across various restaurants can help us to retain existing customers and attract new customers by ensuring customer satisfaction.

Our restaurants' quality control policies and procedure primarily include the following aspects:

- *Surprise checks*. Our quality control team routinely conduct surprise checks and laboratory testing of our ingredients and equipment at our restaurants to ensure they adhere to the health and safety standards prescribed by the FEHD.

- *Training programs.* We continually provide training programs to our restaurant staff on the operating procedures and quality standards.

- *Food safety and hygiene.* We implement a hygiene protocol for the overall hygiene and cleanliness of our restaurants. Our district managers routinely inspect our restaurants to monitor strict compliance of the operating procedures and quality standards to ensure food safety and hygiene, as well as work safety, at our restaurants.

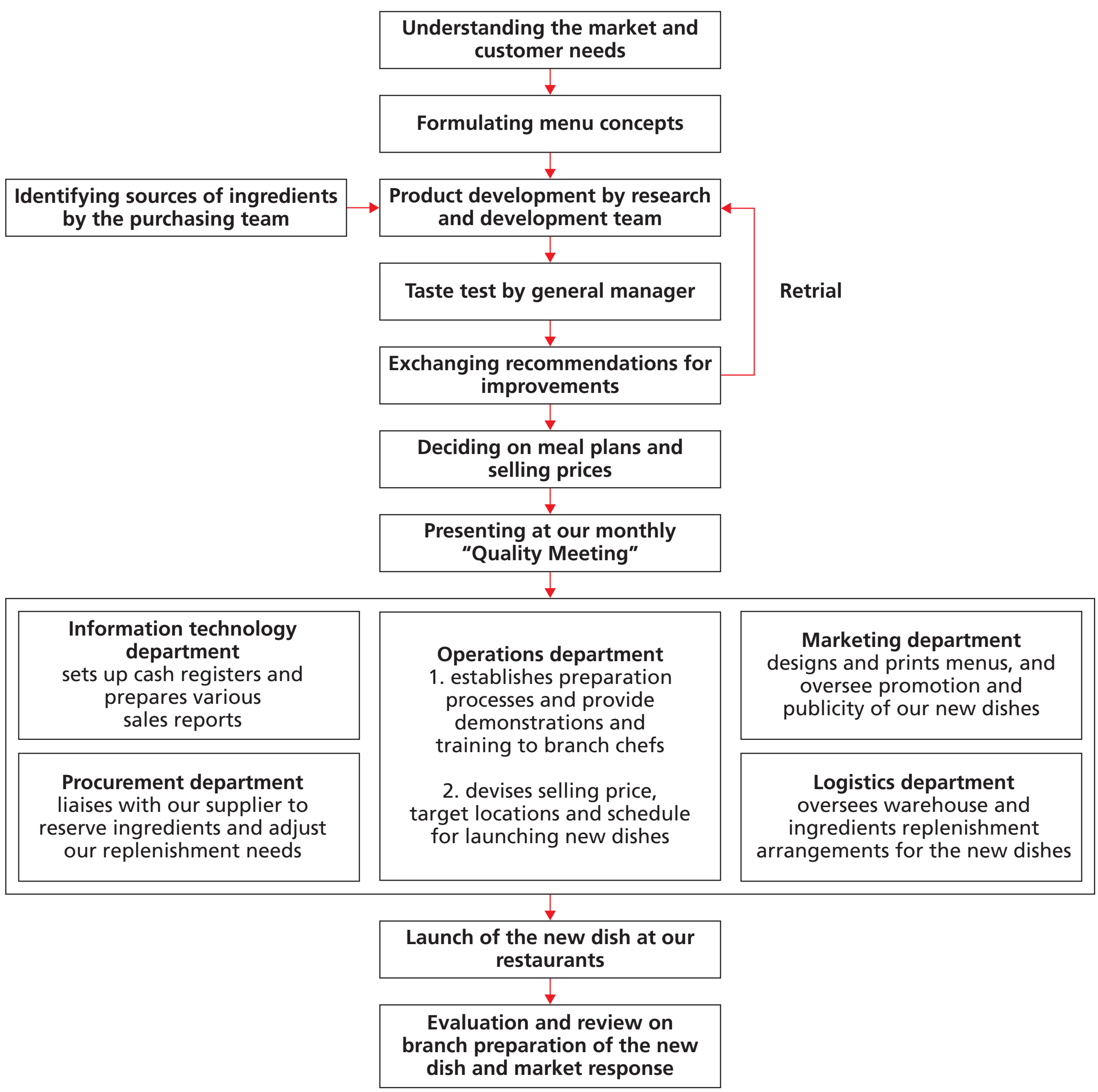
- *Secret customers.* We have engaged a third-party independent consulting company to conduct regular spot-checks of our restaurants to identify and rectify potential issues with respect to service quality and areas of improvement for our restaurant-level employees.

- *District chef inspection.* We have a team of more than 30 district chefs to conduct quality checks at their respective assigned restaurants on a daily basis. Checks will be performed against the quality of supplies, the cooking techniques of the restaurant kitchen staff and food tasting.

DISH DEVELOPMENT

As we target a wide range of customers, we update our menus regularly in response to taste preferences of customers, food trends, nutrition needs, seasonality and customer feedback. We continuously refine our signature dishes to attract frequent visits by our target customers and strive to exceed our customers' expectations. Other than standard menus, restaurants under certain brands offer "special dishes for the month/season" or themed dishes from time to time. New and seasonal menus are reviewed, revised and approved by our general manager of operations. To ensure consistency and standardization, our general manager of operations is responsible for the final approval of these new dishes, including the ingredients used and the selling prices. In order to keep our chefs abreast of the development in cooking techniques, they are encouraged to create new dishes and present them in our monthly quality meetings.

The following diagram illustrates our project-based dish development process of our menus:



CUSTOMER'S COMPLAINTS

Customers may occasionally give feedback or complain about food quality or services of our restaurant staff. Generally, we receive feedback or complaints from customer at our restaurants, through our customer service hotline, email, online suggestion form or Facebook page. Our restaurant managers handle complaints received at our restaurants immediately. Complaints made through other channels are handled by designated officers of our customer service department, who will investigate the complaints and send out replies to the relevant customers or organisations as appropriate.

During the Track Record Period, we recorded approximately 314, 199 and 154 customer complaints for FY2016, FY2017 and FY2018, respectively. There were also nine (9) and nil complaints filed by our customers to the Consumer Council and Hong Kong Tourism Board, respectively. The complaints were generally regarding food quality or service of our restaurant staff. We are not aware of any incidence of customer complaint claiming material compensation that could have a material adverse effect on our business, results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date. As soon as we receive a customer complaint referred from the Consumer Council or Hong Kong Tourism Board (if any), our customer service department will investigate the incident and send out replies to the relevant customer, Consumer Council or Tourism Board as appropriate.

During the Track Record Period, there were 95 and 18 complaints filed by our customers to the FEHD (the "**HK Complaints**") and the relevant authorities in Mainland China (the "**PRC Complaints**"), respectively. 78 of the HK Complaints were found by the FEHD to be unjustified, 16 of the HK Complaints were related to our food being contaminated by small foreign substances such as insects or debris, for which we were fined an aggregate amount of HK$21,640, and we will attend a hearing for the remaining one of the HK Complaints in June 2019. During the Track Record Period and up to the Latest Practicable Date, only one of our restaurants had been registered with 5 demerit points resulting from a single incident of foreign substance found in food. 12 of the PRC Complaints were found to be unjustified, and the remaining 6 PRC Complaints, relating to food quality, were fully settled with the relevant customers. None of the incidents caused any personal injury, and no compensation has been claimed or paid. As the amount fined was insignificant, our Directors believe that the financial impact of such fines is immaterial to our Group. Further, the Company has carried out internal reviews after each incident in an effort to minimize the number of similar incidents.

RESTAURANT KITCHEN AUTOMATION TECHNOLOGY

We seek to distinguish ourselves in the restaurant industry partly by implementing technology to support our development. Our management team had taken the initiative to actively implement different kinds of automated food processing machines at restaurant level in order to increase operational efficiency, ensure consistency in dish portion and quality, as well as create a safer and healthier working environment for our kitchen employees. These automated food processing machines include automated woks, programmed barbecue pork sauce mixers, programmed chicken poaching machines, programmed poultry roasting ovens with programmed voice prompt. These machines serve to reduce the skill level required of kitchen staff, avoid repetitive motion and heavy-lifting in cooking tasks to reduce commonly seen occupational diseases in kitchen employees. We actively work with manufacturers to develop tailor made programmes and have obtained three innovative application patents for our automated food processing machines. Our automated woks in particular are programmed to make more than 300 Chinese stir-fry dishes.

Further, with the help of all these automated food processing machines, we are able to standardise the key production process of our dishes and maintain a uniformly high quality in our dishes. Thus, we enjoy more flexibility in recruiting and hiring employees with less experience to perform the cooking steps which are traditionally performed only by skilled chefs and enjoy looser restrictions on gender and age requirements which would otherwise be required should we have high reliance on the skilled chefs. Our Directors believe that having implemented these systems, we will be able to better control our labour cost and labour turnover rate and reduce our reliance on skilled chefs.

INFORMATION TECHNOLOGY

We have implemented a computerized POS (point-of-sale) system at all our restaurants which captures extensive consumer data, including sales revenue, ticket size and method of payment etc.. Our senior management selects certain key performance indicators, such as sales revenue per square foot, seat or staff, effectiveness of promotional activities, average customer spend, seat turnover rate and food costs, and closely monitors and analyzes the data on a regular basis. Accordingly, we are able to make swift management decisions to respond to fluctuations on these key performance indicators on a regular basis.

We have also developed and implemented our own inventory auto-replenishment system at our Hong Kong Logistics Centre. The system analyses data such as historical demand, current stock level, upcoming holidays, delivery schedule of our suppliers to generate a daily purchase order recommendation for our goods replenishing team. This allows us to keep a low but sufficient inventory level at our Hong Kong Logistics Centre, which in turn reduce working capital, ensure freshness of our ingredients and reduce hard labour for the handling of raw materials. We have also adopted an ERP (enterprise resource planning) system to integrate buying, production, logistic and accounting functions. A user friendly intranet application is installed at our restaurants for branch managers to raise daily replenishment orders which are then consolidated and sent to our Hong Kong Logistics Centre or our suppliers. The system collects data such as food price movement, order quantities on a daily basis for our district management team to better control food costs.

PRICING POLICY AND SETTLEMENT

Pricing policy

In determining prices of our menu items in all our restaurants, we take into account the following factors:

- cost of food ingredients of menu items;
- cost structure of restaurants and target profit margins;

- geographical location and profile of the specific brand;
- extent of services provided;
- anticipated market trends and target consumers' spending habits; and
- prices of similar products set by competitors.

We review the menus of our restaurants under the same brand on a quarterly basis. Based on our review, we adjust prices in accordance with factors such as costs of our food ingredients, the location of our restaurants, the general market trend and prices set by our competitors. Our restaurants under different brands introduce their own special and seasonal menu from time to time. For example, our restaurants under the "Tai Hing" brand offer seasonal specials to our customers. Prices and items of such special and seasonal menu are approved by our management in accordance with the same factors mentioned above.

Settlement and cash management

A substantial majority of our guests pay by cash or credit card at the time of sale. The table below sets forth the breakdown of the revenues of our self-operated restaurants by type of settlement during the Track Record Period:

	FY2016	FY2017	FY2018
	(HK$'000)	(HK$'000)	(HK$'000)
Settlement by way of *(Note 1)*:			
Cash	1,465,317	1,409,891	1,532,755
Credit card	449,974	448,552	421,055
Others *(Note 2)*	539,395	853,513	1,107,860
Total	2,454,686	2,711,956	3,061,670

Note:

1. Mainly derived from our point-of-sale system which captures and records the settlement method of each bill.

2. Others mainly include payment by Octopus and electronic payment means such as Alipay and WeChat Payment, etc.

To ensure the accuracy of guest check amounts, we designate only a selected group of trained staff at each restaurant to access and operate the point-of-sale system. We have implemented cash handling procedures for our point-of-sale system as specified in our cash management system internal control manual which illustrates in detail the logistics with respect to collection of payment by way of cash. We conduct reconciliations between the cash receipts as recorded in our point-of-sale system against the cash kept in the safe on a daily basis at each of our restaurants. Our internal audit team conducts surprise cash check in the restaurant on regular basis.

To prevent misappropriation and illegal uses of cash, we have implemented a cash management and delivery process. Cash in the cash register, cash received at a restaurant pending delivery to the banks and service tips are kept separately in each restaurant. Cash received from the previous day's operations in respect of each restaurant is delivered to our banks by the restaurant staff every day (excluding Saturday, Sunday and public holiday). We maintain employee fidelity insurance and insurance in respect of cash kept at our restaurants as well as cash in transit to the banks delivered by our restaurant manager.

During the Track Record Period, we experienced one incident of burglary that took place in December 2016 which involved approximately HK$240,000. We reported the incident to the police and we have fully recovered such amount from the insurance company. Since then, we have ceased using any automatic cash depository machine provided by the subject bank. Having considered the above, our Directors confirm that we did not encounter any material misappropriation or theft of cash by our staff, customers or other relevant third parties during the Track Record Period.

MARKETING AND PROMOTION

We are constantly promoting our restaurant brands to differentiate ourselves from our competitors in the casual restaurant market. We aim to expand customer traffic and, in turn, sales by attracting new customers, increasing visits of existing customers, assisting new restaurants in achieving financial targets and promoting our corporate and brand images. In addition to our in-house marketing teams, we also retain advertising agencies to assist us in launching thematic advertising and promotional campaigns.

Television commercials

Inspired by the wave of superhero movies, we first launched our "My Hero" television commercial in 2014 casting our celebrity endorsement, Hong Kong songwriter Mr. Eric Kwok. The advertising campaign was a success in the catering service industry, and can be found on major newspapers, public vehicles, mobile applications and social media websites. In 2016, we launched our "My Hero II" commercial, introducing our chef teams who were behind the Hong Kong-style favours we seek to offer. We invited Mr. Rex Tso, Hong Kong professional boxer, to join our "My Hero: Fight for Hong Kong" advertising campaign in 2017, further promoting our "Tai Hing" brand across multiple platforms.

Our series of commercials and related advertising were awarded, among others, the "TVB Most Popular TV Commercial Awards - Dining, Food and Beverage Category" by TVB and the "Merit Awards for Marketing Excellence" by the Hong Kong Management Association and TVB, in 2014, and the "TVB Most Popular Commercial Awards – Most Popular TV Commercial" by TVB and the "Bronze Award for Marketing Excellence" by the Hong Kong Management Association and TVB in 2016.

Cooperation with airlines

We actively seek out partnerships with international and well-known brands to increase coverage and awareness of our restaurants. In 2014, we collaborated with Cathay Dragon (previously known as Dragonair) to offer Tai Hing Hong Kong-style milk tea on board their flights, enabling tourists from all over the world to experience this unique beverage from Hong Kong. We were invited by Hong Kong Airlines in 2015 to design 18 dishes to be served in business class. In addition to our signature *siu mei* dish, the menu also includes 3 dishes which were conferred the "Best of the Best Culinary Awards" by the Hong Kong Tourism Board. In 2017, we partnered with Cathay Dragon again to serve our Tai Hing Hong Kong-style milk tea on the majority of their flight routes.

We believe our collaborations with major airlines in Hong Kong attract media coverage, increase brand awareness and promote our corporate and brand image.

Mini movies, sponsorships and collaborations

In 2017, we commissioned a mini movie in 2017, directed by Hong Kong film director Mr. Yip Lim Sum (also known as Mr. Patrick Kong), to promote our "Phở Lê" brand. The mini movie was premiered at the opening of our new Phở Lê restaurant in February 2017, which generated media coverage and raised brand awareness.

In 2015, we sponsored the screening of a popular Taiwanese movie in Hong Kong to promote our "TeaWood" brand. Our TeaWood Restaurants coordinated with the plot of the movie to launch a special sesame sauce noodle dish, which led to an increase in customer traffic and sales of our TeaWood Restaurants. Leveraging on the popularity of a well-known Japanese cartoon character, we launched themed decorations, dishes and drinks, collectable items and a mobile game under the "TeaWood" brand in 2018 to generate media coverage and increase brand acclaim.

In order to target younger customers of our brands, we have developed and launched a "T-Factory" mobile application in 2017 for our "TeaWood", "Phở Lê" , "Fisher & Farmer" and "Tokyo Tsukiji" brands. The application introduced a loyalty programme to incentivise customers and promote cross-selling between brands, and utilises AR (augmented reality) technology to enhance customer dining experience. In 2018, user registration for our "T-Factory" application exceeds 70,000 and the application was awarded the "Hong Kong Digital Brand Award" by the Metro Broadcast Limited and The Chamber of Hong Kong Computer Industry in August 2018.

EMPLOYEES

We had a total of approximately 5,474, 5,968 and 6,904 employees (both full-time and part-time) as of 31 December 2016, 2017 and 2018, respectively. As of 31 December 2018, approximately 372 of them were headquarters personnel, and approximately 6,532 of them were staff at our restaurants and Food Factories.

The table below shows the number of our employees by business functions as at 31 December 2018:

	Hong Kong	Macau	Mainland China
Director, senior management and heads of various departments	35	–	16
Accounting and Finance	21	–	44
Human Resources, Administration, Customer Service and Information Technology	37	1	53
Training and 5S Management	9	–	17
Marketing, Branding and Design	26	–	33
Purchasing	10	–	21
Leasing and Maintenance	16	–	27
Sales and Business Development	6	–	–
Logistics	78	–	16
Factory Operations	113	–	66
Operational Management	59	–	30
Restaurant Staff	2,261	29	1,116
Kitchen Staff	1,706	25	1,033
Sub-total:	4,377	55	2,472
Total:		6,904	

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

The salary level of employees in the restaurant industry in Hong Kong has been steadily increasing in recent years due to changes in labor law and local labor market trends. We offer competitive wages and other benefits to our restaurant staff, and make salary adjustments in response to the local labor market conditions. The starting salaries offered by our restaurants to our restaurant staff in Hong Kong steadily rose upward during the Track Record Period, and were higher than the then applicable minimum wage requirements in Hong Kong. The staff costs of our Group represented 29.6%, 31.0% and 33.1% of our revenue in FY2016, FY2017 and FY2018, respectively. We expect our labor costs to continue to increase as inflationary pressures in Hong Kong drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be partially mitigated by (i) further consolidating food preparation processes into our Food Factories to reduce our reliance on restaurant-level staff, and (ii) increasing implementation of automated cooking machines to minimize our need to hire chefs externally at high costs.

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

Employee Safety

We are committed to providing a safe working environment to our employees. We have established an occupational safety and health committee to develop and implement safety procedures and guidelines which set out our work safety policies and promote safety on work sites. In addition, our kitchen operation manual provides clear guidance on various occupational and restaurant safety matters which our restaurant-level staff are required to follow. We encourage our staff in the restaurants to follow our work safety policies. We believe these measures help reduce the number and severity of work-related injuries of our employees, and are adequate and effective in preventing serious work injuries.

When an accident occurs in our restaurant or our Food Factories, we will report the accident to our headquarters immediately. Our Directors confirm that there was no material accident at our restaurants or Food Factories during the Track Record Period. Based on our internal record, we have recorded three work-related injuries of our employees during the Track Record Period. The total compensation expenses incurred for these worked-related injuries was approximately HK$0.44 million in aggregate during the Track Record Period. As at the Latest Practicable Date, such compensation payment has been fully settled.

Training Programs

Our training department and human resources department oversee our employee training. Our training department develops and provides operation training programmes for all frontline staff at our restaurants while our human resources department provides management training to staff at our headquarters and management personnel. To better monitor the learning progress and manage the learning records of all of our employees, we have developed an in-house training course administration software. Through such system, we believe it will be more efficient for us in identifying suitable trainings for our employees in order to ensure they have acquired all skill sets specific to his/her area of works. Restaurant staff are required to successfully complete the relevant training programme to be eligible for promotion and career advancement at each level. We believe our training programmes help to promote internal upward movement, which in turn increases our employee retention rate and produces management personnel needed for our rapidly expanding restaurant network. Our training programme provides specific training and career guidance to our current restaurant staff in order to identify promising candidates as future managers. Under our internal advancement programs, selected employees with outstanding working performance could attend a different training path in order to provide him/her a faster route to attain a higher position in our Group. For instance, one of our restaurant trainee waiters has been promoted through the ranks to become shop manager through a mixture of personal diligence and progressive capability building fostered by our training programs.

Another fundamental objective of our training programs is to ensure the quality of our employees at all levels and to secure a stable supply of well-trained employees for newly opened restaurants. Generally, we relocate restaurant managers from existing restaurants to new restaurants, allowing quick transfer of skills and knowledge in our corporate culture to new restaurant staff. Our training department provides orientation programmes to introduce company standards, safety procedures and corporate culture to new restaurant staff. We also offer a mentoring programme which gives guidance and support to our new restaurant staff.

Recruiting

The recruiting market is highly competitive in the catering service industry. We believe we are able to hire the best available candidates in the market by offering competitive wages and benefits with rewards for performance, growth opportunities, ongoing training and internal promotion opportunities. We actively facilitate the recruitment of our restaurant staff by adopting a variety of initiatives, such as listing job advertisements online, participating in job fairs, communicating with local colleges and non-governmental organisations periodically, encouraging current employees to refer suitable candidates and approaching ex-employees to return when new opportunities arise.

We believe our continuous efforts will help us attract suitable personnel. For details, see "Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employees".

Employee Retention

We review and compare industry information regularly and have implemented a number of tactics for employee retention, including (i) offering a competitive benefits package that fits the needs of our employees; (ii) establishing an employee orientation and mentoring programme to instil our corporate values and culture in new employees; (iii) conducting employee training programmes to improve their skills with the goal of upward movement within our Group; and (iv) helping and fully sponsoring our experienced frontline staff to enrol in the "Recognition of Prior Learning" mechanism under the Hong Kong Qualifications Framework, in order to support and recognise the achievement and effort of our employees.

See "Risk Factors — Risks Relating to Our Business — Our business could be adversely affected by difficulties in recruitment and retention of our employees".

HONOURS AND AWARDS

Our achievements over the years have been recognized by numerous awards, including the following:

Award	Year(s)	Brand/Group	Issuer of Award
Featured on the list of Bib Gourmand restaurants in the Michelin Guide Hong Kong Macau	2019, 2018	Trusty Congee King	Michelin Guide
Hong Kong Top Service Brand Ten Year Achievement Award	2018	Group	Hong Kong Brand Development Council
Service and Courtesy Award	2018, 2017	Group	Hong Kong Retail Management Association
Market Leadership in Casual Dining 2017/18 and Triple Crown Winner	2018	Tai Hing	Hong Kong Institute of Marketing
Top 10 Outstanding Service Retail Brands	2018	Tai Hing	Hong Kong Retail Management Association
My Favourite Classic Brand Award	2018	Tai Hing	U Magazine
Best OpenRice Beijing, Sichuan, Shanghai Restaurant	2018, 2017	Fisher & Farmer	OpenRice
Hong Kong Famous Brands	2018	Tai Hing	Asia Brand Development Association
Bronze A' Interior Space, Retail and Exhibition Design Award	2018	TeaWood	A'Design Award & Competition
Market Leadership Award	2018	TeaWood	Hong Kong Institute of Marketing
Hong Kong Excellent Digital Brand Award	2018	TeaWood	Metro Broadcast Corporation and the Chamber of Hong Kong Computer Industry
BOCHK Corporate Environmental Leadership Awards: 3 year+ Eco Pioneer	2018	Group	Bank of China & Federation of Hong Kong Industries

Award	Year(s)	Brand/Group	Issuer of Award
China's Top 50 Quality Chain Brand .	2017	Tai Hing	China's Chain Brand Development Conference Committee
Best Hong Kong Style Restaurant . .	2017	Tai Hing	Dayoo Guangzhou Daily
Food Safety Excellence Award	2017	Group	International Food Safety Association
Shenzhen's Top 10 Chain Restaurants	2017	Tai Hing	Shenzhen Chain Operation Association
Guangdong's Top 100 Catering Enterprises	2017	Tai Hing	Guangdong Catering Service Industry Association
Hangzhou Quan Zi – Most Popular Hong Kong Style Restaurant	2017	Tai Hing	Hangzhou Quan Zi
Annual Popular Business	2017	TeaWood	Dazhong Dianping
Outstanding QTS Merchant Service Staff Award	2017	Group	Quality Tourism Services Association
The Bronze Award for Marketing Excellence	2016	Tai Hing	Hong Kong Management Association and TVB
TVB Most Popular TV Commercial Awards – Most Popular TV Commercial	2016	Tai Hing	TVB
The Citation for Outstanding TV Campaign	2016, 2014	Tai Hing	Hong Kong Management Association and TVB
Creative Culture Development Award	2015	TeaWood	The Fifth Golden Flower Awards Short Films Festival
OpenRice Best Restaurant — Best South East Asian Restaurant	2015	TeaWood	OpenRice
The Merit Award for Marketing Excellence.	2014	Tai Hing	Hong Kong Management Association and TVB
Marketing Excellence Awards — Excellence in Advertising	2014	Tai Hing	Marketing Magazine

Award	Year(s)	Brand/Group	Issuer of Award
TVB Most Popular TV Commercial Awards – Audience Choice Award	2014	Tai Hing	TVB
TVB Most Popular TV Commercial Awards – Dining, Food & Beverage.	2014	Tai Hing	TVB

INTELLECTUAL PROPERTY

We believe that the success of our business and our competitive position depend on our brands and customer awareness of our brands. We recognize the importance of protecting and enforcing our intellectual property rights. We take appropriate steps to protect our intellectual property rights. Details of our intellectual property rights which we consider material to our business operation are more particularly set out under the paragraph headed "Statutory and General Information — B. Further Information about our Business — 2. Material intellectual property rights of our Group" in Appendix V to this prospectus. We may take necessary legal action if any infringement of our Group's trademarks and/or business names or any misappropriation of our Group's intellectual property rights, brand names and/or goodwill is found. As at the Latest Practicable Date, we are not aware of any disputes or infringement of trademarks and patents that resulted in any material adverse effect on our Group.

PROPERTIES

We own and/or lease certain properties in Hong Kong, Mainland China, Macau and Taiwan in connection with our business operations.

Owned Properties

As of the Latest Practicable Date, we owned 86 and 19 properties in Hong Kong and Mainland China with aggregate gross floor areas of approximately 147,773 sq.ft. and 266,998 sq.ft., respectively. These properties were principally used as (i) warehouses, carparks, offices and the operating premises of our Food Factories; (ii) office premises in Mainland China; and (iii) staff accommodation in Mainland China.

Our Hong Kong Food Factory comprises 86 owned properties and eight leased properties scattered on different floors in two industrial buildings (the "**Two Industrial Buildings**") located in Fo Tan, Hong Kong. As at 31 December 2018, 80 owned properties located in one of the Two Industrial Buildings, in aggregate, had a carrying amount of 15% or more of our total assets. Please see "Valuation Report" in Appendix III to this prospectus for such properties valued by Jones Lang LaSalle Limited, our property valuer (the "**Valued Properties**"). Save and except for the Valued Properties, our Directors confirmed that as at 31 December 2018, no single property interest of ours had a carrying amount of 15% or more of our total assets.

Building orders registered against our owned properties

As at 31 December 2018, there were 19 unreleased building orders (the "**Building Orders**") issued by the Building Authority under section 24(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) against our owned properties used to operate our Hong Kong Food Factory.

Under section 40 of the Buildings Ordinance, any person who does not comply with a building order on whom such building order is served is liable to a maximum penalty of (a) a fine of HK$200,000 and to imprisonment for 1 year; and (b) a fine of HK$20,000 for each day during the non-compliance until it is proved to the satisfaction of the court that the offence has discontinued.

The Building Orders were a result of our Group's unapproved removal or alterations carried out at the relevant premises, including door openings and replacement of doors of inadequate fire rating. As at the Latest Practicable Date, we have removed all relevant unauthorised building works and/or reinstated the conditions of these premises as required by the Building Orders. All relevant certificates of completion prepared by authorised persons as required under the Buildings Ordinance have been filed with the Buildings Department. As advised by the authorised person instructed by us, it will generally take three to six months after submission of the certificate of completion for the Building Authority to release a building order. As at the Latest Practicable Date, all Building Orders had been released by the Building Authority.

Our Controlling Shareholders, collectively as indemnifiers, have entered into a Deed of Indemnity in favour of us, whereby they jointly and severally covenant and undertake with our Company to indemnify our Group from and against losses and cost incurred by our Group for (among others) any further removal or reinforcement work in relation to unreleased Building Orders upon request of the Building Department. Further details of the Deed of Indemnity are set out in "Appendix V Statutory and General Information — F. Other Information — 3. Indemnities given by our Controlling Shareholders" of this prospectus.

Leased Properties

Save and except for the right of use of the restaurant premises, an office and a storage room located in a hotel in Macau, we leased all of our restaurant sites and headquarters as at the Latest Practicable Date. We believe this leasing strategy reduces our capital investment requirements and allows more flexibility for our restaurant network. Our property rentals and related expenses (including license fee for our rights of use of properties located in Macau) amounted to HK$345.0 million, HK$399.7 million and HK$453.6 million for the FY2016, FY2017 and FY2018, respectively.

Number of restaurant leases expiring in	FY2019	FY2020	FY2021	FY2022 and beyond
Hong Kong	12	37	45	32
PRC	2	7	5	36
Taiwan	–	–	–	1
Sub-total	14*(Note)*	44	50	69

Note:

The revenue from the restaurants attributable to the 14 leases which are going to expire in FY2019 amounted to HK$290.1 million in FY2018. As at the Latest Practicable Date, we have already engaged in negotiation with the respective landlord(s) on 11 of these leases. We will commence the negotiation process or exercise our option to renew for the remaining 3 leases later this year.

Based on our lease agreements as at the Latest Practicable Date, the fixed rental payments we will incur for FY2019, FY2020 and FY2021 are expected to be HK$398.8 million, HK$344.2 million and HK$233.4 million, respectively.

Our leases typically have an initial term of three to six years in Hong Kong, six to 10 years in Mainland China and one to five years in Taiwan. Where the terms and conditions of the option period could be accepted by us, such leases will contain an option to renew. Most of our restaurant leases provide for a fixed rent. Some 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 certain percentage of the monthly turnover if it exceeds a fixed amount, depending on the specific terms of the relevant lease agreements. Our current restaurant leases have expiration dates ranging from May 2019 to May 2024.

As at Latest Practicable Date, we leased 165 properties in Hong Kong, 80 properties in Mainland China, two properties in Taiwan and had right of use for our restaurant, office and storage room premises in Macau. 126 of these properties in Hong Kong, 50 of these properties in Mainland China and one property in Taiwan were used as restaurant sites. Other properties are used as office for our headquarters, exhibition area, staff accommodation, warehouse and carpark.

Following our lease renewal policy, we keep track of the expiry dates of all our leases. Leases that will expire within 1 year will be identified, and their financial data analysis reports, market rent comparables and latest shop conditions will be provided to our head of operations team for assessment. If we intend to renew the relevant lease, we will issue a letter to the landlord to exercise the renewal option within the stipulated time frame (for leases with an option to renew) or issue a letter to the landlord around 9 months prior to the expiry of the tenancy to notify them of our intention to renew (for leases without an option to renew). Upon receipt of the renewal offer, we will negotiate with the landlord regarding the terms and conditions of the tenancy, and if an agreement on principal terms and conditions has been reached, such agreement will be passed on to our Chairman for final approval.

Save and except that certain of our landlords refused to renew our leases as they did not wish to continue to lease out the premises to food and beverage operators, our Directors confirmed that we had not encountered any material difficulties in the renewal of leases during the Track Record Period.

Title in relation to Leased Properties in Mainland China

Lessors of 17 leased properties in Mainland China (with an aggregate gross floor area of approximately 53,977.7 sq.ft., representing approximately 17.6% of our total leased gross floor area in Mainland China) did not provide valid title certifications. Our PRC legal advisers have advised us that we would not be subject to any fines or penalties with respect to our leases of these properties but the validity of our leases may be affected if the title or the lessor's right to lease is challenged by a third-party rights holder.

The current usage of one of our leased properties in Mainland China is inconsistent with its permitted usage. We currently use this premise as one of our offices while its permitted usage under the relevant title certificate is residential. Our PRC legal advisers have advised us that the validity of our lease agreement will not be affected and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessor, we may be subject to the risk of cessation of use.

Our PRC legal advisers concur with our Directors' view that the likelihood that our business and results of operations would be materially and adversely affected by these title defects is remote, considering that (i) we have not received any material claim of rights by any third parties in relation to such title defects during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights from third parties or be required by authorities to relocate with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties; (iii) we maintain a pool of restaurant site candidates and we would be able to relocate to a different site relatively easily should we be required to do so; (iv) we may raise a claim against such lessors based on relevant PRC laws and regulations in respect of our losses in the event that we cannot legally occupy and use such leased properties; and (v) we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such property title defects.

Non-registration of Lease Agreements in Mainland China

As at the Latest Practicable Date, 17 lease agreements (six of which did not provide valid title certificate and one of which is in inconsistent use with its permitted usage) had not been registered with relevant authorities. Our PRC legal advisers are of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these leased properties. Therefore, we have the right to use such properties in accordance with the lease agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. Our PRC legal advisers concur with our Directors' view that it is unlikely that our operations would be materially and adversely affected by the non-registration of our lease agreements, considering that (i) during the Track Record Period, we were not subject to administrative penalties by the relevant housing administrative authorities for non-registration of lease agreements; and (ii) the amount of potential penalties accounts for a minimal portion of our total revenue in FY2017 and FY2018. We have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities from such non- registration of lease agreements.

Inconsistency with permitted use

The current usage of 1 of our leased properties in the PRC is inconsistent with its permitted usage. We currently use this premises as one of our offices while its permitted usage under the relevant title certificate is residential. Our PRC legal advisers have advised us that the validity of our lease agreement will not be affected and we would not be subject to any fines or penalties. However, should the relevant PRC regulatory authorities take enforcement against our lessor, we may be subject to the risk of cessation of use.

Internal Control Measures

Starting in 2019, we will (i) request lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them; and (ii) require our lessors to register our lease agreements with the relevant housing administrative authorities. We will give priority to renting properties from lessors that are willing to comply with our request.

LICENCE AND APPROVALS

As at the Latest Practicable Date, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance of our Group" below, we had been in compliance in all material aspects with the applicable laws and regulations in Hong Kong, Mainland China, Macau and Taiwan and have obtained all necessary approvals, permits, licences, certificates and registrations that are material to our business operations from the relevant government authorities.

In accordance with the laws and regulations of Hong Kong, Mainland China and Taiwan, our Group is required to maintain various licences and registrations in order to operate our business. These licences are obtained upon satisfactory compliance with, amongst others, the applicable laws and regulations in relation to food safety, hygiene, and the sale of liquor. All of such licences are subject to periodic examinations and verifications by the relevant authorities and are valid only for a fixed period of time subject to renewal. Our Directors currently do not expect any impediment in the renewal of licences that are only valid for a fixed period. For further details concerning licensing requirements, please refer to the section headed "Regulatory Overview" in this prospectus. The numbers of licences obtained by our Group for the operation of our restaurants as at the Latest Practicable Date are as follows:

	Number of licences and their remaining period of validity from the Latest Practicable Date	
Types of licence	**Within one year**	**More than one year**
Hong Kong		
General restaurant licence or provisional general restaurant licence	107 (Note 1)	–
Light refreshment restaurant licence	3	–
Siu mei and lo mei shop licence	1	–
Factory canteen licence	1	–
Food factory licence	6	–
Bakery licence	6	–
Liquor licence	3	–
Water pollution control licence	3	97 (Note 2)
Mainland China		
Food operation licence	–	55
Food production licence	–	1
Taiwan		
Food business registration	–	1

Notes:

1. 10 of our general restaurant licences or provisional general restaurant licences cover two or more restaurant premises.

2. Water pollution control licence is not required for our restaurants located within premises which adopt a central discharge system.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common for our industry, including minor employment disputes, customer complaints regarding food quality or foreign objects found and contract disputes with our suppliers or service providers. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, reputation, financial condition or results of operations.

Non-compliance of our Group

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
During the Track Record Period, 19 of our PRC subsidiaries ("**Relevant PRC Subsidiaries**") failed to make adequate social security insurance and housing provident fund contributions for employees as required by the relevant PRC laws and regulations. The Company had made relevant provision in respect of the underpaid amount as at 31 December 2018 ("**Outstanding Amount**") in respect of the social security insurance and the housing provident fund in full in accordance with relevant applicable accounting standard(s). As of 31 December 2018, the total provision in respect of the outstanding social security insurance and housing provident fund recognised in our consolidated statement of financial position amounted to approximately HKD29.2 million.	(i) Inconsistent implementation of the PRC laws and regulations by local authorities; and (ii) Incomplete understanding of the relevant PRC laws and regulations by the relevant human resources and accounting employees of the Relevant PRC Subsidiaries.	Our PRC legal advisers advised us that further to the shortfall amount, a daily rate payment at the rate of 0.05% of the outstanding amount of social security insurance from the due date may be imposed. If we receive an order and fail to pay such amount within the prescribed time limit as stipulated in such order, a fine of one to three times the outstanding amount of social security insurance may be imposed. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any such order or penalty and no action had been taken by the governmental authorities in relation to the Outstanding Amount. As advised by our PRC legal advisers, based on the confirmation and interview results from the relevant competent authorities, and the confirmation from our Company that it will, if required, pay the outstanding amount as required by the relevant authorities, the legal risk of us being subject to administrative penalties as a result of our failure to fully pay social security insurance and housing provident fund for those employees is remote.	We have dedicated the group human resources department and finance department to monitor and review the payment of PRC social security insurance and housing provident fund of all our PRC subsidiaries. To the extent permissible under the relevant PRC laws and regulations, we have in December 2018 started to make social security insurance and housing provident fund contributions in accordance with relevant PRC legal and regulatory requirements. We have provided training regarding social security insurance and housing provident fund to relevant PRC employees to keep them abreast of latest development in relevant PRC laws and regulations. We have also distributed an updated employee handbook to all employees whereby the requirement to contribute the social security insurance in accordance with the relevant laws and regulations has been updated and defined in the employee handbook. Based on the confirmation and interview results from the relevant competent authorities and the advice of our PRC legal advisers, our Directors are of the view that such non-compliances will not have a material impact on the business operation of our Group since the legal risk of us being subject to administrative penalties is remote, adequate provision has been made and will be applied towards payment of the Outstanding Amount (and any additional daily rate) if requested by relevant authorities in the PRC.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
During the Track Record Period, we failed to file Form 56E under section 52(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") for all new hires ("**Subject Forms**").	The failure to file was due to the misunderstanding of our human resources department that the filing of Form 56B and Form 56F would be sufficient to satisfy our obligation as an employer as it was believed to be the market norm. Form 56E is not directly related to tax assessment. These incidents were not wilful, and were due to the inadvertence of our human resources personnel.	We are advised that under section 52(4) of the IRO, where any person who is an employer commences to employ in Hong Kong an individual who is likely to be chargeable to tax, he shall give notice thereof in writing to the Commissioner not later than 3 months after the date of commencement of such employment, stating the full name and address of the individual, the date of commencement and the terms of employment. Section 80(1) of the IRO states that any person who without reasonable excuse fails to comply with the requirement under section 52(4) of the IRO commits an offence and is liable on conviction a fine at HK$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do. Our Tax Adviser has advised that the maximum penalty that we may be subject to due to this non-compliance incident during the Track Record Period is HK$230,000. Our Tax Adviser has further advised that, based on certain publications of the IRD and that the failure was due to inadvertence, the estimated penalty imposed on our Group (if any) for such incidents would be HK$69,000.	We have fully complied with section 52(4) of the IRO commencing from 1 April 2018. Training session on the latest IRO requirements has been conducted for relevant staff from our human resources department by an external training provider. Based on the IRD Phone Enquiry and the advice of our Tax Adviser and our HK Counsel, our Directors are of the view that such non-compliances will not have a material impact on the business operation of our Group and the legal risk of us being subject to any penalty as a result of such Form 56E non-compliances is remote. Our director of human resources department will regularly review the incoming employees list to ensure that Form 56E will be filed going forward.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
		Further, we have conducted an enquiry phone call with the responsible officer of our Group in the Inland Revenue Department of Hong Kong ("**IRD Phone Enquiry**") and was given the understanding that there will be no legal consequence as to such past non-compliances. The responsible officer also further instructed us not to re-file all Subject Forms and requested us to comply fully with section 52(4) of the IRO in the future. Based on among others, the aforesaid, Chan Chung, barrister-at-law, ("**HK Counsel**") is of the view that (i) the risk of prosecution against our Group is very low; and (ii) even if we are prosecuted, the chance of our Group being imposed with the maximum penalty under the IRO is also very low.	

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
During the Track Record Period we had 19 Mainland China restaurants commenced operation prior to obtaining the relevant fire safety approvals from the fire safety authority. As at the Latest Practicable Date, we had only one Mainland China restaurant of which we had not obtained the relevant fire safety approvals from the fire safety authority when we commenced operations (“**Fire Safety Non-compliance Incidents**”). This restaurant is located in Shenzhen (“**Shenzhen Restaurant**”) and we were actively engaging in its application process and preparing the relevant application materials.	(i) Inconsistent application of PRC laws and regulations by local authorities; and (ii) Inadvertence in monitoring the PRC restaurant’s compliance status by our PRC operations team; and (iii) Pending landlord’s completion of the required fire safety approvals.	Our PRC legal advisers have advised us that, under the relevant PRC laws and regulations, we maybe subject to a maximum potential legal penalty of RMB ranges from RMB30,000 to RMB300,000 per Fire Safety Non-compliance Incident and closure order of such restaurant. As at the Latest Practicable Date, we have already obtained all relevant fire safety approvals for 18 Mainland China restaurants. Our Directors confirmed that since the 18 Mainland China restaurants have obtained all relevant fire safety approvals, we have not received any notice or order from any relevant government authorities demanding any fine or closure of restaurant against the 18 Mainland China restaurants in respect of their aforementioned fire safety non-compliances. Our PRC legal advisers advised that if our site comply with relevant PRC laws and regulations and requirements of the relevant fire safety authorities, and we submit all of the necessary application materials in accordance with the requirements of the relevant fire safety authorities, (i) there would be no legal impediment in obtaining the relevant fire safety approvals, and (ii) upon obtaining such approvals, the risk that the relevant fire safety authorities would impose administrative penalties against us for operating the restaurant without such approvals would be low.	We have adopted a revised checklist to identify the applicable licenses for our restaurants and the checklist on a monthly basis. Our compliance committee will review fire safety compliance matters at our restaurants regularly and ensure that we will obtain all of the requisite permits and approvals before our new restaurants commence operations going forward. Training session on general fire safety awareness and laws and regulations has been conducted for our operations teams by our PRC legal advisers. The revenue contribution of the 1 Shenzhen Restaurant for FY2016, FY2017 and FY2018 amounted to RMB23.2 million, RMB20.8 million and RMB3.8 million, representing 1.1%, 0.9% and 0.1% of our total revenue.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
			We have also engaged a fire safety consultant to assess our 1 Shenzhen Restaurant. The fire safety consultant confirmed that (i) we have established and implemented fire safety internal control policies in accordance with relevant laws and regulations, including those related to fire safety procedures and emergency evacuation procedures; (ii) the restaurant is equipped with proper fire safety facilities, equipment and safety signs, all of which are in good condition; and (iii) the restaurant is in compliance with building fire protection and safety requirements. Taking into account (i) the revenue contribution of the Shenzhen Restaurant; (ii) the relocation costs of the 1 Shenzhen Restaurant; (iii) the maximum penalty amount under the relevant restaurant; (iv) we maintain a list of potential lease premises for relocation purposes; and (v) we have obtained an indemnity from the Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliance, our Directors are of the view that the non-compliance would not have a material adverse effect on our financial performance and business operations.

Non-compliance Incident	Reasons for the non-compliance and responsible personnel	Legal consequence and potential maximum penalties	Enhanced internal control measures, actions taken and current status
Our Macau restaurant has commenced operation prior to obtaining a restaurant license ("**Macau Non-compliance**"). In May 2018 and May 2019, we received a letter ("**MGTO Letter**") from the Macau Government Tourism Office ("**MGTO**") alleging that we had been operating without a restaurant license and required us to file our submission/ defence ("**MGTO Incident**").	Our Macau restaurant is located within a hotel and our Directors have relied on the license consultant designated by the hotel operator for our license application. Our Directors have been informed by the license consultant that it is common for license applications for restaurants located in hotels to have a longer processing time. Our license application responsible personnel had commenced the application process on 27 July 2017, upon which the MGTO had on various occasions requested supplemental information. We have been providing all requested documents in an as soon as possible manner.	As advised by our Macau Legal Adviser, under the relevant Macau laws and regulations, restaurants can only be open to the public after the issuance of a license obtained from the MGTO. The maximum potential liability to such contravention of law may lead to an immediate closure order and a fine of up to MOP 30,000, and where such order or penalty are not duly complied with, the maximum amount of fine may increase up to MOP 60,000 ("**Maximum Penalties**"). Any person who does not close the relevant restaurant within 24 hours of receiving the immediate closure order is subject to criminal liability for disobeying the legitimate mandate of the public authority. Further, we had duly submitted a defence in June 2018 and we were in the course of preparation of the relevant defence upon receipt of the MGTO Letter in May 2018 and May 2019, respectively. No further step had been taken by MGTO up till the Latest Practicable Date. Based on physical interview with MGTO on 16 January 2019, our Directors estimate that we will be able to obtain the restaurant licence in around six months and our Macau legal advisers are of the view that the maximum penalty against our Group is likely to be MOP30,000 and unlikely to attract any criminal liability.	Our compliance committee will continue to closely monitor the license application process of the license required and is prepared to comply with any MGTO's request and instruction. Our compliance committee will ensure relevant license is obtained prior to the opening of any other restaurants in Macau in the future and to engage experts with relevant experience to advise as and when appropriate. The revenue contribution of our Macau operations for FY2016, FY2017 and FY2018 was nil, HK$6.5 million and HK$33.8 million, representing nil, 0.2% and 1.1% of our total revenue, respectively. Taking into consideration the Maximum Penalties and the revenue contribution of our Macau operations to our Group, our Directors are of the view that the Macau Non-compliance will not have a material impact on our Group as a whole.

INSURANCE

We maintain (i) physical damage insurance; (ii) business interruption insurance to cover loss in the event of damage; (iii) cash in transit insurance for loss of money in transit or due to damage of safes; (iv) employee fidelity guarantee; (v) general liability insurance for personal injury and property damages; (vi) employees compensation to protect employees from work injury; (vii) public liability insurance; (viii) contractor all risk insurance for renovation or maintenance work; (ix) car insurance for our vehicles; and (x) product liability insurance for our food products (not consumed in restaurants). For more information, see "Risk Factors — Risks relating to our business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations".

Our Directors are of the view that our insurance coverage is customary for businesses of its size and type and in line with the standard industry practice in Hong Kong and Mainland China.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the governments of Hong Kong, Mainland China, Macau and Taiwan. We devote operating and financial resources to environmental compliance whenever we are required by Hong Kong, PRC, Macau or Taiwan laws to do so.

During the Track Record Period, we recorded insignificant amounts of expenses in compliance with applicable rules and regulations for environmental matters, including water sampling expenses. Our Directors expect the cost of compliance with such rules and regulations to be approximately HK$1 million for FY2019. We also engaged third-party independent companies to collect garbage, including, among others, food waste, used cooking oil and kitchen grease, from our restaurants and our Food Factories.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Internal Control and Risk Management Measures

Our Directors are responsible for formulating 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 order to manage our external and internal risks and to ensure the smooth running of our business, we have engaged an independent internal control reviewer (the "**IPO Internal Control Reviewer**") in 2018 to assist our Group and the Sole Sponsor to review our internal control system and provide recommendations for improving our internal control system, including the enhanced internal control in relation to the non-compliance incidences. Follow up reviews were performed subsequent to the formation of the compliance committee based on the agreed scope with the Company and the remedial measures recommended by the IPO Internal Control Reviewer on the non-compliance incidents have been implemented. Please refer to "— Legal proceedings and compliance — Non-compliance of our Group" for the latest status of various non-compliance incidents.

The IPO Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent reviews on internal control and risk management systems. The IPO Internal Control Reviewer has conducted review in assessing internal controls over financial reporting at the entity and process levels including revenue, purchases, production, fixed assets management, human resources, cash and treasury management, insurance, financial reporting process, taxes and information technology. After discussion with the IPO Internal Control Reviewer, our Directors consider the findings did not have material impact on our financial position and operational performance. Our Directors confirmed that we have adopted the recommendations made by the IPO Internal Control Reviewer and have improved our internal control system to comply with the Listing Rules and applicable laws and regulations. The measures implemented were properly designed and effectively implemented and the Directors confirmed that we have not received further findings and recommendations from the IPO Internal Control Reviewer.

We have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing and to strengthen our internal controls:

(i) we established our Audit Committee on 22 May 2019 which comprises three independent non-executive Directors, namely Dr. Sat Chui Wan (chairman), Mr. Mak Ping Leung (alias: Mak Wah Cheung) and Mr. Wong Shiu Hoi Peter, all of whom possess extensive experience in financial and 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;

(ii) our Directors and members of our senior management attended a training session in December 2018, 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 Listing Rules; and

(iii) we established in September 2018 a compliance committee, comprising Ms. Chan Shuk Fong, Mr. Sin Wai Hung, Ms. Zhou Yuewu, Mr. Wong Kin Pong Edmond, Mr. Law Chi Kin and Ms. Chen Shao Zheng, to oversee, among others, compliance status of our restaurants and any new restaurants of our Group.

Taking into account the remedial measures adopted by the Company and the enhanced internal control measures implemented in connection with the non-compliance incidences disclosed under "Non-compliance of our Group" in this prospectus, the result of the review conducted by our IPO Internal Control Reviewer, the establishment of the Audit Committee, trainings provided to our Directors, on-going monitoring and supervision by our management, our Directors are of the view that the Company has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and hence, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by our Group are adequate and effective for the Group's business operations.

Corporate Governance

We continually strive to strengthen the role of our Board as a body responsible for decision-making concerning our Company's fundamental policies and upper-level management issues, and supervising the execution of business. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge.

COMPETITION

According to Frost & Sullivan, there were approximately 5,000 casual dining restaurants in Hong Kong in 2017. The casual dining market in Hong Kong is highly fragmented with top three players (including our Group) contributing approximately 8.4% of revenue generated by casual dining restaurants in 2017.

In Hong Kong, leading players in casual dining market embrace multi-brand strategy to provide customers with various types of cuisines under different brands in prime locations, such as major shopping malls and areas with high customer traffic flow. They target middle to mass market, especially customers with mid to high spending power, and develop diversified customers base. In addition, multiple chain stores enable the top players to benefit from economies of scale through sharing cost of marketing, staff training and procurement. The key competitive factors in the industry lie in value for money, operational efficiency, food offerings and quality of services. In general, leading casual dining restaurants groups increase value for money by offering high quality of food and services at competitive prices. They standardize workflow to achieve operational efficiency and reduce costs. To address the shifting market trends and customer demands, leading casual dining restaurants operators continue to develop new dishes and incorporate regional and international elements into menus. They also pay attention to the quality of services as attentive staff and hygiene are important to restaurants operations. Entry barriers to casual dining market in Hong Kong include high initial start-up cost, lack of established relationship with reliable suppliers, lack of central kitchen or food factory for further expansion and product standardisation and low brand awareness.

According to Frost & Sullivan, in Mainland China, self-operated casual dining market is highly competitive and fragmented with top five players contributing approximately 0.7% of revenue generated by all self-operated casual dining restaurants in 2017. The multi-brand casual dining market in Mainland China is relatively fragmented with a large number of operators. The top five players (including the Group) with multi-brand in casual dining account for approximately 0.45% market share in terms of revenue, including a wide range of Chinese cuisine, Asian cuisine and Western cuisine. Hong Kong originated dining groups generally aim at mid-to-high end positioning, explore digital sales channel in view of the popularity of catering O2O (online-to-offline) delivery platforms and aim to build up a young and diversified brand image to target young customers, which are one of the main customers of casual dining restaurant in Mainland China.

OVERVIEW

Upon Listing, our Board will consist of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with our non-executive Director and each of our independent non-executive Directors. The following table sets out certain information of our Directors and senior management:

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Executive Directors						
Mr. Chan Wing On (陳永安先生)	60	Executive Director and chairman	11 December 2017	5 July 1989	Overall strategic planning and major decision making	Cousin of Ms. Chan Shuk Fong Father of Mr. Chan Ka Keung
Mr. Yuen Chi Ming (袁志明先生)	65	Executive Director	14 December 2018	5 July 1989	Overall strategic planning and implementing the 5-S method and overseeing food safety and occupational safety standards	Nil
Mr. Lau Hon Kee (劉漢基先生)	61	Executive Director	14 December 2018	1 April 1990	Overall strategic planning and overseeing project management	Nil
Ms. Chan Shuk Fong (陳淑芳女士)	55	Executive Director	14 December 2018	1 October 2012	Overall strategic planning, including capital financing, brand building, marketing, talent management and corporate compliance	Cousin of Mr. Chan Aunt of Mr. Chan Ka Keung
Non-executive Director						
Mr. Ho Ping Kee (何炳基先生)	61	Non-executive Director	14 December 2018	13 December 2001	Overall strategic planning and supervising the management of our Group	Nil

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Independent non-executive Directors						
Mr. Wong Shiu Hoi Peter (黃紹開先生)	78	Independent non-executive Director	22 May 2019	22 May 2019	Supervising the management of our Group and providing independent advice to the Board	Nil
Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生，又名麥華章)	69	Independent non-executive Director	22 May 2019	22 May 2019	Supervising the management of our Group and providing independent advice to the Board	Nil
Dr. Sat Chui Wan (薩翠雲博士)	50	Independent non-executive Director	22 May 2019	22 May 2019	Supervising the management of our Group and providing independent advice to the Board	Nil
Senior management						
Mr. Ho Siu Fung (何小鋒先生)	56	General manager and director of Chinese gourmet	1 September 2018	5 November 1999	Overseeing the operations and overall development of Chinese cuisine catering and brand management	Nil
Mr. Yiu Man (姚敏先生)	60	General manager and director of central production and product development	1 September 2018	1 June 2002	Overseeing overall management and development of the Food Factories, product development and food safety	Nil
Mr. Lam Tai Po (林大寶先生)	54	General manager and director of Mainland China	1 March 2017	1 October 2002	Overseeing overall management and business development in Mainland China	Nil
Mr. Sin Wai Hung (冼偉洪先生)	61	General manager and director of corporate management	1 January 2016	18 January 2010	Overseeing information technology, logistics and purchasing	Nil

Name	Age	Position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Chan Ka Keung (陳家強先生)	38	General manager (casual dining)	1 January 2019	7 August 2009	Overseeing the operations of casual dining, development of new product and brands, sales and marketing and promotion strategies	Son of Mr. Chan Nephew of Ms. Chan Shuk Fong
Mr. Chan Shing Shun Dominic (陳承信先生)	54	General manager (property and project development)	5 April 2017	5 April 2017	Managing leasing, project planning and development and maintenance	Nil
Mr. Wong Kin Pong Edmond (黃建邦先生)	43	Senior director of the group finance department and company secretary	1 January 2019	24 February 2014	Overseeing the financial management and company secretarial matters	Nil
Ms. Zhou Yuewu (周躍武小姐)	44	General manager (back office and leasing)	1 January 2016	15 November 2004	Overseeing and managing finance, human resources, administration, leasing and trademark matters in Mainland China	Nil

The business address of each member of our senior management is 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

DIRECTORS

Executive Directors

Mr. Chan Wing On (陳永安先生), aged 60, was appointed as our executive Director on 11 December 2017 and has acted as the chairman of our Group since July 1989. Mr. Chan is one of the founders of our Group and is primarily responsible for the overall strategic planning and major decision making of our Group. Mr. Chan is the chairman of our Nomination Committee and a member of our Remuneration Committee.

Mr. Chan has over 30 years of experience in the food and beverage industry. He founded our Group and opened our first restaurant in 1989 in Sai Wan Ho, Hong Kong. Mr. Chan is instrumental in our business expansion and has successfully implemented a multi-brand strategy to develop our Group from a *siu mei* style restaurant under the "Tai Hing" brand to a multi-brand restaurant group with presence in Hong Kong, Mainland

China and Macau offering Chinese (including Cantonese, Sichuan, Beijing and Taiwanese), Japanese and Vietnamese cuisines. Mr. Chan strongly believes in maintaining high food quality while ensuring our food and services offer good value for money, as well as providing a pleasant and hygienic environment for customers. Under Mr. Chan's leadership, our Group is constantly creating new and innovative dishes, often incorporating different ingredients and cooking methods, striving to offer an enjoyable dining experience to diners at our restaurants. Prior to establishing our Group, Mr. Chan worked in the meat trading industry in Hong Kong.

Mr. Chan obtained a Bachelor of Business Administration Management degree at the Macau Institute of Management in April 2006 and was admitted as an honorary fellow at the Professional Validation Centre of Hong Kong Business Sector in July 2017. He has been a fellow of the Hong Kong Institute of Marketing since November 2018.

Mr. Chan actively serves both the community and the catering service industry including, among others, currently serving as president of the Hong Kong Federation of Restaurants and Related Trades, chairman of the Governing Council of the Quality Tourism Services Association in Hong Kong, vice chairman of the Council of the Occupational Safety and Health Council in Hong Kong, chairman of the publicity committee of the Occupational Safety and Health Council in Hong Kong, chairman of the Catering Safety and Health Steering Committee of the Occupation Safety and Health Council in Hong Kong. He has been a member of the Election Committee of Hong Kong since 2006, having been elected in the 2006, 2011 and 2016 Election Committee subsector elections (Catering Subsector).

Mr. Chan is a cousin of Ms. Chan Shuk Fong (our executive Director) and the father of Mr. Chan Ka Keung (a member of our senior management).

Mr. Chan is currently a director of our various subsidiaries.

Mr. Yuen Chi Ming (袁志明先生), aged 65, was appointed as our executive Director on 14 December 2018. Mr. Yuen is mainly responsible for overall strategic planning and implementing the 5-S method and overseeing our Group's food safety and occupational safety standards.

Mr. Yuen has served our Group for over 29 years and has worked in various functional departments including operation of our restaurants and Food Factories. Under his leadership, our Group has adopted the 5-S (Structurise, Systematise, Sanitise, Standardise and Self-discipline) workplace management philosophy to enhance environmental hygiene, food quality and operational efficiency. Our Group has won many external safety-related recognitions with Mr. Yuen's guidance, including the 5-S Grand Prize Winner (Catering Group) awarded by the HK 5-S Association in November 2017, the Food Safety Excellence Award by the International Food Safety Association in November 2017 and the 2018/2019 Catering Industry Safety Award Scheme Group Safety Performance Gold Award in the Cha Chaan Teng Category by the Labour Department in November 2018.

Mr. Yuen obtained the 5-S Assessor Gold Belt and Black Belt Certificate by the HK 5-S Association in June 2008 and February 2005, respectively.

Mr. Yuen is currently a director of our various subsidiaries.

Mr. Lau Hon Kee (劉漢基先生), aged 61, was appointed as our executive Director on 14 December 2018. He is mainly responsible for overall strategic planning and overseeing the project management of our Group.

Mr. Lau joined our Group in April 1990 and worked in different departments including audit, operations and engineering. He has contributed to the upgrade of work facilities, improvement of work safety and various energy-saving projects in our Group. Under Mr. Lau's leadership, our Group has received numerous industry recognitions, including the Eco Challenger and 3 Year+ Eco Pioneer Award by the Bank of China and Federation of Hong Kong Industries and the 2017 Hong Kong Awards for Environmental Excellence Certificate of Merit and the Hong Kong Green Organisation Certification awarded by the Environmental Campaign Committee.

Mr. Lau obtained the 5-S Lead Auditor Certificate awarded by the HK 5-S Association in January 2003.

Mr. Lau is currently a director of our various subsidiaries.

Ms. Chan Shuk Fong (陳淑芳女士), aged 55, was appointed as our executive Director on 14 December 2018. She is mainly responsible for overall strategic planning, including capital financing, brand building, marketing, talent management and corporate compliance. Ms. Chan is a member of our Remuneration Committee and Nomination Committee.

Ms. Chan joined our Group in October 2012 as a senior advisor and was promoted to general manager and director of branding and corporate development in January 2016. She is dedicated to enhancing our Group's brand image and has introduced various innovative ideas in marketing, leading to our Group's success in a number of industry awards, including the 2017 Hong Kong Top Service Brand Ten Year Achievement Award by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong, HKMA/TVB Bronze Awards for Marketing Excellence and Marketing Leadership in Casual Dining 2017/18 and Triple Crown Winner awarded by the Hong Kong Institute of Marketing.

Prior to joining our Group, Ms. Chan served as director and general manager of Hong Kong Wing On Travel Service Limited from December 1994 to February 2012. She was the personnel and administration manager of Universal Exchange Company Limited, a subsidiary of Emperor Group from February 1989 to May 1990. She left and returned in February 1992 to serve as the administration manager of Emperor Group until July 1994.

Ms. Chan obtained her master's degree in Business Administration from Asia International Open University (Macau) in November 1995 and a postgraduate diploma in Training from the Faculty of Social Sciences from the University of Leicester in the United Kingdom in July 2000. In September 2018, Ms. Chan was awarded an honorary doctorate of law from Lincoln University and fellow and title of FMBA, chartered manager from the Canadian Chartered Institution of Business Administration.

Ms. Chan was awarded Asian Outstanding Leaders Awards for Women by the Asian College of Knowledge Management in July 2018, 矚目非凡領袖大獎 2017 (Outstanding Leader Award 2017*) by Weekend Weekly and Economic Digest magazines in March 2018 and the Leaders of Excellence Award by Capital Magazine in 2014.

Ms. Chan is currently a member of the board of directors of the Hong Kong Federation of Restaurants and Related Trades, a committee member of the Industry Advisory Committee on Long Term Business of the Insurance Authority in Hong Kong, a member of the Solicitors Disciplinary Tribunal Panel in Hong Kong and a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong. She was previously a member of the Consumer Council in Hong Kong from January 2013 to December 2018, the Griffith Business School's Bachelor of Business (Hong Kong) Industry Advisory Committee from October 2013 to September 2016 and a member of the Advisory Committee on Cruise Industry in Hong Kong from August 2010 to January 2014.

Ms. Chan is a cousin of our chairman and an aunt of Mr. Chan Ka Keung (a member of our senior management).

Ms. Chan is currently a director of 台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited*.

Non-executive Director

Mr. Ho Ping Kee (何炳基先生), aged 61, was appointed as our non-executive Director on 14 December 2018. He joined our Group in 2001 and since then he has been mainly responsible for overall strategic planning, supervising the management of our Group and providing advices on site selection.

Mr. Ho has accumulated years of experience in the retail pharmacy industry, during which he gained substantial understanding of the market of retail business in Hong Kong and knowledge in site selection. Since September 1992, Mr. Ho has been the director of Target Spot Limited, which operates six pharmacies in Hong Kong.

Mr. Ho is currently supervisory chairman of the Hong Kong General Chamber of Pharmacy Limited, president of the Southern District Recreation and Sports Association, executive committee chairman of the Apleichau North District Women's Joint Association, vice president of the council of The Association of Industries and Commerce of N.E. New Territories Limited and life president of The Hong Kong Southern District Community Association Limited. He was also previously the president of the Southern District Arts and Culture Association Limited in 2016.

Independent non-executive Directors

Mr. Wong Shiu Hoi Peter (黃紹開先生), aged 78, was appointed as our independent non-executive Director on 22 May 2019. Mr. Wong is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

* *For identification purpose only*

Mr. Wong possesses over 40 years of experience in the financial services industry. He was an executive director, managing director, deputy chairman and chief executive officer of Haitong International Securities Group Limited (stock code: 0665) from May 1996 to April 2011. He has been a consultant of Halcyon Capital Limited since May 2013.

He is currently a council member and was the past chairman of the Hong Kong Institute of Directors from July 2006 to July 2009, and a former member of each of the Standing Committee of Company Law Reform from February 2000 to January 2006 and the Listing Committee of the Stock Exchange from November 1998 to May 2006.

Mr. Wong has served as an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange in the past three years:

Company Name	Stock Code	Period
Target Insurance (Holdings) Limited	6161	Since 1 November 2014
Agile Group Holdings Limited	3383	Since 27 June 2014
Tianjin Development Holdings Limited ...	882	Since 21 December 2012
High Fashion International Limited	608	Since 19 July 2004

Mr. Wong obtained a Master of Business Administration degree from the University of East Asia (now known as the University of Macau) in October 1986.

Mr. Mak Ping Leung (alias: Mak Wah Cheung) (麥炳良先生，又名麥華章), aged 69, was appointed as our independent non-executive Director on 22 May 2019. Mr. Mak is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Mak is one of the founders of Hong Kong Economic Times Holdings Limited ("**HKET**"), publisher of the Hong Kong Economic Times and Sky Post and a company listed on the Main Board of the Stock Exchange (stock code: 423), and has been its managing director and an executive director since April 2005. He is responsible for formulating business strategies and oversees publishing, recruitment advertising and printing production at HKET. He was the Bureau Chief of the European Bureau of Wen Wei Po in London from October 1981 to October 1985, before being promoted to Deputy General Manager and Standing Committee Member of the Management Committee of the newspaper from November 1985 to November 1987.

In October 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong organised by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber). In August 2012, Mr. Mak won the Outstanding Entrepreneurship Award at the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia. Mr. Mak was an honorary advisor of Hong Kong Institute of Marketing from 2014 to 2018.

Mr. Mak has been the managing director and an executive director of HKET (stock code: 423) since 29 April 2005 and an independent non-executive director of Clifford Modern Living Holdings Limited (stock code: 3686) since 21 October 2016, both listed companies on the Main Board of the Stock Exchange.

Mr. Mak obtained a Bachelor of Arts degree from the University of Hong Kong in November 1973.

Dr. Sat Chui Wan (薩翠雲博士), aged 50, was appointed as our independent non-executive Director on 22 May 2019. Dr. Sat is the chairman of our Audit Committee and a member of our Remuneration Committee and Nomination Committee.

Dr. Sat has been an executive director of Human Health Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 1419) ("**HHH**"), since 22 October 2015. She has also served as the chief financial officer of HHH since September 2013 and is responsible for overseeing the financial, compliance, risk and human resources management of HHH. Prior to joining HHH, she was the financial controller of Sun Fung Offset Binding Co., Ltd. from October 2004 to June 2007 and deputy chief executive officer from October 2005 to June 2007. She was an assistant accountant of The Wing On Department Stores (Hong Kong) Limited from September 1994 to December 1995 and later an accountant from January 1996 to April 1999.

Dr. Sat has been a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was admitted as an associate of the Association of Chartered Certified Accountants in July 1996 and has been a fellow of the Association of Chartered Certified Accountants since July 2001.

Dr. Sat obtained a Bachelor of Arts degree of Accountancy from the Hong Kong Polytechnic University in October 1992 and a Master's degree of Business Administration from the University of Lancaster in the United Kingdom in November 2000. She completed the International Study Program (ISP) at the University of St. Gallen in December 2000, the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018. Dr. Sat obtained a Doctor of Business Administration degree from the City University of Hong Kong.

General

Save as disclosed, none of our Directors:

(i) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and

(ii) has held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

Except for such interests disclosed in the paragraphs headed "Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Disclosure of Interests — (a) Interests and Short Position of our Directors and the chief executive in the Shares, underlying shares or debentures of our Company and the associated corporations" in this prospectus, none of our Directors have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them or their respective close associates are engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business or has or may have any conflict of interests with our Group.

Further, our Directors believe that each of our independent non-executive Directors (having taken into account each of their other commitments as set out in this section above) will be able to fulfil his roles and obligations as an independent non-executive Director because, as an independent non-executive Director, each of them is not expected to take any active and executive role in the management and operations of our Group. Each of their role is to supervise the management of our Group and will only be required to attend meetings (either physically present or by other means of communications) as and when required. Further, each of them has confirmed that he understands his duties and obligations as required by the relevant laws and regulations, including the Listing Rules, as an independent non-executive Director and confirmed that he will devote sufficient time to our Group to discharge his obligations as a Director.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) and paragraph 47 of Appendix 1A to the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Ho Siu Fung (何小鋒先生), aged 56, was appointed as our general manager and director of Chinese Gourmet in September 2018. He is mainly responsible for operations and overall development of our Group's Chinese cuisine catering and brand management of "Tai Hing", "Trusty Congee King" and "Men Wah Bing Teng".

Mr. Ho joined our Group as District Manager in November 1999 and was responsible for our Group's entire operations management. In recent years, he has been constantly enhancing operation management and strategies of our Group. He spearheaded the extensive implementation of automation systems for food production in the restaurant kitchen, the beverage bar and the *siu mei* department. Mr. Ho's valuable knowledge also contributed to his successful customisation of our automated wok which was subsequently patented by us. These efforts are instrumental as the systems provide a sustainable platform for the expansion of our business with standardised food quality and production efficiency. Mr. Ho also strived to modernise our frontline teams with new operation standards, set up our internal qualification framework to promote our employees' upward mobility and introduced talent pipelines with comprehensive training programmes.

Prior to joining our Group, Mr. Ho served in several catering groups, including serving various positions including operations manager at Fairwood Fast Food from February 1980 to January 1998.

Mr. Ho graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a diploma in business management in September 1993. He obtained a Level 4 Award in Managing Food Safety in Catering at the Chartered Institute of Environmental Health in November 2008 and obtained a 5-S Lead Auditor Certificate from the HK 5-S Association in January 2003. Mr. Ho is active in sharing his industry knowledge with the community, and was a part-time instructor at the School of Continuing and Professional Education of the City University of Hong Kong from December 2009 to June 2011.

Mr. Yiu Man (姚敏先生), aged 60, was appointed as our general manager and director of central production and product development in September 2018. He is mainly responsible for the overall management and development of the Food Factories, product development, new business opportunities in casual dining and food safety. Since joining our Group, Mr. Yiu headed the entire design, construction and equipment planning of our Hong Kong Food Factory and Mainland China Food Factory to support the rapid expansion of our operations and the wide variety of new products for different cuisines. He set up our production quality control system and enforces more stringent control on food quality, including food safety monitoring and refinement through systematic taste trials. Further, Mr. Yiu also invented the smokeless cooking design which was contributed to our patented smokeless oven and such patented smokeless oven has subsequently been widely applied in our restaurants.

Mr. Yiu has been in the catering industry for over 40 years and joined our Group in 2002. Prior to joining our Group, he held managerial positions at various restaurants from the 1990s to 2001. He joined Café de Coral Holdings Limited (stock code: 0341) from September 1982 to August 1986, where he started off as chief cook (branch) and was subsequently promoted as assistant production manager. He also worked as cooks' supervisor from October 1976 to June 1982 at Trible Fast Food Shop.

Mr. Lam Tai Po (林大寶先生), aged 54, was promoted as our general manager and director of Mainland China in March 2017. He is primarily responsible for managing our Group's operations and business development in Mainland China, and, is a director of all subsidiaries of the Company established in Mainland China except for one Mainland China subsidiary.

Mr. Lam has over 25 years of experience in the food and beverage industry. He began to gain exposure to the market in Mainland China early in his career as managers of various eateries from the 1990s to 2002. Since joining in October 2002, Mr. Lam has spearheaded our Group's market development in Mainland China, expanding our portfolio to 63 restaurants as at the Latest Practicable Date. Our operations in Mainland China have won numerous industry awards under Mr. Lam's guidance, including 騰訊城市廚房推薦特色餐廳 (Tencent City Kitchen Recommended Specialty Cuisine Restaurant*) in August 2018, 上海美食攻略最具人氣粵菜獎 (Shanghai Gourmet Guide Favourite Cantonese Cuisine Award*) in March 2018 and 2017年度廣州日報大洋網星級品牌推薦最佳港式餐廳 (Guangzhou Daily Dayoo.com Star Brand Recommendation 2017 — Best Hong Kong Style Restaurant*) in March 2018.

* *For identification purposes only*

Mr. Lam graduated from the Macau Institute of Management with a Bachelor of Business Administration degree in January 2005. He became a professional management honorary member of the Confrérie de la Chaîne des Rôtisseurs in 2008.

Mr. Sin Wai Hung (冼偉洪先生), aged 61, was promoted as general manager and director of corporate management in January 2016. He is mainly responsible for overseeing information technology, logistics and purchasing of our Group.

Mr. Sin joined our Group in January 2010. He has over 35 years of experience in both the catering and retail industries. Mr. Sin joined our Group in January 2010 as a senior advisor and was promoted to general manager and director of corporate management in January 2016. Mr. Sin led the group to introduce our first staff attendance system and ERP (enterprise resource planning) system in December 2010. Utilising these platforms, our information technology team built different intranet applications that improved communication between restaurants and the back office. The applications also collect and analyse operating data, which in turn allows the Board and management team to make business decisions efficiently. He also established our inventory auto-replenishment system in our Hong Kong Logistics Centre and purchasing procedures and policies. Mr. Sin implemented cross-department processes and policy reviews to enhance overall management efficiency and effectiveness of our Company.

Prior to joining our Group, he served as managing director at Ho Ho Catering Limited from March 2005 to June 2009 and served as senior retail manager at the Ocean Park Corporation from September 2004 to February 2005. In January 1993, Mr. Sin joined Fortress Limited, a wholly-owned subsidiary of A.S. Watson & Company Limited as marketing director. In February 1995, he was transferred from marketing to operations and was appointed as operations director of Fortress Limited, until he left in August 2003. During March 1990 to December 1992, Mr. Sin was the general manager of Fornari International Limited and its related companies. He was responsible for building a new brand of jeans, "Fornari", which received a certificate of merit in the HKMA/TVB Award for Marketing Excellence 1991, and later headed a chain of 18 fashion shops. In June 1985, he was employed as marketing manager at Fotomax (F.E.) Limited and later promoted as manager (chain operations) in August 1987, where he worked until April 1990. From July 1981 to March 1985, he worked at Kodak (Far East) Limited as sales executive for the professional and photo finishing markets in the sales department.

He graduated from the Chinese University of Hong Kong with a bachelor of science degree in December 1981 and obtained a diploma in Management Studies and master's degree in Business Administration from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1987 and November 1993, respectively.

Mr. Chan Ka Keung (陳家強先生), aged 38, was promoted as our general manager (casual dining) in January 2019. He is mainly responsible for the operations of casual dining restaurants, business development, marketing, brand building and product development. He mainly manages operations under our "TeaWood", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer" and "Rice Rule" brands.

Mr. Chan joined our Group in August 2009. In recent years, he spearheaded the development of new brands for casual dining in our Group, targeting younger customers by offering them a pleasant dining experience. In particular, our "TeaWood" brand has won numerous industry awards, including Marketing Leadership Award in Emerging Brand Restaurant 2017/2018 awarded by the Hong Kong Institute of Marketing in April 2018, the 2018 Business Excellence Award by The Professional Validation Centre of Hong Kong Business Sector in June 2018 and the prestigious Bronze A'Design Award for Interior Space and Exhibition Design, awarded in April 2018 under his leadership.

Mr. Chan graduated from De Montfort University in Leicester in the United Kingdom with a bachelor's degree in Business Administration in June 2004.

Mr. Chan was awarded 全球華人傑出青年 (Global Outstanding Chinese Youth*) by the Global Outstanding Chinese Association in 2016. He is currently a member of the Environmental Campaign Committee, the vice president of the Hong Kong Federation of Restaurants and Related Trades Limited ("**HKFORT**"), president of the HKFORT Youth Committee and the chairman of the Hong Kong O2O E-commerce Federation.

Mr. Chan is the son of our chairman and a nephew of Ms. Chan Shuk Fong (our executive Director).

Mr. Chan Shing Shun Dominic (陳承信先生), aged 54, was appointed as our general manager (property and project development) in April 2017. He is mainly responsible for the overall supervision and management of leasing, project planning and development and maintenance.

Mr. Chan has over 28 years of experience in the property industry. He joined our Group in April 2017. Prior to joining our Group, he worked in several local and international corporations, accumulating a solid understanding of the Hong Kong property market. He served as director of the property and store development department of Maxim's Caterers Limited from March 2015 to February 2017. From January 2002 to March 2015, he was the general manager of the property investment department in Shun Tak Holdings Limited (stock code: 0242). Mr. Chan was the director of the investment department at Jones Lang LaSalle Limited (NYSE stock code: JLL) from September 2000 to February 2001 and departmental director of the investment department at CB Richard Ellis Limited from January 1992 to August 1999.

Mr. Chan graduated from the City University of Hong Kong with a bachelor of science degree in Building in November 1989 and obtained a master's degree in Urban Design and a postgraduate diploma in Surveying (Real Estate Development) from the University of Hong Kong in December 1992 and October 2002, respectively.

Mr. Chan is currently an estate agent recognised by the Estate Agents Authority, a fellow member of the Royal Institute of Chartered Surveyors and an associate of The Chartered Institute of Arbitrators.

* *For identification purposes only*

Mr. Wong Kin Pong Edmond (黃建邦先生), aged 43, joined our Group as finance director in February 2014 and was promoted as senior director of the group finance department in January 2019. He has also been serving as company secretary since 14 December 2018. His responsibilities include overseeing the financial management and company secretarial matters of our Group.

Mr. Wong has over 15 years of experience in financial management. Prior to joining our Group, he was the financial controller at Select Service Partner Hong Kong Limited, a subsidiary of SSP Group PLC (LON: SSPG) from July 2013 to February 2014. He served as group financial controller at bma Management Limited from November 2011 to February 2013, deputy director of the logistics, finance and account department and corporate sales department at Tao Heung Holdings Limited (stock code: 0573) from November 2004 to November 2011. During August 2002 to November 2004, he was employed as assistant accounting manager at Man Fai Tai Holdings Limited and was then audit supervisor at Ho and Ho & Company during November 2001 to August 2002. Mr. Wong also worked in international accounting firms as semi-senior accountant and senior associate during 1997 to 2001.

Mr. Wong graduated with a bachelor's degree in Business Administration (major in professional accountancy) from the Chinese University of Hong Kong in December 1997. In July 2014, he obtained a master's degree in Business Administration from the University of Wales in the United Kingdom through distance learning.

Mr. Wong is currently a fellow at the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a chartered financial analyst at the CFA Institute.

Ms. Zhou Yuewu (周躍武小姐), aged 44, joined our Group in November 2004 and was appointed as our general manager (back office and leasing) in January 2016. Her responsibilities include overseeing and managing finance, human resources, administration, leasing and trademark matters in Mainland China.

Ms. Zhou has over 10 years of experience in administration and management in Mainland China. Prior to joining our Group, Ms. Zhou served in Jianwei Real Estate Brokerage Limited* (建威房地產經紀有限公司) in Shenzhen, Mainland China from August 2001 to November 2004, and was responsible for company set up and finance matters from August 2001 to April 2002 and finance management from May 2002 to November 2004. She was previously the secretary to the general manager of Hanzun Machinery Limited from June 1997 to April 2001.

Ms. Zhou graduated from the Changsha University of Science and Technology (formerly known as the Changsha Communications University) with a diploma in Finance and Accounting System Management (財會計算機管理) in June 1997. She was conferred the qualification of intermediate accountant by the Ministry of Finance of the PRC in May 2005.

During the three years immediately preceding the Latest Practicable Date, none of our senior management has held any directorship in any listed public companies in Hong Kong or overseas.

* *For identification purposes only*

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three members, namely Dr. Sat Chui Wan, Mr. Mak Ping Leung (alias: Mak Wah Cheung), and Mr. Wong Shiu Hoi Peter, all of whom are our Independent Non-executive Directors. Dr. Sat Chui Wan is the chairman of the Audit Committee and is the Independent Non-executive Director who possesses the appropriate professional qualifications.

The primary duties of the Audit Committee include, among other things, considering issues relating to the appointment, re-appointment and removal of the external auditor, reviewing our financial information, overseeing our financial reporting system, risk management and internal control systems.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises five members, namely Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter, Dr. Sat Chui Wan, Mr. Chan Wing On and Ms. Chan Shuk Fong. Mr. Mak Ping Leung (alias: Mak Wah Cheung) was appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things, making recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration, the establishment of a formal and transparent procedure for developing remuneration policy and the remuneration packages of our Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises five members, namely, Mr. Chan Wing On, Ms. Chan Shuk Fong, Mr. Mak Ping Leung (alias: Mak Wah Cheung), Mr. Wong Shiu Hoi Peter and Dr. Sat Chui Wan. Mr. Chan Wing On has been appointed as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to the Board to complement our corporate strategy.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2016, FY2017 and FY2018 were HK$9.7 million, HK$12.7 million and HK$13.7 million respectively. None of our Directors had waived any remuneration during the same periods.

During the Track Record Period, two of the five highest paid individuals were our Directors. The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our remaining three highest paid individuals, for FY2016, FY2017 and FY2018 were HK$6.2 million, HK$9.4 million and HK$10.0 million respectively.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

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

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for FY2019 to be approximately HK$13.0 million.

See "Appendix V — Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Particulars of Directors' services agreements" for further information.

COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, the secretary of the Company must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) an ordinary member of The Hong Kong Institute of Company Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as acceptable academic or professional qualifications.

We have appointed Mr. Wong Kin Pong Edmond as our company secretary on 14 December, 2018. See "— Senior Management" in this section above for his biographical details.

COMPLIANCE ADVISER

We have appointed BOCOM International (Asia) Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with, and if necessary, seek advice from, our compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

BOARD DIVERSITY

Our Board has adopted a board diversity policy in accordance with Rule 13.92 of the Listing Rules. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and contribution that the selected candidates may bring to our Board, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on our Board. Our Nomination Committee will monitor the implementation of our Board diversity policy and shall monitor its implementation on an ongoing basis. It shall report annually, in our corporate governance report, on our Board's composition under diversified perspectives together with a summary of our Board diversity policy, the measurable objectives for implementing this policy and the progress of achieving our objectives to achieve Board diversity.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), Chun Fat will hold 51.2% of the Company. Chun Fat is an investment holding company owned by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen as to 70.7%, 12.6%, 9.9% and 6.8%, respectively. As such, Chun Fat, Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are the controlling shareholders of the Company and will continue to hold a controlling interest in our Company upon completion of the Global Offering and the Capitalisation Issue. Details of the background of our Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen are set out in the section headed "Directors and Senior Management" in this prospectus.

During the Track Record Period, save as disclosed in this prospectus, we did not have any business dealings with the other companies associated with or controlled by our Controlling Shareholders and there was no overlapping business between our Group and our Controlling Shareholders.

As at the Latest Practicable Date, our Controlling Shareholders confirm that, apart from the business operated by us, they and their respective close associates and/or companies controlled by them do not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing, other than those set out in the subsection headed "— Operational Independence" below in this section. We are capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Management independence

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chan, Mr. Lau and Mr. Yuen are our executive Directors, while Mr. Ho is our non-executive Director. Each of Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen is a Controlling Shareholder of our Company. Having considered the following factors, our Directors consider that our management is capable of operating independently free from the Controlling Shareholders after the Listing:

(a) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(c) we have established internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business activities;

(d) save for our liquor licences, which are held by our employees, all our restaurant licences are held by our restaurant operating subsidiaries instead of our Controlling Shareholders;

(e) save as disclosed in the section "Directors and Senior management" in this prospectus, our senior management members are independent from our Controlling Shareholders and are responsible for our daily operations in relation to finance, human resources, sales and marketing, procurement, quality control and operations; and

(f) our independent non-executive Directors have sufficient knowledge, experience and competence, and will bring independent judgment to the decision making process of our Board, taking into account the advice of our senior management.

During the Track Record Period, certain entities controlled by our Controlling Shareholders entered into related party transactions with our Group in the ordinary course of our business. Such related party transactions are disclosed in Note 40 to the Accountants' Report set out as Appendix I to this prospectus. Our Directors confirm that, among these related party transactions, save and except for a staff quarter lease agreement which constitutes a fully exempt *de minimis* connected transactions as defined under the Listing Rules, there will not be any other continuing connected transactions with our Controlling Shareholders immediately after the Listing. Our Directors (including our independent non-executive Directors) consider that such continuing connected transactions have been entered into in the ordinary and usual course of our business and are based on arm's length negotiation and on normal commercial terms that are in the interests of our Group and our Shareholders as a whole. These continuing connected transactions between us and entities controlled by our Controlling Shareholders are not material in value as far as we are concerned.

Financial independence

We have our own financial management and accounting systems and the ability to operate independently from our Controlling Shareholders from the financial perspective. We are capable of making financial decisions according to our own business needs. Our Directors also believe that we have sufficient capital, internal resources and credit profile in the case of future external financing needs to support our daily operations independently from our Controlling Shareholders and their respective close associates.

All the non-trade amounts due to or from our Controlling Shareholders and companies controlled by our Controlling Shareholders, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders, and companies controlled by our Controlling Shareholders, or vice versa, will be fully settled or released upon or before the Listing. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group or vice versa after the Listing.

During the Track Record Period and prior to the completion of the Reorganisation, all of our Group subsidiaries, together with other non-Group companies (which were involved in property investment), were held by Tai Hing (Samoa), an investment holding entity that was then controlled by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen. As a common practice of a lot of group companies in Hong Kong, a centralised treasury function had been adopted, where one of our subsidiaries, namely, Tai Hing Worldwide Development Limited, acted as the principal financing platform for these non-Group companies held under Tai Hing (Samoa) back then. Tai Hing Worldwide Development Limited, by entering into various loan agreements, provided financing to these companies mainly for the purpose of acquiring various residential and commercial premises for investment purpose. For details, please see Notes 21 ("**Note 21**") and 40 to the Accountants' Report set out as Appendix I to this prospectus and "Financial Information — Liquidity and capital resources — Net current liabilities — Effect of the Reorganisation on our financial position" in this prospectus. Related companies as set out in Note 21 were either inactive or served as the investment holding company of residential or commercial properties as at the Latest Practicable Date. In preparation of the Listing, our Controlling Shareholders had decided to streamline our Group's corporate structure and assets to only consists of those that are crucial to the restaurants operation business of our Group. Following such Reorganisation, Tai Hing (Samoa) ceased to be a controlled entity of any of our Controlling Shareholders and our Group's restaurant operation business became clearly delineated from the property investment holding business of Tai Hing (Samoa) and the non-Group subsidiaries held by it. Further, following such clear delineation and in preparation of the Listing, Tai Hing Worldwide Development Limited ceased to be the financing platform of any non-Group companies.

Operational independence

We are capable of making business decisions independently. On the basis of the following factors, our Directors believe that we will continue to operate independently from our Controlling Shareholders and companies controlled by our Controlling Shareholders:

(a) we have established a set of internal control measures to facilitate the effective operations of our business;

(b) we have our own administrative and corporate governance infrastructure across each of our core functions;

(c) our customers are primarily retail customers from the general public and our food and beverages suppliers are all independent from our Controlling Shareholders and we do not rely on our Controlling Shareholders or their respective close associates for any access to suppliers and customers;

(d) we have an independent management team to handle our day-to-day operations;

(e) save for our liquor licences, which are held by our employees, we are in possession of all relevant licences and workforce necessary to carry on and operate our business independent from the Controlling Shareholders and their associates;

(f) save for one staff quarter lease agreement which constitutes fully exempt de minimis transactions as set out in Rule 14A.76 of the Listing Rules, immediately after the Listing there will be no continuing connected transactions between our Company and its connected person, as applicable; and

(g) as at the Latest Practicable Date and upon Listing, we leased 9 properties in Hong Kong from Tai Hing (Samoa) group companies with the lease terms ranging from 2 to 3 years, which served as staff quarter, office and restaurant premises. The annual aggregate lease payments from us to Tai Hing (Samoa) group in relation to these 9 properties is expected to be approximately HK$12.4 million for FY2019. Our Directors are of the view that these lease properties only contributed to an insignificant portion of the total number of properties leased by our Group and we could relocate our staff quarter, office and/or restaurant premises to other similar premises at similar prices within a reasonable period of time in case we need to relocate, therefore, we do not have any operational reliance on Tai Hing (Samoa) group. These transactions will continue immediately after Listing in accordance with their respective lease terms under their existing lease agreements, for details, please see "Financial independence" in this section above.

CORPORATE GOVERNANCE MEASURES FOR RESOLVING ACTUAL AND/OR POTENTIAL CONFLICTS OF INTERESTS

Upon the Listing, we will continue to enter into connected transactions with certain companies controlled by our Controlling Shareholders and adopt the following measures for resolving actual and/or potential conflicts of interests of our Controlling Shareholders:

(i) in preparation for the Listing, our Company has amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, except for certain exceptions permitted under the Articles, a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest, nor shall such Director be counted in the quorum present at the meeting. Furthermore, a Director who holds directorship and/or senior management positions in the Controlling Shareholders or any of its associates (other than our Company or any member of our Group) shall not vote on any board resolution regarding any transactions proposed to be entered into between any member of our Group and the Controlling Shareholders or any of its associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting;

(ii) we have appointed BOCOM International (Asia) Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;

(iii) the management structure of our Group includes an audit committee, a remuneration committee and a nomination committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and

(iv) pursuant to the Code of Corporate Governance Practices and Corporate Governance Report in Appendix 14 of the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company is expected to comply with the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have compiled with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the total number of shares in 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 of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding in our Company
Mr. Chan(1),(2)	Interest in a controlled corporation	512,392,500	51.2%
Ms. Leung Yi Ling(1),(2)	Interest of a spouse	512,392,500	51.2%
Chun Fat(1),(2)	Beneficial interest	512,392,500	51.2%

Notes:

(1) Our Company will be directly owned as to 51.2% by Chun Fat as at Listing. Chun Fat is owned as to 70.7%, 12.6%, 9.9% and 6.8% by Mr. Chan, Mr. Lau, Mr. Ho and Mr. Yuen, respectively. Therefore, Mr. Chan is deemed to be interested in the same number of Shares that Chun Fat is interested in under the SFO.

(2) Ms. Leung Yi Ling is the spouse of Mr. Chan and is deemed to be interested in the same number of Shares that Mr. Chan is interested in under the SFO.

(b) Interest in our subsidiaries

Name of our subsidiary	Name of shareholder	Number of shares held	Approximate percentage of shareholding in our subsidiary
台灣太興餐飲股份有限公司 Tai Hing Catering Management (Taiwan) Limited*	緯豆投資有限公司 Weidoe Investment Co., Ltd.*	735,000	49%

* *For identification purposes only*

Save as disclosed in this section, our Directors are not aware of any persons who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or our subsidiaries.

SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of our Company is as follows:

Authorised share capital as at the date of this prospectus:

	HK$
10,000,000,000 Shares of HK$0.01 each	100,000,000

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering will be as follows (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options):

Shares issued or to be issued, fully paid or credited as fully paid:

100,000	Shares in issue as of the date of this prospectus	1,000
749,900,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,000
250,000,000	Shares to be issued under the Global Offering	2,500,000
1,000,000,000	**Total**	10,000,000

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately upon completion of the Capitalisation Issue and Global Offering will be as follows (without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options):

Shares issued or to be issued, fully paid or credited as fully paid:

100,000	Shares in issue as of the date of this prospectus	1,000
749,900,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,000
287,500,000	Shares to be issued under the Global Offering	2,875,000
1,037,500,000	**Total**	10,375,000

Assumptions:

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering and the Capitalisation Issue. It takes no account of (a) any Shares which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options or the Post-IPO Share Options; or (b) which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares and all Shares shall rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 22 May 2019, conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue on the Listing Date a total of 749,900,000 Shares credited as fully-paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on 12 June 2019 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$7,499,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of our total issue share capital in the hands of the public (as defined in the Listing Rules).

SHARE OPTION SCHEMES

We have conditionally adopted the Pre-IPO Share Option Scheme pursuant to which we granted Pre-IPO Share Options as further described in "Appendix V — Statutory and General Information — D. Share Option Schemes — Pre-IPO Share Option Scheme". We have also conditionally adopted the Post-IPO Share Option Scheme as further described in "Appendix V — Statutory and General Information — D. Share Option Schemes — Post-IPO Share Option Scheme".

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment of all conditions as stated in "Structure of the Global Offering", our Directors have been granted with a general unconditional mandate to allot, issue and deal with Shares in aggregate number of not more than the sum of:

(a) 20% of the aggregate nominal value of our entire issued share capital immediately upon completion of the Capitalisation Issue and Global Offering (but excluding any Shares that may be issued upon exercise of the Over-allotment Option); and

(b) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below ("**Issuing Mandate**").

The aggregate number of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue, or (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association; or (iii) any specific authority granted by our Shareholders in general meeting(s); or (iv) any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Issuing Mandate is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on 22 May 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted with a general unconditional mandate to exercise all the powers of our Company to repurchase Shares in an aggregate number of not more than 10% of the aggregate number of the Shares in issue following the completion of the Global Offering and the Capitalisation Issue (but excluding any Shares that may be issued upon exercise of the Over-allotment Option) ("**Repurchase Mandate**").

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "A. Further Information about our Group — 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

This Repurchase Mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless by ordinary resolution passed at that meeting, the Repurchase Mandate is renewed, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands law or our Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Appendix V — Statutory and General Information — A. Further Information about our Group — 4. Written resolutions of our Shareholders passed on 22 May 2019" in this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital by special resolution of shareholders. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (iii) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

You should read this section in conjunction with our consolidated financial information as at and for the years ended 31 December 2016, 2017 and 2018, including the notes thereto, as set forth in "Appendix I — Accountants' Report" to this prospectus and the selected historical consolidated financial information and operating data included elsewhere in this prospectus. The consolidated financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results, outcomes and developments will meet the expectations and predictions depends on a number of risk and uncertainties over which our Group do not have control. Please refer to the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus for discussion of those risks and uncertainties.

OVERVIEW

We are a multi-brand casual dining restaurant group originated in Hong Kong. In addition to our flagship "Tai Hing" brand, we have successfully grown our brand portfolio (through in-house development, acquisitions and licencing), which now also comprises "TeaWood", "Trusty Congee King", "Men Wah Bing Teng", "Phở Lệ", "Tokyo Tsukiji", "Fisher & Farmer", "Rice Rule" and "Hot Pot Couple". As at the Latest Practicable Date, we had 191 restaurants (comprising 184 restaurants operated by us and 7 restaurants operated by our franchisees) in our restaurant network, with 126 restaurants in Hong Kong, 63 restaurants in Mainland China, 1 restaurant in Macau and 1 restaurant in Taiwan.

According to the Frost & Sullivan Report, we ranked: (i) first in terms of revenue in the self-operated casual dining restaurant market in Hong Kong with a market share of 4.0%; (ii) first in terms of the number of self-operated restaurants in the Taiwanese casual dining market in Hong Kong; and (iii) second in terms of revenue in the self-operated casual dining restaurant market in Mainland China with a market share of 0.1%, each in 2017.

Our revenue increased by 10.3% from HK$2,513.0 million for FY2016 to HK$2,771.3 million for FY2017. Our profit for the year attributable to owners of our Company increased by 6.5% from HK$108.6 million for FY2016 to HK$115.7 million for FY2017.

For FY2017 and FY2018, our revenue increased by 12.8% from HK$2,771.3 million for FY2017 to HK$3,126.1 million for FY2018. Our profit attributable to owners of our Company for the year increased by 163.6% from HK$115.7 million for FY2017 to HK$304.9 million for FY2018. Excluding non-recurring gain on disposal of non-current assets classified as held for sale and Listing expenses of HK$162.6 million and HK$11.0 million, respectively, our profit attributable to the owners of our Company for FY2018 would amount to HK$153.3 million, representing an increase of 32.5% over FY2017.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands on 11 December 2017 as an exempted company with limited liability. In preparation for the Listing, our Group underwent the Reorganisation. Please refer to section headed "History, Development and Reorganisation" in this prospectus for further details of the Reorganisation. Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group following the consummation of the Reorganisation, as if our Group had been in existence in its current form throughout the Track Record Period.

We have prepared our consolidated financial information for the Track Record Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation and basis of preparation as set out in notes 2.1 and 2.2 of the Accountants' Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information. Such consolidated financial information has been prepared under historical cost convention except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

The financial information contained herein is presented in Hong Kong dollars, which is the functional currency of Group.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are most significant to the preparation of our Group's financial statements in accordance with HKFRSs. Except for the new or revised HKFRSs, interpretations or amendments that are not yet mandatory for annual periods beginning on or after 1 January 2019 (for details of which, please refer to note 2.3 included in Accountants' Report set out in Appendix I to this prospectus), we have adopted all applicable standards and interpretations, including HKFRS 15 *Revenue from Contracts* with Customers and related amendments to HKFRS 15 *Clarifications to HKFRS 15 Revenue from Contracts with Customers* ("HKFRS 15"), together with the relevant transitional provisions, consistently throughout the Track Record Period except for HKFRS 9 *Financial Instruments* ("HKFRS 9") which is adopted by our Group from 1 January 2018 as the standard does not allow the use of hindsight if it is applied retrospectively. The Accountants' Report in Appendix I to this prospectus set forth these significant accounting policies, which are important to understand our financial conditions and results of operations.

Some of our accounting policies involve subjective assumptions, estimates, as well as complex judgements relating to assets, liabilities, income, expenses and other accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We applied the accounting estimates throughout the Track Record Period and do not foresee any changes in the near future. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgements used in the preparation of our consolidated financial statements.

Adoption of HKFRS 9 and HKFRS 15

HKFRS 9 *Financial Instruments* replaces the provisions of HKAS 39 *Financial Instruments: Recognition and Measurement*. HKFRS 15 *Revenue from Contracts with Customers* replaces the previous revenue standards HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and related interpretations. The standards are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

We adopted HKFRS 9 prospectively from 1 January 2018 and considered that the adoption of HKFRS 9 did not have a significant impact on our financial position and results of operations.

We adopted HKFRS 15 on a consistent basis throughout the Track Record Period. The adoption of HKFRS 15 does not affect the timing and amount of revenue recognition during the Track Record Period. Upon adoption of HKFRS 15, contract liabilities which represented the obligation to transfer goods or services to the customers for which our Group has received consideration from the customers amounted to HK$52.5 million, HK$62.7 million and HK$75.1 million as at 31 December 2016, 2017 and 2018, respectively has separately disclosed from other payable and accrual. Other than these changes, the adoption of HKFRS 15 did not have a significant impact on our financial position and results of operations during the Track Record Period.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services on the following bases:

(a) from restaurant operation, when catering services have been provided to customers;

(b) from sale of food products, when control of the goods has been transferred when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect customer's acceptance of the products;

Revenue from other sources

(a) royalty income, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which our Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before our Group transfers goods or services to the customers, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when our Group performs under the contract.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to our Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where our Group is the lessor, assets leased by our Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where our Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practises prevailing in the countries in which our Group operates.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Depreciation of property, plant and equipment

Our Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear, history of property, plant and equipment. The estimated useful life reflects the directors' estimate of the periods that our Group intends to derive future economic benefits from the use of our Group's property, plant and equipment.

Impairment of property, plant and equipment

Our Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculation are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out in the section headed "Risk Factors" in this prospectus and the factors discussed below.

The number of our self-operated restaurants

We generate substantially all of our revenue from our self-operated restaurants, which are affected by the number of our restaurants in operation in each of the financial years. Our revenue growth will primarily depend on the opening and closing of our restaurants.

The following table sets forth the number of our self-operated restaurants but excluding restaurants operated by our franchisee, by geographical region, as at the dates indicated:

	As at 31 December			As at the Latest Practicable Date
	2016	2017	2018	
Number of restaurants:				
Hong Kong	95	106	120	124
Mainland China	49	53	57	58
Macau	–	1	1	1
Taiwan	–	–	–	1
Total	144	160	178	184

The following table sets forth information on revenue and number of our restaurants in operation, as well as restaurants opened and restaurants closed/relocated during the years indicated:

	Restaurants in operation throughout the period	Restaurants opened during the period	Restaurants closed[(Note)]/ relocated during the period	Total
FY2016				
Revenue (HK$'000)	2,237,072	159,263	58,351	2,454,686
Percentage of revenue	91.1%	6.5%	2.4%	100.0%
Number of restaurants	127	25	(8)	144
FY2017				
Revenue (HK$'000)	2,349,827	250,526	111,603	2,711,956
Percentage of revenue	86.6%	9.2%	4.2%	100.0%
Number of restaurants	144	31	(15)	160
FY2018				
Revenue (HK$'000)	2,732,620	217,681	111,369	3,061,670
Percentage of revenue	89.3%	7.1%	3.6%	100.0%
Number of restaurants	160	32	(14)	178

Note: Closed restaurants include restaurants that have been rebranded during the period indicated.

Our new restaurants generally require a period of time to reach planned operating levels due to start-up inefficiencies typically associated with new restaurants. As at Latest Practicable Date, the typical range of breakeven period (being the time period required for a restaurant to achieve a breakeven point, i.e. the monthly revenue of the restaurant is at least equal to the monthly expense of that restaurant for two consecutive months), generally ranged from 2 to 4 months. Investment payback period means the time it takes for the accumulated operating cash flow generated from a restaurant to equate the initial costs of opening that restaurant. Depending on the size, location, brand, cuisine, operating performance and initial investment costs being offered by the restaurant, the typical range of our investment payback period of our restaurants is 12 to 26 months. For details, please refer to "Business — Our Restaurants — Breakeven and investment payback period of our existing self-operated restaurants".

Comparable restaurant revenue

Our profitability is affected in part by our ability to achieve growth in revenue from our existing restaurants. We define our comparable restaurants (the "**Comparable Restaurant(s)**") as those self-operated restaurants that were in full operation throughout the periods under comparison, which excludes contributions from restaurants that were renovated or being relocated. We believe that Comparable Restaurant revenue provides a meaningful period-to-period comparison of restaurant performance because they exclude the increase in revenue from restaurants newly opened in a period.

The table below sets forth the number of Comparable Restaurants and our Comparable Restaurants revenue over the periods indicated:

	FY2016 & FY2017	FY2017 & FY2018
Number of Comparable Restaurants		
Tai Hing	73	69
TeaWood	14	22
Trusty Congee King	5	8
Tokyo Tsukiji	3	3
Fisher & Farmer	1	–
Total number of Comparable Restaurants	96	102

Comparable Restaurants revenue

	FY2016	FY2017	Same store growth rate	FY2017	FY2018	Same store growth rate
By brands						
(HK$'000)						
Tai Hing	1,489,938	1,479,361	(0.7)%	1,272,799	1,330,878	4.6%
TeaWood	280,015	261,461	(6.6)%	391,673	389,848	(0.5)%
Trusty Congee King	64,702	68,723	6.2%	100,469	109,907	9.4%
Tokyo Tsukiji	22,506	21,934	(2.5)%	21,934	20,281	(7.5)%
Fisher & Farmer	18,463	18,166	(1.6)%	–	–	–
Total revenue	1,875,624	1,849,645	(1.4)%	1,786,875	1,850,914	3.6%
By geographic segment						
(HK$'000)						
Hong Kong and Macau	1,341,553	1,351,759	0.8%	1,270,386	1,323,652	4.2%
Mainland China	534,071	497,886	(6.8)%	516,489	527,262	2.1%
Total revenue	1,875,624	1,849,645	(1.4)%	1,786,875	1,850,914	3.6%

Note: The Comparable Restaurant revenue represented the gross revenue generated from our sit in catering services and the takeaway services.

	FY2016	FY2017	FY2017	FY2018
Approximate average spending per guest of the Comparable Restaurants *(Note 1)* *(HK$)*				
Tai Hing	67.5	66.4	67.1	70.8
TeaWood	93.4	89.3	94.0	95.8
Trusty Congee King	74.2	60.5	61.0	61.4
Tokyo Tsukiji	86.8	78.8	78.8	79.4
Fisher & Farmer	214.6	195.3	–	–
Overall average spending per guest	71.5	69.4	71.6	74.1
Approximate total guests served by the Comparable Restaurants *(Note 2)* **(thousands)**				
Tai Hing	21,251	21,385	18,230	18,172
TeaWood	2,995	2,916	4,166	3,631
Trusty Congee King	810	1,030	1,518	1,488
Tokyo Tsukiji	259	278	278	231
Fisher & Farmer	86	93	–	–
Total	25,401	25,702	24,192	23,522
Approximate average seat turnover rate of the Comparable Restaurants *(Note 3)*				
Tai Hing	5.2	5.2	5.0 *(Note 4)*	4.9 *(Note 4)*
TeaWood	5.5	5.1	5.4	5.1
Trusty Congee King	5.0	6.3	6.3	6.5
Tokyo Tsukiji	4.5	4.8	4.8	4.4
Fisher & Farmer	1.8	2.0	–	–
Overall average seat turnover rate	5.2	5.2	5.1	5.0

Notes:

(1) Calculated by dividing gross revenue generated from Comparable Restaurants operation (excluding takeaway orders) by total guests served.

(2) This is based on the point-of-sale system we use across most of our restaurants which captures and records the number of guest served (excluding takeaway orders).

(3) Calculated by dividing the total number of guest served (excluding takeaway orders) by the total seating capacity by average operating days for the Comparable Restaurants.

(4) One of our Tai Hing Restaurants was located in a food court and shared seating area with other restaurants. As individual seating capacity is not available, seat turnover rate of that restaurant cannot be calculated.

Our Comparable Restaurants growth rate are affected in part by our operational changes and the spending by our customers at our Comparable Restaurants.

We recorded a negative same store growth rate of 1.4% between FY2016 and FY2017 which was primarily contributed by a negative same store growth rate of 6.6% for the Comparable Restaurant of our "TeaWood" brand. As we continue to open new restaurants to widen our network as a whole, guest count per Comparable Restaurants may be diluted. Such decrease was partially offset by the increasing growth rate of "Trusty Congee King" Comparable Restaurants as we extended our operating hours by offering breakfast during FY2017.

We recorded a same store growth rate of 3.6% between FY2017 and FY2018, which was primarily contributed by (i) a same store growth rate of 4.6% for the Comparable Restaurant of our "Tai Hing" brand driven by the increase in average spending per guest between FY2017 and FY2018; and (ii) a same store growth rate of 9.4% for the Comparable Restaurant of our "Trusty Congee King" brand mainly resulted from (i) the use of third-party delivery services for certain brands during the second half of FY2018. "Trusty Congee King" brand was able to capture additional revenue from takeaway orders throughout the extended operating hours which began in FY2017. However, the use of third-party delivery services may reduce our total guest served at our restaurants, as our customers may select such delivery services as an alternative of dining in at our restaurants; and (ii) expanding the variety of our menu selection as well as price adjustment of our menu which led to an increase of average spending per guest between FY2017 and FY2018. Such increase was partially offset by (i) a negative same store growth rate of 7.5% of our "Tokyo Tsukiji" brand primarily due to decrease of total guests served of 16.9% between FY2017 and FY2018; and (ii) a negative same store growth rate of 0.5% for the Comparable Restaurant of our "TeaWood" brand primarily due to decrease of the average seat turnover rate and decrease in revenue arising from our TeaWood Comparable Restaurants located in Mainland China.

In terms of Comparable Restaurants' revenue by geographic segment, our same store growth rate for Hong Kong and Macau increased from 0.8% between FY2016 and FY2017 to 4.2% between FY2017 and FY2018, which was primarily attributable to the revenue growth of the Comparable Restaurants of "Tai Hing" and "Trusty Congee King" as mentioned above. As for Mainland China, we recorded a negative same store growth rate of 6.8% for the Mainland China Comparable Restaurants between FY2016 and FY2017. Such negative same store growth was mainly due to (i) the underperformance of certain Comparable Restaurants of "Tai Hing" during FY2017, of which two of these restaurants were subsequently closed during FY2018 and the first quarter of 2019, respectively; and (ii) the decrease in average exchange rate of RMB against HKD for FY2017 in comparison to FY2016. Our same store growth rate for the Comparable Restaurants for Mainland China rebounded to a positive growth rate of 2.1%, which was in part due to a relatively higher increase in the menu price of our "Tai Hing" Restaurants in Mainland China between FY2017 and FY2018 which accounted for the majority of our revenue from our Mainland China operation for the relevant periods and the increase in average exchange rate of RMB against HKD for FY2018 in comparison to FY2017, which was partially offset by the negative same store growth rate for the Comparable Restaurant of our "TeaWood" brand in Mainland China as mentioned above.

Average spending per guest and average seat turnover rate

Average spending per guest and average seat turnover rate significantly affect our results of operation. We record the guest count with our point-of-sale system at each restaurant. Average spending per guest represents our restaurant sales divided by the guest count of the relevant restaurant during the relevant period. The average spending per guest and average seat turnover rate at our restaurants are affected by, among other things, macroeconomic factors, our menu mix and pricing, changes in spending patterns and consumer tastes and lifestyle trends of the general public.

Staff costs

We emphasise the importance of quality of services which is our key driver of the continuing success in our restaurants. In order to offer the best possible service to our customers, we provide competitive remuneration packages, as well as career development and promotion opportunities to our staff to improve our staff retention.

Our staff costs include all salaries and benefits payable to all our employees, including Directors, senior management, heads of departments, factories, logistics centre, headquarters and restaurant staff. For FY2016, FY2017, and FY2018, our staff costs amounted to HK$743.9 million, HK$858.9 million and HK$1,033.3 million, representing 29.6%, 31.0% and 33.1% of our total revenue, respectively.

According to the Frost & Sullivan Report, with the enforcement of minimum wages and prolonged labour shortage in the catering service market in Hong Kong along with inflation, the monthly salary in catering service industry in Hong Kong increased from approximately HK$10,000 in 2013 to approximately HK$12,400 in 2017, representing a CAGR of 5.5%. Furthermore, according to the Frost & Sullivan Report, labour cost in Mainland China has increased in recent years, driven by the rising labour cost and high employee turnover in the catering service industry. The rising cost and the lack of both service personnel and mid-to-high level management personnel are likely to be a challenge for the catering service industry. The average annual salary of workers in Mainland China catering service market has increased rapidly from RMB32,236 in 2013 to RMB 42,474 in 2017, representing a CAGR of 7.1%, according to National Bureau of Statistics. It is also expected that the average annual salary of workers in Mainland China catering service market is expected to keep increasing with a CAGR of 7.5% during 2017 to 2022. Any change to the level of staff costs, such as further increase in the statutory minimum wage rate in Hong Kong or in Mainland China, would likely increase our staff costs and will have a direct impact on our results of operations. If we cannot transfer such increments to our customers, our profitability and results of operations may be materially and adversely affected.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our staff costs on our profit before tax assuming our headcount remained unchanged for the years indicated. Fluctuations in our staff costs are assumed to be 3.0% and 5.0% based on the extent of fluctuation in the staff cost during the Track Record Period.

	Impact on our profit before tax		
	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Staff costs increase/decrease by:			
+/- 3%	-/+22,316	-/+25,767	-/+30,998
+/- 5%	-/+37,193	-/+42,945	-/+51,663

Rentals and related expenses

The costs for renting and maintaining our restaurants, headquarters and signboards are included in property rentals and related expenses. For FY2016, FY2017 and FY2018, our rentals and related expenses amounted to HK$345.0 million, HK$399.7 million and HK$453.6 million, representing 13.7%, 14.4% and 14.5% of our total revenue, respectively. Depending on the size and location of the premises, our rental expenses may vary among different restaurants. Most of our restaurant leases provide for a fixed rent. Some 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 certain percentage of the monthly turnover if monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreements.

Our restaurant leases typically have terms of three to eight years. Where the terms and conditions of the option period could be accepted by us, such leases will contain an option to renew. For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our property rentals and related expenses on our profit before tax for the years indicated. Hypothetical fluctuations in our property rentals and related expenses are assumed to be 5.0% and 10.0% based on the extent of fluctuation in the rentals and related expenses during the Track Record Period.

	Impact on our profit before tax		
	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Rental and related expense increase/decrease by:			
+/- 5%	-/+17,251	-/+19,986	-/+22,680
+/- 10%	-/+34,502	-/+39,973	-/+45,361

Cost of materials consumed

Our cost of materials consumed represents the cost of food ingredients and beverages used in our restaurant operations, which affects our financial performance to a great extent. For FY2016, FY2017 and FY2018, our cost of materials consumed amounted to HK$735.2 million, HK$787.0 million and HK$887.1 million, representing 29.3%, 28.4% and 28.4% of our total revenue, respectively.

Our food ingredients are mainly sourced from suppliers in Hong Kong and Mainland China. According to the Frost & Sullivan Report, food price index of major raw materials has been growing at a steady pace from 2013 to 2017. In response to this upward trend, we have, among other things, increased prices of selected menu items, made direct and bulk purchases and enhanced relations with our major suppliers to secure better pricing.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of materials consumed on our profit before tax, assuming the consumption level of materials remained unchanged for the years indicated. Hypothetical fluctuations in our cost of food and beverages are assumed to be 1.0%, 3.0% and 5.0% based on the extent of fluctuation in the cost of materials consumed during the Track Record Period.

	Impact on our profit before tax		
	FY2016	**FY2017**	**FY2018**
	HK$'000	**HK$'000**	**HK$'000**
Cost of materials consumed increase/decrease by:			
+/- 1%	-/+7,352	-/+7,870	-/+8,871
+/- 3%	-/+22,055	-/+23,611	-/+26,612
+/- 5%	-/+36,758	-/+39,352	-/+44,353

General economic conditions in Hong Kong, Mainland China, Macau and Taiwan and discretionary consumer spending of our customers.

Our results of operations are and will be vulnerable to the economic conditions in Hong Kong, Mainland China, Macau and Taiwan. We expect to further expand in Hong Kong, Mainland China, Macau and Taiwan by opening new restaurants in the coming years. Our success depends to a certain extent on discretionary consumer spending, which is influenced by the general economic conditions in the region where we operate our restaurants. Any significant movements in the amount of discretionary spending is beyond our control and could have an adverse effect on our revenue and results of operations.

Seasonality

Our business is subject to seasonality. During the Track Record Period, we generally recorded higher monthly revenue during major holidays, such as Christmas, Chinese New Year and summer, and lower revenues during the period after these major holidays. As such, our revenue will experience a certain degree of seasonality.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income for the years indicated, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2016		FY2017		FY2018	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue
Revenue	2,512,970	100.0	2,771,277	100.0	3,126,053	100.0
Cost of materials consumed	(735,162)	(29.3)	(787,030)	(28.4)	(887,062)	(28.4)
Gross profit	1,777,808	70.7	1,984,247	71.6	2,238,991	71.6
Other income and gains, net	32,939	1.3	45,696	1.6	20,286	0.6
Gain on disposal of non-current assets classified as held for sale	–	–	–	–	162,614	5.2
Staff costs	(743,853)	(29.6)	(858,909)	(31.0)	(1,033,250)	(33.1)
Depreciation and amortisation	(128,995)	(5.1)	(133,396)	(4.8)	(147,813)	(4.7)
Rental and related expenses	(345,018)	(13.7)	(399,729)	(14.4)	(453,606)	(14.5)
Other operating expenses, net	(328,562)	(13.1)	(347,757)	(12.5)	(397,370)	(12.7)
Finance costs	(16,587)	(0.7)	(19,611)	(0.7)	(21,203)	(0.7)
Listing expenses	–	–	–	–	(10,973)	(0.3)
PROFIT BEFORE TAX	247,732	9.8	270,541	9.8	357,676	11.4
Income tax expense	(50,853)	(2.0)	(60,908)	(2.2)	(52,742)	(1.7)
PROFIT FOR THE YEAR	196,879	7.8	209,633	7.6	304,934	9.7
Profit for the year attributable to:						
Owners of the Company	108,644	4.3	115,682	4.2	304,934	9.7
Non-controlling interests	88,235	3.5	93,951	3.4	–	–
	196,879	7.8	209,633	7.6	304,934	9.7

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate revenue from (i) our restaurant operations; and (ii) sale of food products. For FY2016, FY2017 and FY2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$3,126.1 million, respectively.

The table below sets forth a breakdown of the source of revenue for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Revenue from restaurant operations	2,454,686	97.7	2,711,956	97.9	3,061,670	97.9
Revenue from sale of food products	58,284	2.3	59,321	2.1	64,383	2.1
Total	2,512,970	100.0	2,771,277	100.0	3,126,053	100.0

Restaurant Operations

The majority of our revenue was generated by our restaurant operations in Hong Kong, Mainland China and Macau, amounting to HK$2,454.7 million, HK$2,712.0 million and HK$3,061.7 million, representing 97.7%, 97.9% and 97.9% of our total revenue for FY2016, FY2017 and FY2018, respectively. Our revenue fluctuations for the corresponding periods were primarily due to the combined effects of (i) the number of restaurants in operation during the respective financial years; (ii) pricing of our menus in each of our restaurants; and (iii) number of guests at each of our restaurants.

The table below sets forth the breakdown of our revenue from restaurant operations of our self-operated restaurants by brands for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Tai Hing	1,868,481	76.1	1,900,924	70.0	2,023,634	66.1
TeaWood	392,094	15.9	536,509	19.8	555,499	18.1
Trusty Congee King	114,877	4.7	149,928	5.5	207,823	6.8
Men Wah Bing Teng	–	–	26,312	1.0	120,470	3.9
Phở Lệ	–	–	21,464	0.8	96,263	3.1
Tokyo Tsukiji	29,436	1.2	28,817	1.1	23,562	0.8
Fisher & Farmer	18,463	0.8	18,166	0.7	13,809	0.5
Rice Rule	–	–	–	–	2,230	0.1
Others*(Note)*	31,335	1.3	29,836	1.1	18,380	0.6
Total	2,454,686	100.0	2,711,956	100.0	3,061,670	100.0

Note: Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

Through our multi-brand business model, we were able to increase our revenue from our existing self-developed brands, and introducing new brands throughout the Track Record Period. Our largest brand, "Tai Hing", contributed the majority of our revenue, representing 76.1%, 70.0% and 66.1% of our revenue from restaurant operations for FY2016, FY2017 and FY2018, respectively. Our revenue from our second largest brand, "TeaWood", contributed 15.9%, 19.8% and 18.1% of our revenue of our restaurant operations for FY2016, FY2017 and FY2018, respectively. The increase in revenue from "TeaWood" over the periods was primarily due to increase in the number of "TeaWood" Restaurants over the Track Record Period. During FY2017, we introduced two new brands, namely "Men Wah Bing Teng" and "Phở Lệ", which contributed in aggregate nil, 1.8% and 7.0% of our total revenue from restaurant operations for FY2016, FY2017 and FY2018, respectively. Our Directors believe that our current and future growth in revenue will depend on the continuous expansion of our existing self-developed brands and introducing new brands.

During the Track Record Period, revenue from our restaurants were generated in Hong Kong, Mainland China and Macau. The table below sets forth the breakdown of our revenue from restaurant operations of our self-operated restaurants by geographic segment for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Hong Kong and Macau	1,775,558	72.3	2,043,075	75.3	2,363,728	77.2
Mainland China	679,128	27.7	668,881	24.7	697,942	22.8
Total	2,454,686	100.0	2,711,956	100.0	3,061,670	100.0

Our revenue derived from Hong Kong and Macau was HK$1,775.6 million, HK$2,043.1 million and HK$2,363.7 million for FY2016, FY2017 and FY2018, respectively. Such increasing trend over the corresponding periods was primarily due to the (i) increase in revenue from the steady expansion in the number of restaurants in our Hong Kong restaurant network; (ii) successful launching of our new brands, "Men Wah Bing Teng" and "Phở Lệ" in FY2017 and "Rice Rule" in FY2018; and (iii) continuous increase in revenue derived from our existing brand portfolio.

Our revenue derived from Mainland China decreased from HK$679.1 million for FY2016 to HK$668.9 million for FY2017. Such decrease was primarily due to the closure of 5 restaurants (most of which were closed during the first half of FY2017), the loss in revenue from these 5 restaurants were subsequently slightly compensated by the opening of 10 restaurants (most of which were opened during second half of FY2017). Our revenue derived from Mainland China increased from HK$668.9 million for FY2017 to HK$697.9 million for FY2018. Such increase was primarily due to (i) full year operation effect for new restaurants opened during the second half of FY2017; (ii) the net addition of two restaurants under our existing brand portfolio into the Mainland China restaurant network; and (iii) the introduction of and customers' well-acceptance of our new brand "Phở Lệ" during FY2018.

Our guests primarily settle our restaurant checks by (i) cash; (ii) credit cards; and (iii) others (including various electronic payments). The table below sets forth the breakdown of our revenue from restaurant operations of our self-operated restaurants by means of settlement method by our customers for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Settlement by way of[(Note 1)]						
Cash	1,465,317	59.7	1,409,891	52.0	1,532,755	50.1
Credit Card	449,974	18.3	448,552	16.5	421,055	13.7
Others[(Note 2)]	539,395	22.0	853,513	31.5	1,107,860	36.2
Total	2,454,686	100.0	2,711,956	100.0	3,061,670	100.0

Notes:

(1) Mainly derived from our point-of-sale system which captures and records the settlement method of each bill.

(2) Others mainly include payment by Octopus and other electronic payment means such as Alipay and WeChat Payment.

For further information on our restaurant operations, please see "Business — Our Restaurants".

Sale of food products

Our revenue from sale of food products primarily represents sales of (i) seasonal products for various holiday and festivals; and (ii) other food products such as canned products sold to our individual and corporate customers. For FY2016, FY2017 and FY2018, our revenue from sales of food products amounted to HK$58.3 million, HK$59.3 million and HK$64.4 million, representing 2.3%, 2.1% and 2.1%, of our total revenue, respectively. Our revenue from sales of food products remained relatively stable and accounted for a relatively small portion of our overall revenue.

Non-HKFRS measures

We have presented a number of non-HKFRS financial measures i.e. operating profit ("**Operating Profit**") and operating profit margin ("**Operating Profit Margin**") by brand and by geographic segment in this prospectus. We have presented these non-HKFRS measures because our management considers these supplemental measures will be helpful for the investors and other interested parties to assess the profitability of our business operation. These financial measures are unaudited and are not the measures of performance under the HKFRS. Although some of these financial measures are reconcilable to the line items in the financial information set forth in Appendix I to this prospectus, they should not be considered as measures comparable to, or substitutes for, items in our consolidated statement of profit or loss and other comprehensive income, as determined in accordance with the HKFRS. Furthermore, these financial measures may not be comparable to other similarly titled measures used by other companies. The use of these non-HKFRS measures has material limitation as it does not include all costs (i.e. depreciations and amortisation and items in other operating expenses, net) that impact our profit for the relevant years and should not be used as a substitute for an analysis of our financial results presented under the HKFRS.

Operating Profit and Operating Profit Margin

Our Operating Profit was calculated by total revenue less cost of materials consumed, staff costs and rental and related expenses. Our Operating Profit Margin was calculated based on the Operating Profit divided by the total revenue and multiplied by 100% for the relevant years. The following table sets forth our Operating Profit and Operating Profit Margin for the years indicated:

	FY2016	FY2017	FY2018
	HKD'000	HKD'000	HKD'000
Revenue	2,512,970	2,771,277	3,126,053
Cost of materials consumed	(735,162)	(787,030)	(887,062)
Gross profit	1,777,808	1,984,247	2,238,991
Staff costs	(743,853)	(858,909)	(1,033,250)
Rental and related expenses	(345,018)	(399,729)	(453,606)
Operating Profit	688,937	725,609	752,135
Operating Profit Margin (%)	27.4	26.2	24.1

Operating Profit and Operating Profit Margin by brand

The following table sets forth our Operating Profit and Operating Profit Margin by brand for the years indicated:

	FY2016		FY2017		FY2018	
	Operating Profit (Note 3)	Operating Profit Margin	Operating Profit (Note 3)	Operating Profit Margin	Operating Profit (Note 3)	Operating Profit Margin
	HKD'000	%	HKD'000	%	HKD'000	%
Tai Hing	518,530	26.9	508,134	25.9	491,354	23.5
TeaWood	123,280	31.6	161,503	30.2	163,250	29.4
Trusty Congee King	28,880	24.3	32,347	21.6	41,947	20.1
Men Wah Bing Teng.	–	–	5,952	22.6	30,174	25.0
Phở Lệ (Note 1).	(167)	–	3,604	16.8	20,381	21.2
Tokyo Tsukiji.	8,187	27.8	6,155	21.4	5,239	22.2
Fisher & Farmer	4,467	24.2	3,886	21.4	(1,081)	(7.8)
Rice Rule.	–	–	–	–	(176)	(7.9)
Others (Note 2)	5,760	18.3	4,028	13.5	1,047	5.7
Total	**688,937**	**27.4**	**725,609**	**26.2**	**752,135**	**24.1**

Notes:

(1) We incurred staff costs and rental and related expenses in FY2016 in relation to pre-opening work prior to our restaurant opening in 2017.

(2) Others represent revenue from certain of our discontinued brands during the Track Record Period and up to the Latest Practicable Date.

(3) Operating Profit calculation for each brand also includes central management cost allocated to each brand.

During the Track Record Period, we recorded an increasing trend in our revenue, profit for the year and Operating Profit. For FY2016, FY2017 and FY2018, our revenue was HK$2,513.0 million, HK$2,771.3 million and HK$3,126.1 million, and our profit for the year was HK$196.9 million, HK$209.6 million and HK$304.9 million, respectively. Our overall Operating Profit increased throughout the Track Record Period, with HK$36.7 million or 5.3% increase from FY2016 to FY2017 and HK$26.5 million or 3.7% increase from FY2017 to FY2018. Our overall Operating Profit Margin was 27.4%, 26.2% and 24.1% for FY2016, FY2017 and FY2018, respectively. The overall Operating Profit Margin depends on the profitability of each brand, which in turn is subject to various factors, including our brand popularity, menu pricing strategies, promotional items from time to time which may result in an increase in Operating Profit but a decrease in Operating Profit Margin, lease renewal terms and renovation period etc..

Our "Men Wah Bing Teng" and "Phở Lệ" brands were launched in FY2017 and were very well-received by the market and recorded an increase of 2.4 and 4.4 percentage points in their respective Operating Profit Margin from FY2017 to FY2018. Such Operating Profit Margin increase was mainly contributed by the full year operation effect of the restaurants opened in FY2017 under these two brands as well as the relatively high revenue generated by the 16 additional restaurants under these two brands due to the immense popularity of these brands.

The Operating Profit Margin for our other existing brands recorded a decrease over the Track Record Period. For our key revenue generating brands, namely, "Tai Hing" and "TeaWood", the decrease remained relatively low at around one to two percentage points. The Operating Profit and Operating Profit Margin for "Tai Hing" brand decrease from FY2016 to FY2017 primarily due to the negative same store growth rate of 0.7% over this period and a further decrease in FY2018 was due to the increase in number of restaurants which were temporarily suspended for operation for renovation during FY2018 in comparison to FY2017. For our "TeaWood" brand, we have recorded an increasing trend in the Operating Profit of HK$123.3 million, HK$161.5 million and HK$163.3 million for FY2016, FY2017 and FY2018, respectively and a slight decreasing trend of approximately 1% from FY2016 to FY2017 and from FY2017 to FY2018. The decrease was primarily driven by the negative same store growth rate of 6.6% and 0.5% from FY2016 to FY2017 and from FY2017 to FY2018, of the Comparable Restaurants for the comparable period, respectively.

For other brands which contributed relatively less to our Group's revenue, they may have suffered from a greater decrease in the Operating Profit and Operating Profit Margin for various specific reasons. Our "Trusty Congee King" brand recorded an increasing trend in Operating Margin of HK$28.9 million, HK$32.3 million and HK$42.0 million for FY2016, FY2017 and FY2018, respectively, with a decrease in Profit Margin over the Track Record Period which was primarily driven by the extension of operating hours by offering breakfast during FY2017, which was generally priced lower than lunch and dinner sessions, while we incurred additional operating expenses as a result of such operation extension.

For "Tokyo Tsukiji" and "Fisher & Farmer" brands, our Operating Profit and Operating Profit Margin recorded a decreasing trend over the Track Record Period. The decrease in Operating Profit and Operating Profit Margin for "Tokyo Tsukiji" brand was primarily due to (i) promotions offered in FY2017; and (ii) decrease in revenue as a result of the decrease in guests served, while the decrease for "Fisher & Farmer" brand was primarily due to relocation of a restaurant during FY2018.

In general, our new restaurants under new brands may record a lower Operating Profit or Operating Profit Margin during the initial year of restaurant operation, which was primarily due to the initial set up costs and low customer visits during the ramp-up period as customers are unfamiliar with such new brand. Their operating profit and operating profit margin will generally improve after the first few months of restaurant operation.

Operating Profit is a key financial indicator for us to assess the profitability of a restaurant. If a restaurant persistently remains at an operating loss position, our Directors, after considering all other relevant factors, may decide to close, rebrand or relocate such restaurant.

For further details to the analysis of Comparable Restaurants, please see "Key Factors Affecting Our Results of Operations and Financial Condition — Comparable restaurant revenue.

Operating Profit and Operating Profit Margin by geographic segment

The following table sets forth our Operating Profit and Operating Profit Margin by geographic segment for the years indicated:

	FY2016		FY2017		FY2018	
	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin
	HKD'000	%	HKD'000	%	HKD'000	%
Hong Kong and Macau	485,081	26.5	523,829	24.9	595,645	24.5
Mainland China	203,856	30.0	201,780	30.2	156,490	22.4
Total	688,937	27.4	725,609	26.2	752,135	24.1

Our Operating Profit in Hong Kong and Macau recorded an increasing trend over the Track Record Period, primarily due to (i) new brands introduced during the Track Record Period; and (ii) expansion of existing brands as mentioned above. Our Operating Profit Margin was 26.5%, 24.9% and 24.5% for the Track Record Period, respectively. The decrease over the respective periods was primarily due to decrease of Operating Profit Margin of "Tai Hing", TeaWood" and "Trusty Congee King" brands operating in Hong Kong and Macau, which was partially offset by the increasing Operating Profit Margin contributed by "Men Wah Bing Teng" and "Phở Lệ".

Our Operating Profit and Operating Profit Margin in Mainland China remained relatively stable for FY2016 and FY2017. The decrease in both Operating Profit and Operating Profit Margin from FY2017 to FY2018 was in part due to (i) the increase in staff costs as a percentage of revenue arising from Mainland China restaurant operation from 28.9% for FY2017 to 34.7% for FY2018, as a result of general salary increment and increase of staff welfare to improve staff retention as well as additional head count to cater for our new restaurants and Mainland China Food Factory; (ii) the difference in the timing of the opening and closing of our restaurants. We opened four restaurants during the fourth quarter of FY2018 which were still in ramp-up period and had not achieved breakeven as at 31 December 2018. According to our typical breakeven period for our restaurants in Mainland China, it may take up to four months in order to achieve breakeven and subsequent to breakeven, it may also take a period of time to achieve the average Operating Profit Margin and the key performance indicators that is similar to our other restaurants; and (iii) expenses associated to the commencement of operation of the Mainland China Food Factory.

We incurred one-off pre-opening costs and additional operating costs incurred for our Mainland China Food Factory which commenced its operation in October 2018. Excluding our operating costs incurred for our Mainland China Food Factory, our Operating Profit and Operating Profit Margin for Mainland China would be HK$164.4 million and 23.6%, respectively for FY2018, and our overall Operating Profit and Operating Profit Margin would be HK$760.0 million and 24.3%, respectively for FY2018.

Cost of materials consumed

Our cost of materials consumed represents the cost of our food ingredients and beverages used in our operation. The principal food ingredients used in our restaurant operations include seafood, meat, vegetables, beverages and seasoning. For FY2016, FY2017 and FY2018, our cost of materials consumed amounted to HK$735.2 million, HK$787.0 million and HK$887.1 million, representing 29.3%, 28.4% and 28.4% of our total revenue, respectively. The increase in our cost of material consumed over the respective periods was primarily driven by the combined effects of (i) increase in the number of restaurants over the respective periods; (ii) changes of our raw material cost; (iii) menu design and (iv) number of guests visiting our restaurants.

Other income and gains, net

Our other income and gains amounted to HK$32.9 million, HK$45.7 million and HK$20.3 million, representing 1.3%, 1.6% and 0.6% of our total revenue for FY2016, FY2017 and FY2018, respectively. The following table sets forth a breakdown of our other income and gains for the years indicated:

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Interest income from related companies	10,240	12,456	1,181
Compensations of early termination of tenancy agreements	–	8,529	–
Rental income	8,722	7,130	2,694
Royalty income	5,819	6,658	5,538
Fair value gain on investment properties, net	981	2,220	24
Subsidies received from utility companies for purchases of items of property, plant and equipment	1,683	2,217	2,705
Cash coupon forfeited	1,883	1,954	1,106
Gain on disposal of subsidiaries *(Note 1)*	–	–	472
Gain on deregistration of a subsidiary *(Note 2)*	1,605	–	1,270
Bank interest income	238	1,035	1,750
Government grant	–	310	374
Others	1,768	3,187	3,172
Total	32,939	45,696	20,286

Notes:

(1) On 9 July 2018, we disposed of certain property holding subsidiaries in our Group to a director of a corporate shareholder of the Company for a consideration of approximately HK$9.7 million. See note 35 to the Accountants' Report in this prospectus for details.

(2) Gain on deregistration of a subsidiary represents gain arising from release of related exchange reserve upon deregistration of our subsidiary in Mainland China during FY2016 and FY2018.

Our interest income from related companies represents interest recharge arrangement between related parties and certain subsidiaries of our Group that had been acting as the principal financing platform for our related companies prior to the Reorganisation, which amounted to HK$10.2 million, HK$12.5 million and HK$1.2 million for FY2016, FY2017 and FY2018, respectively. Such interest recharge arrangement was principally arrived at with reference to (i) the interest cost of bank borrowings of our Group; and (ii) the amount of funding provided to our related companies. Upon completion of the Reorganisation, our Group had ceased such financing arrangement with our related companies, and no further material recharges or new financing arrangement are expected. For details of our related companies balances and transactions, please see notes 21 and 40 to the Accountants' Report in Appendix I to this prospectus.

Our compensations for early termination of tenancy agreements represent one-off compensation paid by two landlords for early termination of two tenancy agreements of our restaurants located in Hong Kong. Such compensation amounted to HK$8.5 million for FY2017, which was primarily due to (i) a revitalisation plan by the government where one of our restaurants was located; and (ii) early surrender of tenancy as requested by a landlord due to renovation of the relevant shopping mall.

Our rental income represents income from leasing our investment properties to Independent Third Parties during the Track Record Period. For FY2016, FY2017 and FY2018, our rental income amounted to HK$8.7 million, HK$7.1 million and HK$2.7 million, respectively. The decrease of rental income of HK$1.6 million or 18.3% from FY2016 to FY2017 was primarily due to the expiry of certain leases during FY2017, which was in effect for the full year in FY2016. The decrease of rental income of HK$4.4 million or 62.2% from FY2017 to FY2018, was primarily because the majority of our investment properties were disposed and transferred to property, plant and equipment during FY2018.

Our royalty income represents royalty fees received by our Group (as franchisor) under the Tai Hing Franchise Agreements. The calculation of royalty income is based on a fixed percentage of the franchised restaurants' monthly net revenue. For FY2016, FY2017, FY2018, our royalty income amounted to HK$5.8 million, HK$6.7 million and HK$5.5 million, respectively. For details, please see "Business — Restaurant Network".

Gain on disposal of non-current assets classified as held for sale

During FY2018, we completed the disposal of certain investment properties and property, plant and equipment that were classified as held for sale as at 31 December 2017 with aggregate carrying amount of HK$361.1 million. As part of our Reorganisation, our

Directors decided to streamline the structure and properties of our Group to consist only of assets that are crucial to our restaurant operations. Our Directors had considered, among other things, (i) the necessity of owning these properties in order to carry out our Group's restaurant operation; (ii) the feasibility of leasing these properties as an alternative; (iii) the length of time and cost that might be incurred in locating and leasing the suitable alternative properties in the market; and (iv) the potential disruption of business operation that could result from a disposal of these properties. Having considered these factors, non-current assets which were identified as non-crucial or irrelevant to our restaurant operations were therefore disposed of at fair value as part of our Reorganisation. Such non-current assets classified as held for sale were sold to related companies and Independent Third Parties for a consideration of HK$317.3 million and HK$206.5 million, respectively, and an aggregate net gain on disposal of HK$162.6 million was recognised during FY2018. The consideration of HK$317.3 million sold to related companies was settled through current account with the related companies. For details, please see notes 26 and 40 to the Accountants' Report in Appendix I to this prospectus.

Staff costs

Our staff costs primarily comprise salaries, bonuses, pension scheme contributions, and other benefits and allowances payable to our employees including our (i) Directors (ii) senior management; (iii) factories, logistics and headquarter staff; and (iv) our restaurant staff. For FY2016, FY2017 and FY2018, our staff costs amounted to HK$743.9 million, HK$858.9 million and HK$1,033.3 million, representing 29.6%, 31.0% and 33.1% of our total revenue, respectively. The increase in our staff costs during the Track Record Period was primarily driven by the (i) increase in head count to cater for our newly opened restaurants for the respective period (net increase of 20, 16 and 17 restaurants for the corresponding periods, respectively); and (ii) general annual salary increment for our staff. As at 31 December 2016, 2017 and 2018, we had a total of approximately 5,500, 6,000 and 6,900 employees (full-time and part-time), respectively.

The following table sets forth a breakdown of our staff cost for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Staff cost						
Directors	9,665	1.3	12,672	1.5	13,687	1.3
Headquarter staff *(Note 1)*	110,830	14.9	132,498	15.4	160,276	15.5
Restaurant staff *(Note 2)*	619,194	83.2	710,095	82.7	846,680	81.9
Staff welfare	4,164	0.6	3,644	0.4	12,607	1.3
Total	743,853	100.0	858,909	100.0	1,033,250	100.0

Notes:

(1) Includes senior management, head of various department, factories, logistics and other headquarter staff.

(2) Includes both full-time and part-time restaurant staff.

Depreciation and amortisation

Depreciation and amortisation represents depreciation and amortisation charges for leasehold land and buildings, leasehold improvements, furniture, fixtures and office equipment, motor vehicles, lease payments and intangible assets. For FY2016, FY2017 and FY2018, our depreciation and amortisation amounted to HK$129.0 million, HK$133.4 million and HK$147.8 million, representing 5.1%, 4.8% and 4.7% of our total revenue, respectively. The increase of our depreciation and amortisation over the Track Record Period was primarily driven by the combined effects of (i) increase in the number of restaurants in operation during the respective periods resulting in an increase in leasehold improvements and upgrade of our equipment; and (ii) capital expenditure in our Hong Kong Food Factory and Mainland China Food Factory, which was partially offset by disposals of certain items of property, plant and equipment upon closure or renovation of our restaurants.

Rental and related expenses

Rental and related expenses primarily consist of rental, property management fees and government rates for the premises of our restaurants, offices, warehouses and signboards for our advertisements. For FY2016, FY2017 and FY2018, our property rentals and related expenses amounted to HK$345.0 million, HK$399.7 million and HK$453.6 million, respectively, representing 13.7%, 14.4% and 14.5% of our total revenue, respectively. Our lease payments for the restaurant premises were charged in either fixed amounts or variable amounts, the latter of which were charged as the sum of a specified fixed amount plus a contingent rent calculated based on certain percentages of the monthly turnover if the monthly turnover exceeds a certain amount, depending on the specific terms of the relevant lease agreement of the restaurant.

The table below sets forth the breakdown of the property rental and related expenses based by category of expenses for the years indicated:

	FY2016		FY2017		FY2018	
	HK'000	%	HK'000	%	HK'000	%
Restaurants						
Fixed rent *(Note 1)*	302,675	87.7	347,241	86.9	400,668	88.3
Contingent rent *(Note 2)*	15,163	4.4	14,784	3.7	20,985	4.6
Others *(Note 3)*	27,180	7.9	37,704	9.4	31,953	7.1
Total	345,018	100.0	399,729	100.0	453,606	100.0

Notes:

1 Fixed amounts of property rentals were charged in accordance with the lease terms for premises and include management fees and government rates.

2 Variable amounts of property rentals were charged based on turnover in accordance with the relevant lease terms of the restaurant.

3 Others include rental and related expenses from office, warehouses, signboards and its related management fees and government rates.

Other operating expenses

For FY2016, FY2017 and FY2018, our other operating expenses amounted to HK$328.6 million, HK$347.8 million and HK$397.4 million, respectively, representing 13.1%, 12.5% and 12.7% of our total revenue respectively. The table below sets forth a breakdown of our other operating expenses for the years indicated:

	FY2016		FY2017		FY2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Utilities expenses	111,094	33.8	110,462	31.8	124,297	31.3
Packing and consumables	39,275	11.9	40,853	11.7	47,876	12.0
Cleaning expenses (Note 1)	26,612	8.1	30,106	8.7	35,712	9.0
Advertising and promotion (Note 2)	24,790	7.5	26,646	7.7	29,018	7.3
Transportation and logistics (Note 3)	22,603	6.9	26,918	7.7	30,427	7.6
Repair and maintenance	16,972	5.2	16,795	4.8	24,285	6.1
Office expenses	14,224	4.3	16,468	4.7	20,395	5.1
Impairment of items of property, plant and equipment	11,713	3.6	2,646	0.8	2,070	0.5
Bank and delivery handling charges	8,749	2.7	11,236	3.2	21,310	5.4
Insurance	7,160	2.2	7,595	2.2	8,010	2.0
Licence & membership and entertainment	6,083	1.9	6,722	1.9	4,025	1.0
Legal and professional fees	5,477	1.7	3,985	1.1	7,000	1.8
Loss on disposal of items of property, plant and equipment	1,415	0.4	3,017	0.9	6,612	1.7
Loss on disposal of an investment property	–	–	2,275	0.7	–	–
Others (Note 4)	32,395	9.8	42,033	12.1	36,333	9.2
Total	328,562	100.0	347,757	100.0	397,370	100.0

Notes:

(1) Cleaning expenses primarily represent cost incurred for wastage collection, cleaning of grease trap, store cleaning, laundry expenses, etc.

(2) Advertising and promotion primarily represents expenses incurred to enhance the awareness of our restaurants brands via television commercials newspapers, online platforms, etc.

(3) Transportation and logistics primarily represents expenses incurred for distribution of our food and beverages from our central warehouse to our restaurants.

(4) Others mainly includes pre-opening expenses of our restaurants, recruitment expenses, donations and other miscellaneous expenses.

Our utilities expenses represent expenses incurred for gas, water and electricity and surcharges of electricity primarily for our restaurant operations which amounted to HK$111.1 million, HK$110.5 million and HK$124.3 million, representing 33.8%, 31.8% and 31.3% of our total other operating expenses, for FY2016, FY2017 and FY2018, respectively. The fluctuation of our utilities expenses is primarily driven by the combined effects of (i) the number of operating restaurants during the respective years; (ii) utilities consumed by our fixtures and equipment; (iii) the mix of usage of gas and electricity; and (iv) changes of basic tariff of utilities.

Our packing and consumables represents expenses incurred on non-food and beverage products such as utensils, plastic boxes, paper bags, paper napkins and other consumables used in our restaurants and warehouses. Our packing and consumables amounted to HK$39.3 million, HK$40.9 million and HK$47.9 million, representing 11.9%, 11.7% and 12.0% of our total other operating expenses for FY2016, FY2017 and FY2018, respectively.

Our repair and maintenance expenses represents cost incurred for maintaining our property, plant and equipment items at an operating status, which amounted to HK$17.0 million, HK$16.8 million and HK$24.3 million, representing 5.2%, 4.8% and 6.1% of our total other operating expenses for FY2016, FY2017 and FY2018, respectively. Our repair and maintenance expenses remained relatively stable for FY2016 and FY2017, whereas for FY2018, in order to enhance our efficiency and minimising downtime of our property, plant and equipment, our Group has engaged external contractors to perform part of the repairing work across our restaurants, leading to an increase in our repair and maintenance expenses.

Our impairment of items of property, plant and equipment represents impairment for certain restaurants with unsatisfactory performance which amounted to HK$11.7 million, HK$2.6 million and HK$2.1 million, representing 3.6%, 0.8% and 0.5% of our total operating expenses for FY2016, FY2017 and FY2018, respectively. We review from time to time (at least annually) each restaurant's performance based on various indicators and financial performance to determine whether there is any indication for impairment.

Our bank and delivery handling charges represent expenses incurred for (i) maintaining banking facilities; (ii) transaction cost with corporate banks; and (iii) delivery handling charges paid to third-party food delivery service providers, which amounted to HK$8.7 million, HK$11.2 million and HK$21.3 million, representing 2.7%, 3.2% and 5.4% of our total other operating expenses for FY2016, FY2017 and FY2018, respectively. The increase from FY2017 to FY2018 was primarily due to (i) additional cost for rearranging terms of our banking facilities in relation to our Reorganisation; and (ii) increase in use of third-party food delivery services from our customers.

Finance costs

Our finance costs mainly represents interest on bank loans and overdrafts. Our finance costs amounted to HK$16.6 million, HK$19.6 million and HK$21.2 million, representing 0.7%, 0.7% and 0.7% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Listing expenses

Listing expenses comprise professional and other expenses in relation to our Listing. Listing expenses amounted to HK$11.0 million for FY2018.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Cayman Islands/ BVI profits tax

Our Group is not subject to any income tax in Cayman Islands and BVI.

Hong Kong

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

Mainland China

Our subsidiaries in Mainland China are subject to the China Enterprise Income Tax at the applicable enterprise income tax rate of 25% of the estimated assessable profits during the Track Record Period.

Macau

Macau complementary tax is calculated at 12% on the estimated assessable profits arising in Macau during the Track Record Period.

For FY2016, FY2017 and FY2018, our income tax expenses were HK$50.9 million, HK$60.9 million and HK$52.7 million, representing 2.0%, 2.2% and 1.7% of our total revenue, respectively. Our effective tax rate for the corresponding periods was 20.5%, 22.5% and 14.7%, respectively. Excluding (i) the non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million which was income not subject to tax due to it being capital in nature; and (ii) Listing expenses of HK$11.0 million incurred during FY2018 which was non-deductible for tax purpose, our effective tax rate would be 25.6% for FY2018.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issue or dispute with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2017 Compared to FY2018

Revenue

Our revenue increased by HK$354.8 million or 12.8% from HK$2,771.3 million for FY2017 to HK$3,126.1 million for FY2018, primarily due to the combined effects of:

Revenue from restaurants operation

Our revenue from restaurant operations increased by HK$349.7 million or 12.9% from HK$2,712.0 million for FY2017 to HK$3,061.7 million for FY2018, primarily due to the increase in the number of restaurants in operation including:

– an increase of HK$94.2 million or 357.9% derived from "Men Wah Bing Teng" brand, primarily due to (i) the addition of 8 restaurants opened during FY2018; and (ii) full year operation effect of three restaurants opened in 2017;

– an increase of HK$74.8 million or 348.5% derived from "Phở Lệ" brand, primarily due to (i) the addition of 8 restaurants opened during FY2018 and (ii) full year operation effect of 2 restaurants opened in 2017;

– an increase of HK$2.2 million contributed by our new brand of "Rice Rule" during FY2018;

– an increase of our Comparable Restaurants revenue for "Tai Hing" and "Trusty Congee King" brands over the relevant periods; and

– such increase being partially offset by the decrease in revenue from "Tokyo Tsukiji" brand and restaurants classified as discontinued brands for FY2018.

Revenue from sale of food products

Our revenue from sales of food products increased by HK$5.1 million or 8.5% from HK$59.3 million for FY2017 to HK$64.4 million for FY2018. The increase was primarily due to (i) increased popularity of our seasonal food products for individual and corporate customers; and (ii) increased sales quantity of our canned products.

Cost of materials consumed

Our cost of materials consumed increased by HK$100.0 million or 12.7% from HK$787.0 million for FY2017 to HK$887.1 million for FY2018. The increase was primarily due to an increase in quantities of food and beverages consumed for FY2018 as a result of an increase in the number of our restaurants in operation.

Our cost of materials consumed as a percentage of revenue remained relatively stable at 28.4% and 28.4% for FY2017 and FY2018, respectively.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by HK$254.7 million or 12.8% from HK$1,984.2 million for FY2017 to HK$2,239.0 million for FY2018, and our gross profit margin remained relatively stable at 71.6% and 71.6% for FY2017 and FY2018, respectively.

Other income and gains, net

Our other income and gains decreased by HK$25.4 million or 55.6% from HK$45.7 million for FY2017 to HK$20.3 million for FY2018. The decrease was primarily due to (i) the absence of compensation of early termination of tenancy agreements for FY2018 in comparison to the compensation of HK$8.5 million received for FY2017; (ii) decrease of HK$11.3 million from interest income from related companies, details are included in "— Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income and gains, net" in this section above; and (iii) decrease of HK$4.4 million of rental income due to transfer of certain investment properties to property, plant and equipment upon change of use.

Gain on disposal of non-current assets classified as held for sale

For FY2018, we disposed non-current assets classified as held for sale with aggregate consideration of HK$523.8 million, and recognised a net gain on disposal of HK$162.6 million for FY2018.

Staff costs

Our staff costs increased by HK$174.3 million or 20.3% from HK$858.9 million for FY2017 to HK$1,033.3 million for FY2018. The increase was primarily due to (i) increase in our headcount to cater for our net increase of 17 restaurants opened in FY2018 and our administrative work in headquarters; (ii) increase in headcount to facilitate our commencement of operation of Mainland China Food Factory; (iii) general salary increment of our staff in FY2018; and (iv) increase in staff welfare and incentive bonuses to improve our staff retention.

Depreciation and amortisation

Our depreciation and amortisation increased by HK$14.4 million or 10.8% from HK$133.4 million for FY2017 to HK$147.8 million for FY2018. The increase was primarily due to the increase of depreciation charges for leasehold improvements and furniture, fixtures and office equipment for our new restaurants and equipment upgrades for existing restaurants.

Rental and related expenses

Our rental and related expenses increased by HK$53.9 million or 13.5% from HK$399.7 million for FY2017 to HK$453.6 million for FY2018. The increase was primarily due to the opening of 32 new restaurants, which was partially offset by the closure or relocation of 14 restaurants during FY2018.

Other operating expenses, net

Our other operating expenses increased by HK$49.6 million or 14.3% from HK$347.8 million for FY2017 to HK$397.4 million for FY2018. The increase was primarily due to (i) increase in utilities expenses of HK$13.8 million as a result of increase in number of operating restaurants and increase in the average basic tariff of electricity during FY2018; (ii) increase in bank and delivery handling charges of HK$10.1 million which mainly includes rearrangement of terms of our banking facilities pursuant to our Reorganisation and increase in use of third-party food delivery services to our customers; and (iii) increase in repair and maintenance expenses of HK$7.5 million as a result of our engagement of external contractors to enhance the efficiency of our repair and maintenance work across our restaurants during FY2018.

Finance cost

Our finance cost increased by HK$1.6 million or 8.1% from HK$19.6 million for FY2017 to HK$21.2 million for FY2018. The increase was primarily due to the non-current bank borrowings we drew down during FY2018 which had a higher effective interest rate in comparison to FY2017.

Income tax expense

Our income tax expense decreased by HK$8.2 million or 13.4% from HK$60.9 million for FY2017 to HK$52.7 million for FY2018. The decrease was primarily due to the decrease in assessable income arising from our Mainland China restaurant operations for FY2018. Our effective tax rate decreased from 22.5% for FY2017 to 14.7% for FY2018 mainly due to the combined effect of (i) a non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million which represented a non-taxable profit arising from the disposal of capital assets held by the Group for long-term investment purpose; and (ii) Listing expenses of HK$11.0 million which represented expenses not deductible for tax purpose. Excluding these two items, our adjusted effective tax rate increased from 22.5% in FY2017 to 25.6% in FY2018. The increase of our adjusted effective tax rate was mainly attributable to (i) the tax effects as resulted from no deferred tax was recognised in relation to losses arising from certain subsidiaries in Mainland China; and (ii) increase in the expenses not deductible for tax purposes mainly comprised non-deductible finance cost which was capital in nature.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$95.3 million or 45.5% from HK$209.6 million in FY2017 to HK$304.9 million in FY2018, while our net profit margin also increased from 7.6% in FY2017 to 9.8% in FY2018. Excluding the non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million and the Listing expense of HK$11.0 million, our net profit for FY2018 would amount to HK$153.3 million, with net profit margin of 4.9%, representing a decrease of HK$56.3 million or 26.9% from our net profit for FY2017. Such decrease was mainly due to (i) non-recurring pre-opening costs and operating costs incurred such as staff costs, utilities and depreciation expenses for the operation of our Mainland China Food Factory which commenced in

October 2018; (ii) inevitable loss in revenue during temporary suspension of restaurant operation due to renovation while the associated operating cost continued to be incurred; (iii) decrease in other income and gains, net as mentioned above; and (iv) increase in bank charges due to the rearrangement of terms of our banking facilities pursuant to our Reorganisation.

Profit attributable to the owners of our Company

As a result of the foregoing, profit attributable to the owners of our Company for the year increased by HK$189.3 million or 163.6% from HK$115.7 million for FY2017 to HK$304.9 million for FY2018. The increase was primarily due to (i) profits being fully attributable to the owners of our Company for FY2018 upon our acquisition of Tai Hing (BVI) and its subsidiaries during FY2017 (the "**Acquisition**"); and (ii) gain on disposal of non-current assets classified as held for sale amounting to HK$162.6 million.

Prior to the Acquisition now comprising our Group on 28 December 2017, certain equity interest in our subsidiaries were held by parties other than our controlling shareholders, and hence, profit attributable to our Company's then shareholders prior to the Acquisition was calculated based on the percentage of equity interest in the respective subsidiaries then held by all the controlling shareholders. Upon the completion of the Acquisition, our Company held 100% of the equity interest of all our subsidiaries, as such our profit were fully attributable to our owners during FY2018.

For further details, please see the section headed "History, Development and Reorganisation" in this prospectus.

Segment results and segment margins

Hong Kong and Macau

The segment results for our operation in Hong Kong and Macau increased by HK$172.9 million or 78.3% from HK$220.8 million for FY2017 to HK$393.7 million for FY2018, while our segment margins increased from 10.5% for FY2017 to 16.2% for FY2018. Excluding non-recurring gain on disposal of non-current assets classified as held for sale of HK$162.6 million, our segment results for FY2018 would be HK$231.1 million, representing an increase of HK$10.2 million or 4.6% over FY2017. The increase was primarily driven by (i) net increase of 14 restaurants during FY2018; and (ii) increase in operating profit from our existing restaurants. Our segment margins remained relatively stable at 10.5% and 9.5% for FY2017 and FY2018, respectively.

Mainland China

The segment results for our operation in Mainland China decreased from HK$56.9 million segment profit for FY2017 to HK$5.0 million segment loss for FY2018. The decrease was primarily driven by (i) increase in staff costs of HK$48.6 million or 25.1% from HK$193.4 million for FY2017 to HK$242.0 million for FY2018, representing 28.9% and 34.7% of our revenue generated from our restaurant operation in Mainland China for FY2017 and FY2018, respectively, as a result of general salary increment and increase of staff welfare to improve staff retention as well as additional headcount to cater our new restaurants and Mainland China Food Factory. Such increase outweighed the increase in our revenue from our restaurant operations in Mainland China from FY2017 to FY2018; (ii) non-recurring pre-opening costs and operating costs incurred such as staff costs, utilities and depreciation expenses for the operation of our Mainland China Food Factory which commenced in October 2018; and (iii) several of our newly opened restaurants of Tai Hing commenced its operation in October and November 2018 and were in ramp-up period. Consequently, our segment margins decreased from 8.5% for FY2017 to (0.7)% for FY2018.

FY2016 Compared to FY2017

Revenue

Our revenue increased by HK$258.3 million or 10.3% from HK$2,513.0 million for FY2016 to HK$2,771.3 million FY2017, primarily due to the combined effects of:

Revenue from restaurants operation

Our revenue from restaurant operations increased by HK$257.3 million or 10.5% from HK$2,454.7 million for FY2016 to HK$2,712.0 million for FY2017, primarily due to the increase in the number of restaurants in operation including:

– an increase of HK$32.4 million or 1.7% of revenue derived from "Tai Hing" brand, primarily due to the net increase of 16 restaurants, including 5 relocated restaurants;

– an increase of HK$144.4 million or 36.8% of revenue derived from "TeaWood" brand, primarily due to the net increase of 8 restaurants, including 1 relocated restaurant;

– an increase of HK$26.3 million in revenue, primarily due to the net increase of 3 new restaurants under our newly developed brand of "Men Wah Bing Teng" during FY2017; and

– an increase of HK$21.5 million in revenue, primarily due to the introduction of 2 new restaurants under the "Phở Lệ" brand in September 2016.

Revenue from sales of food products

Our revenue from sales of food products remained relatively stable at HK$58.3 million and HK$59.3 million for FY2016 and FY2017, respectively.

Cost of materials consumed

Our cost of materials consumed increased by HK$51.9 million or 7.1% from HK$735.2 million for FY2016 to HK$787.0 million for FY2017. The increase was primarily due to an increase in the quantities of food and beverages consumed for FY2017 as a result of increase in the number of restaurants in operations.

Our cost of materials consumed as a percentage of revenue remained relatively stable at 29.3% and 28.4% for FY2016 and FY2017, respectively.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by HK$206.4 million or 11.6% from HK$1,777.8 million for FY2016 to HK$1,984.2 million for FY2017, and our gross profit margin remained relatively stable at 70.7% and 71.6% for FY2016 and FY2017, respectively.

Other income and gains, net

Our other income and gains increased by HK$12.8 million or 38.7% from HK$32.9 million for FY2016 to HK$45.7 million for FY2017. The increase was primarily due to (i) an one-off compensation for early termination of tenancy agreements of HK$8.5 million; (ii) increase of HK$1.2 million from fair value gain on investment properties; and (iii) increase of HK$2.2 million in interest income from related companies.

Staff costs

Our staff costs increased by HK$115.1 million or 15.4% from HK$743.9 million for FY2016 to HK$858.9 million for FY2017. The increase was primarily due to (i) increase in restaurant headcount to cater for our net increase of 16 new restaurants opened in FY2017; and (ii) general salary increment of our staff.

Depreciation and amortisation

Our depreciation and amortisation increased by HK$4.4 million or 3.4% from HK$129.0 million for FY2016 to HK$133.4 million for FY2017. The increase was primarily due to an increase of depreciation charges for leasehold improvements and furniture, fixtures and office equipment for our new restaurants.

Rental and related expenses

Our rental and related expenses increased by HK$54.7 million or 15.9% from HK$345.0 million for FY2016 to HK$399.7 million for FY2017. The increase was primarily due to the net increase of 16 restaurants during FY2017.

Other operating expenses, net

Our other operating expenses increased by HK$19.2 million or 5.8% from HK$328.6 million for FY2016 to HK$347.8 million for FY2017. The increase was primarily due to (i) increase of transportation and logistics expenses of HK$4.3 million; (ii) increase in cleaning and laundry expenses of HK$3.5 million; (iii) increase in bank and delivery handling charges of HK$2.5 million; and (iv) increase in office expenses of HK$2.2 million, which was partially offset by the absences in FY2017 of the one-off impairment of items of property, plant and equipment of HK$11.7 million incurred in FY2016.

Finance cost

Our finance cost increased by HK$3.0 million or 18.2% from HK$16.6 million for FY2016 to HK$19.6 million for FY2017. The increase was primarily due to an increase in interest-bearing bank borrowings during FY2017.

Income tax expense

Our income tax expense increased by HK$10.1 million or 19.8% from HK$50.9 million for FY2016 to HK$60.9 million for FY2017. The increase was primarily due to an increase in tax losses not recognised of our PRC subsidiaries for FY2017. Consequently, our effective tax rate also increased from 20.5% for FY2016 to 22.5% for FY2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$12.8 million or 6.5% from HK$196.9 million for FY2016 to HK$209.6 million for FY2017. Our net profit margin remained relatively stable at 7.8% and 7.6% for FY2016 and FY2017, respectively.

Profit attributable to the owners of our Company

As a result of the foregoing, profit attributable to the owners of our Company for the year increased by HK$7.1 million or 6.5% from HK$108.6 million for the FY2016 to HK$115.7 million for FY2017.

Segment results and segment margins

Hong Kong and Macau

The segment results for our operation in Hong Kong and Macau increased by HK$12.6 million or 6.1% from HK$208.2 million for FY2016 to HK$220.8 million for FY2017. The increase was primarily driven by the net increase of 11 operating restaurants from 1 January to 31 December 2017. Our segment margins slightly decreased from 11.4% for FY2016 to 10.5% for FY2017.

Mainland China

The segment results for our operation in Mainland China increased by HK$11.0 million or 24.0% from HK$45.9 million for FY2016 to HK$56.9 million for FY2017. The increase was primarily driven by (i) positive tax impact resulting from a change in the PRC tax system from Business Tax to Value-added Tax, which was the main contribution to the increase in net profit in this segment. For details, please see "Regulatory Overview — Mainland China Regulatory Overview — Laws and Regulations Relating to Taxation — Value-added Tax"; and (ii) the contributions of the net increase of four new restaurants opened during FY2016 upon stabilisation of operations from initial opening. Consequently, our segment margins increased from 6.8% for FY2016 to 8.5% for FY2017.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are the payments for procurement of our food and beverages from suppliers, staff costs, rental expenses, various operating expenses and capital expenditure, which have been funded through a combination of cash generated from our operations, bank borrowings and loans from shareholders. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and our uses of cash in the future, except that we would have additional funds from the proceeds of the Global offering for implementing our future plans as detailed under the section headed "Future Plans and Use of Proceeds" in this Prospectus.

The following table summarises our cash flows for the periods indicated:

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Net cash flows from operating activities	171,983	185,665	546,339
Net cash flows (used in)/from investing activities	(270,671)	(269,859)	59,346
Net cash flows from/(used in) financing activities	114,455	94,530	(523,222)
Net increase in cash and cash equivalents	15,767	10,336	82,463
Cash and cash equivalents at beginning of year	140,534	152,491	164,682
Effect of foreign exchange rate changes, net	(3,810)	1,855	(4,983)
Cash and cash equivalents at end of year	152,491	164,682	242,162

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our revenue from restaurant operations and sale of food products. Our cash outflow used in operating activities was principally for purchases of our food and beverages, staff costs, property rental and related expenses and other operating expenses incurred for business operations.

For FY2018, we had net cash flows generated from operating activities of HK$546.3 million, mainly as a result of operating cash flows before changes in working capital of HK$367.1 million, aggregate income tax paid of HK$72.0 million, and changes in working capital of HK$251.2 million. Changes in working capital primarily reflected (i) movements in balances with related companies of HK$237.6 million; (ii) increase in other payables and accruals of HK$20.0 million as a result of increase in salary payable; and (iii) increase in contract liabilities of HK$13.5 million in relation to cash coupons sold not yet recognised as revenue. The changes in working capital was partially offset by (i) increase in inventories of HK$18.1 million as a result of additional inventories stored upon the commencement of our Mainland China Food Factory; and (ii) increase in prepayments, deposits and other receivables of HK$13.2 million as a result of increase in rental deposits due to the increased number of restaurants in operation.

For FY2017, we had net cash flows generated from operating activities of HK$185.7 million, mainly as a result of operating cash flows before changes in working capital of HK$413.4 million, aggregate income tax paid of HK$47.9 million and change in working capital of HK$179.8 million. Changes in working capital primarily reflected movement in balances with related companies of HK$161.0 million; (ii) increase in prepayments deposits and other receivables of HK$47.1 million as a result of increase in rental deposits due to the increased number of restaurants in operation; and (iii) increase in trade receivables of HK$10.9 million. The cash used in operations was partially offset by (i) increase in trade payables of HK$14.8 million; (ii) decrease in amount due from a Director of HK$11.7 million; and (iii) increase in contract liabilities of HK$12.1 million in relation to cash coupons sold not yet recognised as revenue.

For FY2016, we had net cash flows generated from operating activities of HK$172.0 million, mainly as a result of operating cash flows before changes in working capital of HK$391.9 million, aggregate income tax paid of HK$48.5 million, and changes in working capital of HK$171.4 million. Changes in working capital primarily reflected by (i) movements in balances with related companies of HK$146.0 million; (ii) decrease in trade payables of HK$15.1 million; and (iii) decrease in other payables and accruals of HK$17.6 million. The cash used in operations was partially offset by the increase in contract liabilities of HK$4.2 million in relation to cash coupons sold not yet recognised as revenue.

Investing activities

For FY2018, we had net cash flows from investing activities of HK$59.3 million, which were primarily due to (i) proceeds from disposal of non-current assets classified as held for sale of HK$206.5 million; (ii) proceeds from disposal of debt investment at amortised cost of HK$57.7 million; and (iii) proceeds from disposal of subsidiaries of HK$9.6 million, which were partially offset by purchases of items of property, plant and equipment of HK$222.1 million.

For FY2017, we had net cash flows used in investing activities of HK$269.9 million, which were primarily due to (i) purchases of items of property, plant and equipment of HK$297.3 million; and (ii) acquisition of debt investment at amortised cost of HK$56.9 million, which were partially offset by (i) proceeds from disposal of investment properties of HK$51.2 million; and (ii) interest received of HK$13.5 million.

For FY2016, we had net cash flows used in investing activities of HK$270.7 million, which were primarily due to (i) purchases of items of property, plant and equipment of HK$230.7 million; (ii) acquisition of subsidiaries of HK$47.5 million in relation to our expansion in Mainland China; and (iii) purchase of investment properties of HK$7.3 million situated in Hong Kong, which were partially offset by interest received of HK$10.5 million and proceeds from disposal of items of property, plant and equipment of HK$5.7 million.

Financing activities

For FY2018, we had net cash flows used in financing activities of HK$523.2 million, which were primarily due to (i) repayment of bank borrowings of HK$1,261.8 million; (ii) interest paid on bank borrowings of HK$21.2 million; and (iii) dividend paid of HK$20.0 million, which were partially offset by proceeds from new bank borrowings of HK$779.8 million.

For FY2017, we had net cash flows from financing activities of HK$94.5 million, which were primarily from proceeds from new bank borrowings of HK$655.2 million, which were partially offset by (i) repayment of bank borrowings of HK$525.7 million; and (ii) interest paid on bank borrowings of HK$19.6 million.

For FY2016, we had net cash flows from financing activities of HK$114.5 million, which were primarily from proceeds from new bank borrowings of HK$748.5 million, which were partially offset by (i) repayment of bank borrowings of HK$603.2 million; (ii) interest paid on bank borrowings of HK$16.6 million; and (iii) dividend paid of HK$14.0 million.

Net Current Liabilities

We recorded net current liabilities of HK$214.1 million, HK$658.5 million, HK$115.9 million and HK$522.6 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The following table sets forth our net current liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current Assets				
Inventories	39,709	39,157	56,555	47,466
Trade receivables	8,127	19,327	18,700	20,057
Prepayments, deposits and other receivables	71,291	80,267	95,353	115,008
Loan to related companies	57,900	–	–	–
Due from related companies	744,804	65,590	302	–
Due from related parties	675	1,494	–	–
Due from a director	22,880	11,158	–	–
Financial assets at fair value through profit or loss	4,120	983	851	–
Debt investment at amortised cost	–	56,707	–	–
Tax recoverable	3,975	1,140	2,785	2,944
Cash and cash equivalents	152,491	164,682	242,162	200,581
Non-current assets classified as held for sale	–	361,145	–	–
	1,105,972	801,650	416,708	386,056
Current Liabilities				
Trade payables	97,210	113,286	110,468	101,428
Other payables and accruals	198,033	191,928	216,870	211,686
Contract liabilities	52,546	62,733	75,062	53,122
Lease liabilities	–	–	–	412,651
Due to related companies	64,337	42,735	–	–
Interest-bearing bank borrowings	889,638	1,019,178	112,357	112,089
Tax payable	18,317	30,246	17,838	17,673
	1,320,081	1,460,106	532,595	908,649
Net current liabilities	(214,109)	(658,456)	(115,887)	(522,593)

Our net current liabilities increased from HK$214.1 million as at 31 December 2016 to HK$658.5 million as at 31 December 2017. The increase of net current liabilities was primarily due to (i) decrease in due from related companies of HK$679.2 million; (ii) decrease in loan to related companies of HK$57.9 million; (iii) increase in interest-bearing bank borrowings of HK$129.5 million; and (iv) increase of trade payables of HK$16.1

million arising from increase in procurement of food and beverage products, which were partially offset by (i) increase in non-current assets classified as held for sale arising from certain investment properties and property, plant and equipment of HK$361.1 million; and (ii) increase in debt investment at amortised cost of HK$56.7 million.

Our net current liabilities decreased from HK$658.5 million as at 31 December 2017 to HK$115.9 million as at 31 December 2018. The decrease was primarily due to (i) decrease in current portion of interest-bearing bank borrowings of HK$906.8 million resulted from partial reclassification to non-current liabilities; and (ii) increase in inventories of HK$17.4 million resulted from additional inventories stored upon the commencement of our Mainland China Food Factory, which were partially offset by (i) decrease in non-current assets classified as held for sale upon completion of disposal; (ii) increase in contract liabilities of HK$12.3 million due to increase in cash coupons sold in FY2018 in comparison to FY2017; and (iii) capital used in purchasing plant and equipment for our new restaurants opened during the year.

Our net current liabilities increased from HK$115.9 million as at 31 December 2018 to HK$522.6 million as at 31 March 2019. The increase was primarily due to (i) increase in current portion of lease liabilities of HK$412.7 million upon the adoption of HKFRS 16 beginning on 1 January 2019; (ii) decrease in cash and cash equivalents of HK$41.6 million as a result of purchase of additional property, plant and equipment for our newly opened restaurants and our Mainland China Food Factory as well as repayment of interest-bearing bank borrowings; and (iii) decrease in inventories of HK$9.1 million. Such increase was partially offset by (i) decrease in contract liabilities of HK$21.9 million as a result of redemption of coupons by our customers.

Our net current liabilities during the Track Record Period were mainly attributable to our interest-bearing bank borrowings. Our interest-bearing bank borrowings are mainly used for (i) financing our non-current assets such as rental deposits and purchase of property, plant and equipment; and (ii) centralised treasury function with related companies prior to our Reorganisation. As at 31 December 2016 and 2017, the entire amount of our bank borrowings was subject to repayable on demand clause. As at 31 December 2018, our bank borrowings of HK$112.4 million were classified as current liabilities, while HK$424.8 million were classified as non-current liabilities. For details of risk associated with net current liabilities, please see "Risk Factors — Risk Relating to our Business — Our net current liabilities may expose us to certain liquidity risks and could restrain our operation flexibility as well as affect our ability to expand our business".

Our Directors believe that we will have sufficient working capital based on cash flows from our operation, available banking facilities and the net proceeds from Global Offering. As such we believe our business operation and financial condition will not be materially and adversely affected by our net current liabilities position.

During the Track Record Period, we have restructured the composition of our short and long term debt portfolio by refinancing a portion of our short term bank borrowings by long term bank borrowings to align with our non-current assets financing needs, and thereby, reducing our net current liabilities over the Track Record Period. Our Directors confirm that (i) we will continue to closely monitor our net current liabilities and optimise our capital structure; (ii) when any of our short-term bank borrowings become due, we will either use our internally generated cash for repayment and/or refinance such short term bank borrowings with long term bank borrowings; and (iii) we had no material default in bank borrowings, nor did we breach any covenants, and (iv) we did not experience any material difficulty in obtaining credit facilities or had not been requested by banks for early repayment during the Track Record Period and up to the Latest Practicable Date.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations, available banking facilities and additional bank and debt financings we may obtain, as well as the estimated net proceeds from the Global Offering, our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy the liquidity requirement in the next 12 months.

Effect of the Reorganisation on our financial position

Immediately prior to the Reorganisation, certain subsidiaries of our Group acted as a principal financing platform for certain subsidiaries of our Group as well as other companies which are related companies of our Group which are included in note 21 to the Accountants' Report in Appendix I to this prospectus. Such principal financing arrangement with our related companies is reflected in our consolidated statement of financial position as "Due from related companies" of HK$744.8 million, HK$65.6 million and HK$0.3 million and "Due to related companies" of HK$64.3 million, HK$42.7 million and nil as at 31 December 2016, 2017 and 2018, respectively, and for which we derived an interest income from related companies, as set out in "Other income and gains, net". Upon the completion of the Reorganisation, our Group had ceased to act as the principal financing platform for our related companies of the Group and the associated interest recharging arrangement.

Pursuant to the Reorganisation, we have settled the balances with related companies by way of (i) dividends to the then shareholders, who were also shareholders of the related companies, amounting to HK$14.0 million, HK$891.4 million and HK$122.6 million for FY2016, FY2017 and FY2018, respectively; and (ii) cash repayment by our related companies. Our interest-bearing bank borrowings were HK$889.6 million, HK$1,019.2 million and HK$537.2 million as at 31 December 2016, 2017 and 2018, respectively.

Net assets

Our net assets were HK$866.1 million, HK$197.7 million, HK$366.0 million as at 31 December 2016, 2017 and 2018, respectively. The decrease in our net assets as at 31 December 2017 was primarily due to the dividends paid to the then shareholders of HK$891.4 million for FY2017, which was partially offset by the profits for the year of HK$209.6 million for FY2017. The increase in our net assets as at 31 December 2018 was primarily due to the profits for the year of HK$304.9 million for FY2018, which was partially offset by the dividends paid to the then shareholders and interim dividends in aggregate of HK$122.6 million for FY2018.

Measurement to improve our net current liabilities position

To improve our net current liabilities position, we have and will continue to take the following measures to improve our liquidity: (i) negotiate with banks to restructure our current short-term bank borrowings by releasing the repayment on demand clause and/or obtain better terms of loans; (ii) take systematic steps to restructure the composition of our short-term and long-term borrowings, in particular by increasing the use of long-term borrowings for our long-term capital expenditures (i.e. purchasing of property, plant and equipment and renovation of restaurants); and (iii) refinance certain portion of our short-term bank borrowings with long-term bank borrowings when our short-term borrowings fall due.

Our Directors confirmed that (i) we had no material default in bank borrowings, nor did we breach any covenants; and (ii) we did not experience any material difficulty in obtaining credit facilities or had not been requested by banks for early repayment during the Track Record Period and up to the Latest Practicable Date.

Working Capital

After taking into consideration the financial resources presently available to us, including anticipated cash flows from our operating activities, existing cash and cash equivalents, available banking facilities and the estimated net proceeds from the Global Offering and mitigating measures to our net current liabilities position as discussed above, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of land and buildings, leasehold improvements, restaurants kitchen equipment, furniture and fixtures, office equipment and motor vehicles. As at 31 December 2016, 2017 and 2018, the net book value of our property, plant and equipment was HK$721.7 million, HK$743.3 million and HK$802.8 million, respectively.

The increase in the net book value of property, plant and equipment of HK$21.6 million or 3.0% from HK$721.7 million as at 31 December 2016 to HK$743.3 million as at 31 December 2017 was primarily due to (i) additions in leasehold improvements of HK$141.0 million as a result of increase in opening of our restaurants in operation; and (ii) additions in leasehold land and buildings of HK$97.7 million as a result of expansion of the Hong Kong Food Factory for our food processing and logistics in Hong Kong. The additions of which were partially offset by depreciation charges for FY2017.

The increase in the net book value of our property, plant and equipment of HK$59.5 million or 8.0% from HK$743.3 million as at 31 December 2017 to HK$802.8 million as at 31 December 2018 was primarily due to (i) additions in leasehold improvements of HK$145.3 million as a result of increase in the number of our restaurants; (ii) additions in furniture, fixtures and office equipment of HK$65.2 million; (iii) transfer of certain leasehold land and buildings from investment properties of HK$7.0 million upon change of usage. These additions were partially offset by (i) depreciation charges for FY2018 of HK$147.2 million; (ii) disposals in aggregate of HK$19.5 million and (iii) impairment of HK$2.1 million, please see "— Other operating expenses" for details.

Investment properties

Our investment properties represent certain commercial and industrial properties held for rental income and/or capital appreciation. As at 31 December 2016, 2017 and 2018, our investment properties consisted of five, one and one commercial properties and three, one and nil industrial properties, respectively, all of which were situated in Hong Kong and Mainland China and were held under medium to long term leases.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Our investment properties amounted to HK$290.6 million, HK$18.0 million and HK$10.7 million as at 31 December 2016, 2017 and 2018, respectively. Our investment properties decreased from HK$290.6 million as at 31 December 2016 to HK$18.0 million as at 31 December 2017 mainly due to (i) transfer of HK$222.6 million to non-current assets classified as held for sale as we expected such properties were to be disposed of within 12 months as at 31 December 2017; and (ii) investment properties of HK$53.5 million were disposed during FY2017. Our investment properties then decreased to HK$10.7 million as at 31 December 2018 mainly due to transfer to property, plant and equipment of HK$7.0 million for our own use.

Intangible asset

Our intangible asset represents licences obtained from our licensors for the use of the trademark and operation of restaurants of the "Phở Lệ" brand. As at 31 December 2016, 2017 and 2018, our intangible asset amounted to HK$0.7 million, HK$0.6 million and HK$0.4 million, respectively. The decrease of intangible asset over the Track Record Period was due to amortisation charges annually over its term life.

Inventories

Our inventories primarily consist of food and beverages used in our operations, including food ingredients, semi-processed and processed foods, beverages and other finished products we procured from our suppliers. The following table sets forth our inventory balance and inventory turnover days for the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Food and beverages, and other operating items for restaurant operations	39,709	39,157	56,555

Our inventories remained relatively stable as at 31 December 2016 and 2017 which amounted to HK$39.7 million and HK$39.2 million, respectively. Our balance increased to HK$56.6 million as at 31 December 2018 primarily due to (i) increase in number of our operating restaurants; and (ii) additional inventories stored upon the commencement of our Mainland China Food Factory in FY2018.

To keep our food ingredients and supplies fresh and reduce wastage, we keep a minimal level of fresh and perishable food ingredients on hand generally for not more than one to two days. For non-perishable food ingredients, which mainly include frozen meat, we ensure that an adequate level of stock is maintained in both our Hong Kong Food Factory and our restaurants based on operation needs. Please see "Business — Purchasing — Inventory Management" for details of inventory management policies. Any inventories identified as obsolete or expired will be written off. During the Track Record Period, no provision of impairment of inventories was recorded.

The following table sets forth the average inventory turnover days for the periods indicated.

	FY2016	FY2017	FY2018
Average turnover days of inventories*(Note)* .	19.7 days	18.3 days	19.7 days

Note: Inventory turnover days was calculated using the average balance of inventory divided by cost of materials consumed for the relevant period and multiplied by 365 days for the relevant year. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our average inventory turnover days were 19.7 days, 18.3 days and 19.7 days for FY2016, FY2017 and FY2018, which remained relatively stable. We generally build up more inventories towards end of the calender year to cater for our business needs during the Chinese New Year. Thus, the inventory turnover days at such dates are generally higher than that at other time in the year.

As at the Latest Practicable Date 2019, HK$51.4 million or 90.8% of our inventories as at 31 December 2018 had been utilised.

Trade receivables

A majority of our customers pay by cash, while electronic payments such as credit cards, octopus and WeChat are accepted at our certain restaurants. During the Track Record Period, our trade receivables primarily consisted of receivables from financial institutions in relation to credit card payments made by our customers in our restaurants.

The following table sets forth an ageing analysis of our trade receivables based on invoice dates as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	4,117	7,425	11,924
1 to 2 months	1,665	9,716	5,764
2 to 3 months	358	375	286
Over 3 months	1,987	1,811	726
	8,127	19,327	18,700

Our trade receivables increased by HK$11.2 million or 137.8% from HK$8.1 million as at 31 December 2016 to HK$19.3 million as at 31 December 2017, primarily due to an increase in the use of electronic payments as a result of introduction of more means electronic payments. Our trade receivables decreased by HK$0.6 million or 3.2% from HK$19.3 million as at 31 December 2017 to HK$18.7 million as at 31 December 2018, primarily due to decrease in credit card and other electronic payments made by our customers prior the period end.

We offer trading terms to our corporate customers primarily for our sale of food products segment. Before accepting any new customers, we will apply our internal credit assessment policy to assess the potential customer's credit quality and define the credit limit for the customer. The credit period is generally 30 to 60 days for our corporate customers. We seek to maintain strict control over our outstanding receivables and have finance personnels to follow up in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

Upon adoption of HKFRS 9, impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Our Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all above bands of trade receivables.

Our Directors consider the risk of uncollectibility of our trade receivable to remain relatively low as we did not experience any material payment default from our customers during FY2016 and FY2017. As such we have not made provision for impairments in relation to our trade receivables. As at 31 December 2016 and 2017, trade receivables of HK$4.8 million and HK$11.4 million, respectively were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of those overdue balances as there had not been significant change in credit quality of our customers and the balances were considered recoverable.

The following table sets forth our trade receivables that were not individually nor collectively considered to be impaired as at the dates indicated:

	As at 31 December	
	2016	2017
	HK$'000	HK$'000
Neither past due nor impaired	3,376	7,936
Less than 1 month past due	2,685	9,456
1 to 3 months past due	79	460
Over 3 months	1,987	1,475
	8,127	19,327

The table below sets forth a summary of average trade receivables turnover days for the periods indicated:

	FY2016	FY2017	FY2018
Average turnover days for trade receivables *(Note)*	1.1	1.8	2.2

Note: Trade receivables turnover days is calculated using the average balances of trade receivables divided by revenue for the relevant period and multiplied by 365 days for the respective years. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Turnover days for our trade receivables were 1.1 days, 1.8 days and 2.2 days for FY2016, FY2017 and FY2018, respectively, which remained relatively stable during the Track Record Period.

As at the Latest Practicable Date, HK$12.3 million or 65.7% of our trade receivables outstanding as at 31 December 2018 had been settled.

Prepayment, deposits and other receivables

Our prepayment, deposits and other receivables mainly comprised (i) prepayments for rent under operating lease agreement; (ii) prepayment to our suppliers; (iii) prepayment for repair and maintenance; (iv) rental deposits; and (v) utility deposits.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments	37,117	64,295	53,935
Deposits and other receivables	133,864	156,923	177,667
	170,981	221,218	231,602
Less: Non-current portion	(99,690)	(140,951)	(136,249)
	71,291	80,267	95,353

Our total prepayments, deposits and other receivables amounted to HK$171.0 million, HK$221.2 million and HK$231.6 million as at 31 December 2016, 2017 and 2018, respectively. The increase in such prepayments, deposits and other receivables of HK$50.2 million or 29.4% from HK$171.0 million as at 31 December 2016 to HK$221.2 million as at 31 December 2017 was primarily due to (i) increase in various deposits paid in connection to our new restaurants such as deposits for rentals and utilities as evidenced by the increase of operating restaurants; and (ii) increase in prepayment to our contractors for interior preparation for new restaurants. The increase in such prepayments, deposits and other receivables of HK$10.4 million or 4.7% from HK$221.2 million as at 31 December 2017 to HK$231.6 million as at 31 December 2018 was primarily due to (i) the continuing increase of various deposits paid in connection to new restaurants as mentioned above; and (ii) increase of prepayments for acquisition of our kitchen equipment, which were partially offset by (i) utilisation of prepayment to our contractors upon commencement of operation of our restaurants; and (ii) release of deposits paid of rentals upon closure of restaurants during FY2018.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss represents equity investment measured at fair value through profit or loss amounted to HK$4.1 million, HK$1.0 million and HK$0.9 million as at 31 December 2016, 2017 and 2018, respectively. The fair values of these equity investments are based on quoted market prices.

Debt investment at amortised cost

Our debt investment at amortised cost represents cash deposits placed in certain financial institution to generate interest income, which amounted to nil, HK$56.7 million and nil as at 31 December 2016, 2017 and 2018, respectively. Our Directors confirm that no debt investment at amortised cost were arranged subsequent to maturity during FY2018.

Non-current assets classified as held for sale

Our non-current assets classified as held for sale represents reclassification of certain investment properties and property, plant and equipment upon our Group's decision to be subsequently sold within the next 12 months. The carrying amount of such non-current asset amounted to HK$361.1 million as at 31 December 2017. As at 31 December 2018, all non-current assets held for sale were subsequently sold.

Trade payables

Our trade payables are derived primarily from payables relating to our purchases of food and beverages for our restaurant operations, the payments terms for such trade payables are generally 30 days to 120 days.

The following table sets forth the ageing analysis of our trade payables at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 month	67,079	84,340	88,346
1 to 2 months	24,682	17,321	14,103
2 to 3 months	277	1,657	1,427
Over 3 months	5,172	9,968	6,592
	97,210	113,286	110,468

The table below sets forth a summary of average trade payables turnover days for the periods indicated:

	FY2016	FY2017	FY2018
Average turnover days for trade payables *(Note)*	52.4	48.8	46.0

Note: Trade payables turnover days is calculated using the average balances of trade payables divided by cost of materials consumed for the relevant periods and multiplied by 365 days for the respective year. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Turnover days for our trade payables were 52.4 days, 48.8 days and 46.0 days for FY2016, FY2017 and FY2018, respectively, which remained relatively stable during the Track Record Period.

As at the Latest Practicable Date 2019, HK$109.5 million or 99.1% of our trade payables outstanding as at 31 December 2018 had been settled.

Other payables and accruals

Our other payables and accruals mainly comprised: (i) other payables and accruals; (ii) deposits received; (iii) deferred rental expenses; and (iv) provision for reinstatement cost.

The following table sets forth the breakdown of our other payables and accruals as at the dates indicated.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Other payables and accruals	194,486	178,599	194,825
Deposits received	1,970	1,318	371
Deferred rental expenses	21,730	43,182	47,778
Provision for reinstatement cost	30,260	34,947	42,132
	248,446	258,046	285,106
Less: Non-current portion	(50,413)	(66,118)	(68,236)
	198,033	191,928	216,870

Our total other payables and accruals amounted to HK$248.4 million, HK$258.0 million and HK$285.1 million as at 31 December 2016, 2017 and 2018, respectively. The increase of HK$9.6 million or 3.9% from HK$248.4 million as at 31 December 2016 to HK$258.0 million as at 31 December 2017 was primarily due to (i) increase in accrual for wages and salaries as a result of the expansion of our restaurant network; (ii) increase for reinstatement cost as a result of increase in the number of our restaurants as at 31 December 2017 in comparison to 31 December 2016. The increase of HK$27.1 million or 10.5% from HK$258.0 million as at 31 December 2017 to HK$285.1 million as at 31 December 2018 was primarily due to increase in both deferred rental expenses and provision for reinstatement cost in relation to the increase in the number of restaurants in operation.

Contract liabilities

Sales of cash coupons are first recognised as contract liabilities in our consolidated statements of financial position, and revenue is recognised when our customers redeem the coupons. The fluctuation in balances of contract liabilities as at each year end was mainly affected by the timing of cash coupons sold to our customers and the timing of redemption of such cash coupons. The contract liabilities were HK$52.5 million, HK$62.7 million and HK$75.1 million as at 31 December 2016, 2017 and 2018, respectively. Our promotion programme of cash coupons commences in October of each year, as such our contract liabilities are relatively higher in the month of October in comparison to other months of the year. The increase over the Track Record Period was primarily due to the increase in cash coupons purchased by our customers in comparison with previous years.

Loan to related companies

Our loan to related companies amounted to HK$57.9 million, nil and nil as at 31 December 2016, 2017 and 2018, respectively. The amount was non-trade nature, unsecured, interest-bearing at Hong Kong Interbank Offered Rate plus 1.5% to 2.0% or prime rate minus 2.9% per annum and repayable on demand. All loans to related companies had been fully settled. For breakdown of loans to related companies, please refer to note 21 of the Accountants' report in Appendix I to this prospectus.

Due from (to) related companies and related parties

Our balances due from related companies amounted to HK$744.8 million, HK$65.6 million and HK$0.3 million, our balances from related parties amounted to HK$0.7 million, HK$1.5 million and nil, whereas our balances due to related companies amounted to HK$64.3 million, HK$42.7 million and nil as at 31 December 2016, 2017 and 2018, respectively. All amounts were non-trade nature, unsecured, interest free and repayable on demand and will be settled upon Listing. For details of related party balances, please refer to note 21 of the Accountants' Report in Appendix I to this prospectus.

CAPITAL EXPENDITURES AND COMMITMENT

Capital expenditure

Our capital expenditures during the Track Record Period primarily related to expenditures on (i) purchase of land use rights for our Mainland China Food Factory; (ii) furniture fitting of restaurant renovation and maintenance of existing restaurants; (iii) acquisition of furniture, fixtures and equipment used in our operations; (iv) purchase of intangible assets to further expand our business operation; and (v) upgrade of automatic kitchen equipment. Our total cash outflow for capital expenditure, including cash used in purchasing property, plant and equipment, and purchase of intangible assets in aggregate amounted to HK$231.5 million, HK$297.3 million and HK$222.1 million for FY2016, FY2017 and FY2018, respectively.

We anticipate that our future capital expenditure will increase as we open new restaurants and expand our operations. Our estimated capital expenditure for FY2019, FY2020 and FY2021 is HK$157.9 million, HK$213.5 million and HK$392.0 million, respectively. We expect that our planned capital expenditure for FY2019, FY2020 and FY2021 will be primarily used for property, plant and equipment for our expansion plans in Hong Kong and Mainland China. For details, see "Business — Business Strategies". In the event that the actual capital expenditure incurred for our planned expansion exceeds the net proceeds we received from the Global Offering, we believe we will have sufficient internal resources, including cash and cash equivalent and cash flows derived from operating activities, for such capital expenditure and contractual commitments for the next 12 months. As at 31 December 2018, we had HK$242.2 million in cash and cash equivalents available. For details, please refer to section headed "Future Plans and Use of Proceeds" to this prospectus.

Operating lease commitments

As at the 31 December 2016, 2017 and 2018, we had total future commitments for our of restaurants, staff quarters and office premises under non-cancellable operating lease arrangements, which will fall due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
As lessee			
Within one year	304,546	308,572	350,433
In the second to fifth years, inclusive	447,989	613,721	535,591
After five years	47,983	35,447	42,407
Total	800,518	957,740	928,431

Our leases for restaurants premises are agreed for terms ranging from three to eleven years, while leases for staff quarters and office premises are agreed for terms ranging from one to three years.

Capital commitments

We had the following capital commitments, which were contracted but not provided for in our consolidated financial statements, as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Leasehold improvements and plant and machinery	3,338	77,120	29,236
Capital contribution payable to a subsidiary	–	–	6,375
	3,338	77,120	35,611

INDEBTEDNESS

Our indebtedness mainly includes interest-bearing bank borrowings and due to related companies. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000 *(unaudited)*
Current portion				
Interest-bearing bank borrowings	889,638	1,019,178	112,357	112,089
Due to related companies	64,337	42,735	–	–
	953,975	1,061,913	112,357	112,089
Non-current portion				
Interest-bearing bank borrowings	–	–	424,802	396,413
	953,975	1,061,913	537,159	508,502

Interest-bearing bank borrowings

As at 31 December 2016, 2017 and 2018 and 31 March 2019, our borrowings consisted of interest-bearings bank borrowings from banks in Hong Kong amounted to HK$889.6 million, HK$1,019.2 million, HK$537.2 million and HK$508.5 million, respectively.

As at 31 December 2016 and 2017, the banking facilities granted to us contain a clause that provides the banks with unconditional rights to call back our bank loans at any time, i.e. repayment on demand clause. As such, our interesting-bearing bank borrowings are classified as current liabilities in our consolidated statement of financial position.

As at 31 December 2018, we have drawn down new term loans which were not subject to repayable on demand clause in replacement of our previous bank borrowings. As such, a portion of our interest-bearing bank borrowings were reclassified to non-current liabilities accordingly.

The following table sets out a breakdown of our bank borrowings based on maturity terms set out in the loan agreement as at dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000 *(unaudited)*
Bank loans repayable:				
Within one year	606,095	742,473	112,357	112,089
In the second year	84,603	109,953	106,052	104,894
In the third to fifth year, inclusive	154,989	145,753	271,249	245,674
Beyond five year	43,951	20,999	47,501	45,845
	889,638	1,019,178	537,159	508,502

Our Directors confirm that we made the interest-bearing borrowings (i) to finance our non-current assets for our operation; and (ii) acted as a centralised treasury function with related companies, as disclosed above. Our interest-bearing bank borrowings increased by HK$129.5 million or 14.6% from HK$889.6 million as at 31 December 2016 to HK$1,019.2 million as at 31 December 2017, primarily for capital expenditure of our Hong Kong Food Factory and Mainland China Food Factory. Our interest-bearing bank borrowings decreased from HK$1,019.2 million as at 31 December 2017 to HK$537.2 million as at 31 December 2018, primarily due to repayment of borrowings. All of these borrowings are denominated in HK$ and the range of the effective interest rates were 1.6% - 3.5%, 2.5% - 3.2%, and 2.5% - 4.2% for the corresponding year.

Our interest-bearing bank borrowings as at 31 December 2016, 2017 and 2018 and 31 March 2019 were secured by (i) personal guarantees given by the Directors and corporate guarantees given by certain related companies of our Company; (ii) investment properties with aggregate net carrying value of HK$274.1 million as at 31 December 2016 and property, plant and equipment of HK$207.1 million, HK$202.3 million, HK$272.2 million and HK$269.8 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively; (iii) non-current asset classified as held for sale with aggregate net carrying value of HK$361.1 million as at 31 December 2017; and (iv) investment properties of certain related companies that are controlled by the same shareholders as our Company's ultimate holding company, with aggregate net carrying value of HK$825.7 million and HK$943.8 million as at 31 December 2016 and 2017, respectively. Except for property, plant and equipment of the above, the remaining securities and guarantees provided to our Group will be uplifted upon Listing.

Our Directors confirm that as at the Latest Practicable Date, the agreements for our bank borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we (i) had no material defaults in bank borrowings; (ii) had not breached any covenants; and (iii) did not experience any material difficulty in obtaining credit facilities or requested for early repayment during the Track Record Period and up to the Latest Practicable Date.

As at 31 March 2019, we had aggregate banking facilities of HK$854.5 million, of which HK$326.8 million was unutilised.

Due to related companies

Our balances due to related companies amounted to HK$64.3 million, HK$42.7 million, nil and nil as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, were unsecured, interest-free and repayable on demand. All balances due to related companies were settled.

Lease liabilities

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 January 2019 as stated in note 2.3 of the Accountants' Report in Appendix I to this Prospectus. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statement of financial position for accounting period beginning on 1 January 2019. As at 31 March 2019, our total lease liabilities were HK$1,455.0 million.

Contingent liabilities

As at 31 December 2016, 2017 and 2018 and 31 March 2019, our contingent liabilities are not provided for in the financial statements. The fair values of such guarantees are not significant and our Directors consider that the risk of default in payments is remote and therefore no provision for the guarantees has been made in the financial information. Such corporate guarantees given by our Group will be released upon Listing.

The following table sets forth our corporate guarantee given to banks as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000** *(unaudited)*
Guarantees given to banks in connection to related companies	74,596	88,391	60,853	60,005
Bank guarantees in favour of landlords in lieu of deposits	7,694	8,900	15,676	19,190

As at 31 March 2019, being the Latest Practicable Date for the purpose of the indebtedness statement, save as disclosed in subsection headed "Indebtedness", we did not have any material contingent liabilities or guarantees. Such guarantees will be uplifted upon Listing.

Save as disclosed above, we did not have any outstanding loans, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credit, hire purchases commitments or other contingent liabilities as at the Latest Practicable Date. As at the same date, we did not have any other guarantees from any independent third parties.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

(a) Transactions with related parties

The following table sets forth our related parties transactions for the years indicated:

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Interest income received from related companies *(note 1)*	10,240	12,456	1,181
Rental expenses paid to related companies	7,284	8,933	11,195
Sales of non-current assets classified as held for sale to related companies *(note 2)*	–	–	317,285

Notes:

(1) For details, please see "— Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income and gains, net".

(2) For details, please see "— Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gain on disposal of non-current assets classified as held for sales".

(b) Balances due from related companies and a director

As at 31 December 2016, 2017 and 2018, we had balances due from related companies and a director and guarantees for banking facilities granted in favour of related companies. See notes 21, 22 and 38 to the Accountants' Report in this prospectus for details.

(c) Other transaction with related parties

(i) Personal guarantees given by the directors of our Company in favour of banks in respect of banking facilities granted to our Group. Such guarantees will be uplifted upon Listing;

(ii) Investment properties of certain related companies with aggregate net carrying value of HK$825.7 million and HK$948.8 million as at 31 December 2016 and 2017, respectively, were pledged for our Group's bank borrowings; and

(iii) Cross-guarantees to various banks in connection with banking facilities granted to related companies which were utilised to the extent of HK$74.6 million, HK$88.4 million and HK$60.9 million as at 31 December 2016, 2017 and 2018, respectively. Such guarantees will be uplifted upon Listing.

(d) Rental expenses paid and commitments with related companies

During FY2016, FY2017 and FY2018, our rental expenses paid to related companies represent properties leased for restaurant operations and staff quarters amounting to HK$7.3 million, HK$8.9 million and HK$11.2 million, respectively. Such rental expenses were based on rates determined between the parties which approximated to market rates and are negotiated for one to three years with a one-month notice period for termination. As at 31 December 2016, 2017 and 2018, we had outstanding future minimum lease payments under non-cancellable operating leases for such properties owned by related companies amounting to HK$7.8 million, HK$4.9 million and HK$1.0 million for the corresponding period, respectively.

(e) Compensation of key management personnel of our Group

The following table sets forth our compensation of key management personnel of our Group for the years indicated:

	FY2016	FY2017	FY2018
	HK$'000	HK$'000	HK$'000
Short-term employee benefits	15,728	21,840	23,451
Post-employment benefits	161	211	216
Total compensation paid to key management personnel	15,889	22,051	23,667

Our compensation of key management personnel of our Group during the Track Record Period included directors' emoluments and five highest paid employees. See notes 9 and 10 of the Accountants' Report in this prospectus.

Our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2016	FY2017	FY2018
Gross profit margin (%)(1)	70.7	71.6	71.6
Net profit margin (%)(2)	7.8	7.6	9.8
Return on equity (%)(3)	25.8	39.4	108.2
Return on total assets (%)(4)	9.4	10.5	19.5
Interest coverage (times)(5)	15.9	14.8	17.9

	As at 31 December		
	2016	2017	2018
Current ratio(6)	0.8	0.5	0.8
Quick ratio(7)	0.8	0.5	0.7
Gearing ratio (%)(8)	102.7	515.6	146.7
Net debt to equity ratio (%)(9)	85.1	432.3	80.6

Notes:

1 Gross profit margin was calculated based on gross profit for the year divided by revenue for the respective years and multiplied by 100%. See the paragraph headed "— Review of Historical Results of Operation" above in this section for details on our gross profit margins.

2 Net profit margin was calculated based on profit for the year divided by revenue for the respective year and multiplied by 100%. See the paragraph headed "— Review of Historical Results of Operation" in this section above for more details on our net profit margins.

3 Return on equity was calculated by dividing profit for the year by average balance of our total equity at the beginning and at the end of the year and multiplying by 100%.

4 Return on total assets was calculated by dividing profit for the year by average balance of our total assets at the beginning and at the end of the year and multiplying by 100%.

5 Interest coverage was calculated by dividing profit before interest and tax by finance costs.

6 Current ratio was calculated by dividing the total current assets by total current liabilities as at the respective dates.

7 Quick ratio was calculated by dividing the total current assets less inventory by total current liabilities as at the respective dates.

8 Gearing ratio was calculated based on the interest-bearing bank borrowings divided by total equity and multiplied by 100%.

9 Net debt to equity ratio was calculated based on the net debt divided by total equity and multiplied by 100%. Net debt includes all interest-bearing bank borrowings net of cash and cash equivalents.

Return on equity

Our return on equity was 25.8%, 39.4% and 108.2% for FY2016, FY2017 and FY2018, respectively.

Our return on equity increased from FY2016 to FY2017, primarily due to (i) increase in profit for the year by HK$12.8 million or 6.5%; and (ii) decrease in average balance of our total equity as a result of dividend paid of HK$891.4 million for FY2017.

Our return on equity increased from FY2017 to FY2018, primarily due to (i) increase in profit for the year by HK$95.3 million or 45.5% resulting from the gain on disposal of non-current assets held for sale; and (ii) decrease in average balance of our total equity as a result of dividends paid of HK$122.6 million for FY2018.

Return on total assets

Our return on assets was 9.4%, 10.5% and 19.5% for FY2016, FY2017 and FY2018, respectively.

Our return on assets for FY2016 and FY2017 remained relatively stable.

Our return on assets increased from FY2017 to FY2018, primarily due to the increase in profit for the year by HK$95.3 million or 45.5% resulting from the gain on disposal of non-current assets held for sale.

Interest coverage

Our interest coverage was 15.9 times, 14.8 times and 17.9 times for FY2016, FY2017 and FY2018, respectively.

Our interest coverage decreased from FY2016 to FY2017, primarily due to the growth of our finance cost of 18.2% was larger than the growth of our profits before interest and tax of 9.8%.

Our interest coverage increased from FY2017 to FY2018, primarily due to the growth of our profit before interest and tax of 30.6% was larger than the growth of our finance cost of 8.1%.

Current ratio

Our current ratio was 0.8, 0.5 and 0.8 as at 31 December 2016, 2017 and 2018, respectively.

Our current ratio decrease from 31 December 2016 to 31 December 2017, primarily to (i) increase in interest-bearing bank borrowings as at 31 December 2017; and (ii) decrease in balances due from related companies upon settlement.

Our current ratio increased from 31 December 2017 to 31 December 2018, primarily due to decrease in current portion of interest-bearing bank borrowings upon partial settlement and partial reclassification to non-current liabilities as at 31 December 2018.

Quick ratio

Our quick ratio was 0.8, 0.5 and 0.7 as at 31 December 2016, 2017 and 2018, respectively. Since our inventory remained relatively stable as at 31 December 2016, 2017 and 2018, there was no material difference between the current ratio and quick ratio.

Gearing ratio

Our gearing ratio was 102.7%, 515.6% and 146.7% as at 31 December 2016, 2017 and 2018, respectively.

Our gearing ratio increased from 31 December 2016 to 31 December 2017, primarily due to (i) increase in interest-bearing bank borrowings from HK$889.6 million as at 31 December 2016 to HK$1,019.2 million as at 31 December 2017; and (ii) decrease in our total equity as a result of dividends paid to the then shareholders of HK$891.4 million during FY2017.

Our gearing ratio decreased from 31 December 2017 to 31 December 2018, primarily due to the decrease in interest-bearing bank borrowings from HK$1,019.2 million as at 31 December 2017 to HK$537.2 million as at 31 December 2018 upon partial settlement and the Group ceased to act as the principal financing platform for the related companies of the Group upon the completion of the Reorganisation details of which are set out in "— Effect of the Reorganisation on our financial position" above.

Net debt to equity ratio

Our net debt to equity ratio was 85.1%, 432.3% and 80.6% as at 31 December 2016, 2017 and 2018, respectively.

Our net debt to equity ratio increased from 31 December 2016 to 31 December 2017, primarily due to (i) increase in interest-bearing bank borrowings as mentioned above; and (ii) decrease in our total equity as a result of dividends paid to the then shareholders of HK$891.4 million during FY2017.

Our net debt to equity ratio decreased from 31 December 2017 to 31 December 2018, primarily due to (i) decrease in interest-bearing bank borrowings from HK$1,019.2 million as at 31 December 2017 to HK$537.2 million as at 31 December 2018 upon partial settlement and the Group ceased to act as the principal financing platform for the related companies of the Group upon the completion of the Reorganisation details of which are set out in "— Effect of the Reorganisation on our financial position" above; and (ii) increase in cash and cash equivalent of HK$77.5 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity. Details of the risk to which we are exposed are set out in note 43 to the Accountants' Report, in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there was no circumstance that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

PROPERTY INTEREST AND PROPERTY VALUATION

As at 31 December 2018, 80 owned properties located in one of the Two Industrial Buildings, in aggregate, had a carrying amount of 15% or more of our total assets. Please see "Valuation Report" in Appendix III to this prospectus for such properties valued by Jones Lang LaSalle Limited, our property valuer (the "**Valued Properties**"). Save and except for the Valued Properties, our Directors confirmed that as at 31 December 2018, no single property interest of ours had a carrying amount of 15% or more of our total assets.

A reconciliation of our Group's Valued Properties as of 30 April 2019 and such Valued Properties in our consolidated financial statement as at 31 December 2018 as required under Rule 5.07 of the Listing Rules is set forth below:

	(HK$ '000)
Net book value of our Group's Valued Properties as at 31 December 2018	260,341
Depreciation for the period from 1 January 2019 to 30 April 2019	(3,007)
Net book value of our Group's Valued Properties as at 30 April 2019	257,334
Valuation surplus as at 30 April 2019	331,366
Valuation as at 30 April 2019	588,700

LISTING EXPENSES

Assuming an Offer Price of HK$3.30, being the mid-point of indicative price range for the Global Offering, total Listing expenses in relation to the Listing are expected to be approximately HK$57.9 million, in which (i) HK$11.0 million was recognised in the consolidated statements of profit or loss and other comprehensive income for FY2018; (ii) approximately HK$11.4 million are expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehension income for FY2019; and (iii) approximately HK$35.5 million is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard. The actual amounts to be recognised to the consolidated statements of comprehensive income of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

Prospective investors should note that our financial results for FY2019 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.

DIVIDENDS AND DIVIDEND POLICY

The dividends declared by the companies now comprising our Group to its then shareholders was HK$14.0 million, HK$891.4 million and HK$122.6 million for FY2016, FY2017 and FY2018, respectively. The dividends declared for FY2016, FY2017 and FY2018 have been settled by cash to the then shareholders of HK$14.0 million, HK$15.4 million and HK$20.0 million, respectively, and by way of offsetting balances due from related companies of nil, HK$876.0 million and HK$102.6 million, respectively. On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million were declared and paid by our Company to the then Shareholders, respectively, by cash.

The declaration of dividends is subject to the discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. We currently aim to pay a total dividend in respect of each financial year of not less than 30% of our distributable profits for that financial year, subject to the Companies Law our Articles, and other applicable laws and regulations, as well as factors and considerations set out below. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in HKD with respect to our Shares on a per share basis, and our Company will pay such dividends in HKD.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 11 December 2017 and is an investment holding company. For our Company's distributable reserves, please see note 1(E) of the Accountants' Report in Appendix I to this Prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details of our unaudited pro forma adjusted consolidated net tangible assets.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, we continued to focus on our multi-brand casual dining strategy. Based on our preliminary review of the Group's operating data during the period, we have also made the following observations as below:

Revenue — Our unaudited revenue for the three months ended 31 March 2019 was higher than the three months ended 31 March 2018, primarily due to (i) we had 185 restaurants in operation in comparison to prior period (2018: 173); and (ii) continuance of the high popularity and demand of our "Men Wah Bing Teng" and "Phở Lệ" brand by our customers in Hong Kong. Our unaudited revenue generated from Comparable Restaurants for the comparable periods remained relatively stable. We have also continued to expand our restaurant network, for movements of our restaurants up to the Latest Practicable Date, please see "Business — Our Restaurants".

New brands — We planned to introduce two additional brands into our portfolio in FY2019, one of which being "Hot Pot Couple", which offers Taiwanese-style spicy hotpot, which has successfully been launched in January 2019.

Expansion into Taiwan — Our first restaurant under the "Tai Hing" brand opened in Taiwan in May 2019. For details, please see "Business — Site Selection and New Restaurant Opening Process — New Restaurant Opening Process — Expansion into Taiwan".

Key performance indicators — Overall, key performance indicators (including the approximate average daily sales per restaurant and the approximate average spending per guest of our restaurants) have remained relatively stable for the three months ended 31 March 2019.

For the upcoming entire financial year performance of our Group in FY2019, we expect the following:

Gross profit margin — We expect our cost of materials consumed (i.e. cost of food ingredients and beverages) as a percentage of our revenue to remain relatively stable in comparison with the Track Record Period, and hence our gross profit margin for our Group is expected to remain relatively stable.

Mainland China Food Factory — We believe our Mainland China Food Factory will bring quantitative and qualitative benefits in our Mainland China operations in the coming financial years. As our Mainland China Food Factory only commenced operations in October 2018, the benefits of which it could bring across our Mainland China operations are yet to be reflected. As our Mainland China Food Factory is still ramping up, we expect to take a period of time to implement and integrate work processes into our Mainland China operation, as such we will gradually expand the service coverage to our Mainland China restaurants, therefore the full benefits will only be reflected gradually throughout 2019.

Major costs — We believe (i) our key operating costs (i.e. staff costs, depreciation and amortisation, rental and related expenses) will generally be in line with the movements in the number of restaurants in operation during FY2019; and (ii) full year cost effect associated with our Mainland China Food Factory for FY2019 in comparison to FY2018.

Net Profit — We expect our net profit for FY2019 may be lower in comparison to FY2018 primarily due to the absence of gain on disposal of non-current assets classified as held for sale of HK$162.6 million recognised in FY2018, which was non-recurring in nature as well as the expected increase of the operating cost associated with our business expansion mentioned above.

Dividends — On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million were declared and paid by our Company to the then Shareholders, respectively, which may result in a reduction of our Group's total equity as at 31 December 2019.

Due to the nature of our business, increase in operating cost is inevitable to our Group's future expansion. Although these increases can be partly offset by price adjustments of our menus, our Directors believe the ability of our cost management will be one of the key elements in the continuous expansion of our restaurant network. For further details of our expansion plan, please see "Business — Business Strategies — Continuous development of our brand portfolio and expansion of our restaurant network."

Since early August 2018, there has been an outbreak of African swine fever ("**ASF**") in the Mainland China, and in early May 2019, the Hong Kong government announced a case of a pig being infected with ASF in Hong Kong and ordered the slaughtering of approximately 6,000 pigs to prevent the spread of ASF. Due to the ASF, Mainland China has slaughtered infected pigs and prohibited the export of pork from certain provinces, which affected the supply of fresh pork from Mainland China to us. As a result, we had adjusted our menu and dishes and suspended the offering of certain dishes which use fresh pork for a certain period. The ASF has not significantly affected the supply of frozen pork as frozen pork can generally be preserved for a relatively longer period of time and can be sourced from areas that are not affected by the recent ASF outbreak and with an objective to diversify our supply of pork we have also been purchasing some frozen pork from suppliers in other countries, such as Brazil and Europe. The cost of fresh pork only represented approximately 0.3%, 0.3% and 0.4% of our cost of purchase for FY2016, FY2017 and FY2018, respectively. As at the Latest Practicable Date, the ASF had not have any material adverse impact on us.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2018, being the date to which our latest audited consolidated financial information was prepared, which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS

Please see "Business — Business Strategies" for details of our strategies and future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering after deducting underwriting fees and estimated expenses in connection with the Global Offering (the "**Net Proceeds**"), assuming an Offer Price of HK$3.30 per Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option has not been exercised, will be approximately HK$767.1 million. We intend to apply the Net Proceeds as follows:

(i) approximately HK$337.5 million (representing 44.0% of the Net Proceeds) will be used for the opening of new restaurants, including:

- approximately HK$71.2 million, HK$75.3 million and HK$79.3 million for opening 20, 21 and 22 new restaurants under our existing and newly developed brand portfolio in FY2019, FY2020 and FY2021, respectively, in Hong Kong; and

- approximately HK$33.0 million, HK$36.9 million and HK$41.8 million for opening 11, 12, and 13 new restaurants under our existing brand portfolio in FY2019, FY2020 and FY2021, respectively, in Mainland China.

(ii) approximately HK$84.4 million (representing 11.0% of the Net Proceeds) will be used for the renovation of our existing restaurants in Hong Kong and Mainland China to up-keep our automated kitchen equipment and dining environment of our customers at our restaurants, including:

- approximately HK$28.1 million, HK$28.1 million and HK$28.2 million for renovation 23, 23 and 23 restaurants in Hong Kong in FY2019, FY2020 and FY2021, respectively.

(iii) approximately HK$268.5 million (representing 35.0% of the Net Proceeds) will be used for the enhancement and expansion of our Hong Kong Food Factory and expansion of our Mainland China Food Factory, including:

- approximately HK$188.5 million, for the acquisition of a new site and purchase of relevant equipment for the relocation of our Hong Kong Food Factory. As at the Latest Practicable Date, we have not identified any acquisition target;

- approximately HK$35.0 million for the enhance work to be carried out at the current HK Central Kitchen or Food Factory, such as replacement of product lines and machines for production of sauces and *siu mei,* as well as improvement in equipment for our bakery section and raw meat section; and

- approximately HK$45.0 million for the expansion of our Mainland China Food Factory, such as the acquisition of two production lines for the production of noodles and meatballs. As at the Latest Practicable Date, we have not identified any acquisition target.

(iv) approximately HK$76.7 million (representing 10% of the Net Proceeds) will be used as general working capital of our Group.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$3.80 per Share, the Net Proceeds will increase by approximately HK$120.6 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$2.80 per Share, the Net Proceeds will decrease by approximately HK$120.6 million.

In the event that the Offer Price is set at HK$3.80 per Share (being the high-end of the indicate Offer Price Range), HK$2.80 (being the low-end of the indicative Offer Price Range) or any price in between, we intend to apply the Net Proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional Net Proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of Net Proceeds to other business plans or our Group to a material extend, we will make appropriate announcement(s) in due course.

To the extent that the Net Proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short- term deposits with licensed banks and authorised financial institutions for so long as it is in our best interest.

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

BOCOM International Securities Limited
Nomura International (Hong Kong) Limited
China Tonghai Securities Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

BOCOM International Securities Limited
Nomura International (Hong Kong) Limited
China Tonghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Wednesday, 29 May 2019. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription at the Offer Price on the terms and subject to the conditions set out in this prospectus and the Application Forms. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and subject to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to (among other things) the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (orally or in writing) from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event, circumstance, or series of events, in or affecting the Cayman Islands, Hong Kong, Macau, Taiwan, the PRC, the United States, the United Kingdom, the European Union (as a whole) or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**" and each a "**Relevant Jurisdiction**"), in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, strike, lock-out, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

(ii) any change or development involving a prospective change, or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign ("**Authority**")), New York (imposed at Federal or New York State level or other competent Authority), London, Macau, Taiwan, the PRC, the European Union (as a whole) or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) any new law or regulation or any change or development involving a prospective change in existing law or regulation or any change in the interpretation or application thereof by any court or other competent Authority in or affecting any Relevant Jurisdiction; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, the Euro, the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(viii) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of our Company; or

(x) any of the Executive Directors vacating his or her office; or

(xi) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Hong Kong Underwriters or the International Underwriters); or

(xii) an Authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) save as disclosed in this prospectus, the Application Forms, the preliminary and final offering circulars relating to the International Offer Shares and any other document issued, given or used in connection with the offering and sale of the Offer Shares or otherwise in connection with the Global Offering, including all amendments or supplements thereto, a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or the Post-IPO Share Options of the Company) pursuant to the terms of the Global Offering; or

(xv) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position, prospects or condition, financial or otherwise, or performance of our Group taken as a whole of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xviii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators:

(1) has or will or may have a material adverse affect on the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest in any material respect and not based on reasonable assumptions in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, the Application Forms, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material adverse change or development giving rise to a reasonably likely prospective material adverse change in the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(iv) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties given under the Hong Kong Underwriting Agreement (other than any such breach thereof by the Sole Sponsor or the Hong Kong Underwriters); or

(v) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options or the Post-IPO Share Options) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vi) our Company withdraws this prospectus (and/or any other offering document issued or used in connection with the Global Offering) or the Global Offering; or

(vii) any expert named in "Appendix V — Statutory and General Information — F. Other Information — 8. Qualifications of experts" to this prospectus has withdrawn its consent to being named in this prospectus or the Application Forms or to the issue of this prospectus or the Application Forms; or

(viii) that, as a result of material adverse and abrupt change in market conditions or otherwise, any material order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion after due consideration, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this paragraph (viii) is exercisable only from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the exercise of the Pre-IPO Share Options or the Post-IPO Share Options or any Capitalisation Issue, capital reduction or consolidation or sub-division of Shares, we will not, at any time within six months from the Listing Date, issue any further shares or other securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the exercise of the Pre-IPO Share Options or the Post-IPO Share Options or the Stock Borrowing Agreement, he or it will not, and shall procure that the relevant registered holder(s) of the Shares, any associates or companies controlled by him or it, any nominees or trustees holding the Shares in trust for him or it (as the case may be), will not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong ("**Banking Ordinance**"))) for a bona fide commercial loan) any of our Shares or securities in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Parent Shares**"); or

(b) in the period of a further six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it (individually) or the Controlling Shareholders (collectively) would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

(a) when he or it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of the Pre-IPO Share Options or the Post-IPO Share Options, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Half-Year Period**"), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint

Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the "**Second Half-Year Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and/or pursuant to the Stock Borrowing Agreement:

(a) at any time during the First Half-Year Period, it/he/she will not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the "**Relevant Shares**") or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the "**Holding Entity**"); 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 the Relevant Shares or an interest in any Holding Entity; or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) at any time during the Second Half-Year Period, it/he/she will not enter into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder (if applicable) of our Company; and

(c) until the expiry of the Second Half-Year period, in the event that it/he/she enters into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, our Controlling Shareholders or our executive Directors of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company, our Controlling Shareholders and our executive Directors will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers to purchase such International Offer Shares.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to require us to offer up to an aggregate of 37,500,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Under the International Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

Underwriting commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 2.5% of the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). The Company may also in its sole and absolute discretion to pay to the Joint Global Coordinators (or any one of them) an incentive fee of up to 1% of the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$3.30 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total listing expenses are estimated to be approximately HK$57.9 million.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

BOCOM International (Asia) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, 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, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of 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 securities, 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 such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such 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.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares). Whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

RESTRICTIONS ON THE OFFER SHARES

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

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. BOCOM International (Asia) Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange. BOCOM International Securities Limited, Nomura International (Hong Kong) Limited and China Tonghai Securities Limited are the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the Global Offering.

(i) the Hong Kong Public Offering of 25,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in "— Hong Kong Public Offering" in this section below (including the Employee Preferential Offering of up to 2,500,000 Offer Shares as described in the "— Employee Preferential Offering" below in this section); and

(ii) the International Offering of 225,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as set out in the paragraph headed "— Over-allotment Option and Stabilisation" in this section below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options or the Post-IPO Share Options and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Tuesday, 4 June 2019 and in any event, not later than 12:00 noon on Tuesday, 11 June 2019.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Tuesday, 11 June 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the Hong Kong Economic Journal (in Chinese) and on our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 12 June 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 June 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any shares which may be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

Of the 25,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 2,500,000 Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— Conditions of the Global Offering" in this section above.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 11,250,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEx-GL91-18 requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

(a) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators, at their sole and absolute discretion, may reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offering to the International Offering;

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the initial number of the Hong Kong Offer Shares, then up to 25,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 50,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then up to 50,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 75,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Global Offering;

(iv) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then up to 75,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 100,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Global Offering; and

(v) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then up to 100,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 125,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Global Offering.

(b) In the event that the International Offer Shares are undersubscribed under the International Offering:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the initial number of the Hong Kong Offer Shares, then up to 25,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering may increase up to 50,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances where (x) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at HK$2.80 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus.

In the event of a reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Offer Shares as it deems appropriate from the International Offering to the Hong Kong Public Offering to satisfy in whole or in part excess valid applications under the Hong Kong Public Offering.

The above clawback mechanism complies with paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEx-GL91-18.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.80 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$3,838.29 per board lot of 1,000 Offer Shares. If the Offer Price, as finally determined in the manner described in "— Price Determination of the Global Offering" in this section below, is less than the maximum price of HK$3.80 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE EMPLOYEE PREFERENTIAL OFFERING

Of the 25,000,000 Offer Shares initially being offered under the Hong Kong Public Offering, 2,500,000 Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

The Employee Reserved Shares are being offered out of the Hong Kong Public Offering and are not subject to the reallocation to the International Offering as set forth in the paragraph headed "— Hong Kong Public Offering — Reallocation" in this section.

As of the Latest Practicable Date, there were 1,335 Eligible Employees being eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

The 2,500,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. The allocation of Employee Reserved Shares to

Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 2,500,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In case not all the 2,500,000 Employee Reserved Shares are subscribed for by Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also apply for Hong Kong Offer Shares as a member of the public in the Hong Kong Public Offering on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving **electronic application instruction** to HKSCC via CCASS, but may not apply for or indicate an interest for International Offer Shares under the International Offering. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares.

INTERNATIONAL OFFERING

NUMBER OF OFFER SHARES OFFERED

The number of Offer Shares to be initially offered for subscription under the International Offering will be 225,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The International Offering is subject to the same conditions as stated in the paragraph headed "— Conditions of the Global Offering" in this section above.

Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the paragraph headed "— Price Determination of the Global Offering" in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STABILISATION

In connection with the Global Offering and pursuant to the International Underwriting Agreement, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent 3.6% of our enlarged share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager (or any person acting for them) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with Chun Fat, one of our Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from Chun Fat on the following conditions:

(a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the International Offering;

(b) the maximum number of Shares borrowed from Chun Fat will be limited to 37,500,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Chun Fat must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earlier of: (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between Chun Fat and the Stabilising Manager;

(d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to Chun Fat by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to Chun Fat by the Stabilising Manager or its agent in relation to such stock.

Stabilisation Action

Under the Securities and Futures (Price Stabilizing) Rules under the SFO, Stabilisation actions can be permitted only if the size of the Global Offering is equal to or more than HK$100 million as described above. Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

China Tonghai Securities Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 37,500,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilisation action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the Stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager or any person acting for it will maintain such a long position;
- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at its sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 4 June 2019, and in any event not later than 12:00 noon on Tuesday, 11 June 2019, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$3.80 per Share and is expected to be not less than HK$2.80 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the Hong Kong Economic Journal (in Chinese), and our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, 12 June 2019 in the manner set out in "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares — 11. Publication of Results".

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 13 June 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 13 June 2019, and will be traded in board lots of 1,000.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. Save as an Eligible Employee, none of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares (including any Employee Reserved Shares) if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a close associate of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **HK eIPO White Form** Service at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

For the Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 from:

(i) any of the following offices of the **Hong Kong Underwriters**:

BOCOM International Securities Limited	9th Floor Man Yee Building 68 Des Voeux Road Central Hong Kong
Nomura International (Hong Kong) Limited	30/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
China Tonghai Securities Limited	18/F–19/F, China Building 29 Queen's Road Central Hong Kong

(ii) any of the following branches or outlets of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon

	Branch name	Address
New Territories	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

Bank of Communications (Hong Kong) Limited

	Outlet name	Address
Hong Kong Island	Business Department	20 Pedder Street, Central
Kowloon	Mongkok Branch	G/F. and 1/F., Shun Wah Building, Nos. 735 & 735A Nathan Road, Mongkok
New Territories	Tseung Kwan O Branch	Shop Nos. 252A, 252B & 253 on Level 2, Metro City Phase I, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong during normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Monday, 3 June 2019. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at **www.taihing.com** and the Stock Exchange's website at **www.hkexnews.hk**.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — TAI HING GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches or outlets of the receiving banks listed above, at the following times:

Thursday, 30 May 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, 31 May 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, 1 June 2019	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, 3 June 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 4 June 2019	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section below.

Your completed **PINK** Application Form, together with a cheque attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — TAI HING GROUP PUBLIC OFFER**" for the payment must be returned to 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong by 12:00 noon on Monday, 3 June 2019.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Sole Sponsor, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the paragraph headed "14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection" below to collect share certificate(s)/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" in this section above, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 May 2019 until 11:30 a.m. on Tuesday, 4 June 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 June 2019 or such later time under "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:[1]

Thursday, 30 May 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Friday, 31 May 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Saturday, 1 June 2019	**—**	**8:00 a.m. to 1:00 p.m.**
Monday, 3 June 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 4 June 2019	**—**	**8:00 a.m. to 12:00 noon**

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 (24 hours daily, except on Tuesday, 4 June 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 4 June 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering, but may not indicate an interest for the International Offer Shares under the International Offering.

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares, and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Structure of the Global Offering — Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares on Wednesday, 12 June 2019 in the Hong Kong Economic Journal (in Chinese), on our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website (**www.taihing.com**) and the Stock Exchange's website (**www.hkexnews.hk**) by no later than 8:00 a.m. on Wednesday, 12 June 2019;

- from the designated results of allocations website (**www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 12 June 2019 to 12:00 midnight on Tuesday, 18 June 2019;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 June 2019 to Monday, 17 June 2019 on a Business Day;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 June 2019 to Friday, 14 June 2019 at all the receiving banks' designated branches or outlets.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares (and, if applicable, the Employee Reserved Shares) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares (and the Employee Reserved Shares) is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;

- you apply for more than 11,250,000 Hong Kong Offer Shares; or

- you apply for more than 2,500,000 Employee Reserved Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$3.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 12 June 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for all the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by the **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 12 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 13 June 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE and /or PINK Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and/or 50,000 or more Employee Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 June 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares and/or less than 50,000 Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 12 June 2019, by ordinary post and at your own risk.

(ii) ***If your apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 12 June 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Wednesday, 12 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "11. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the HK eIPO White Form Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 June 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 12 June 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 12 June 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, 12 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 12 June 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 June 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following version is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Ernst & Young, Certified Public Accountants.

安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Tai Hing Group Holdings Limited

BOCOM International (Asia) Limited

Dear Sirs,

We report on the historical financial information of Tai Hing Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-73, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Track Record Periods") and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and the statements of financial position of the Company as at 31 December 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-73 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 May 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018, the financial position of the Company as at 31 December 2017 and 2018, and of the financial performance and cash flows of the Group for each of the Track Record Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
30 May 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
Revenue	6	2,512,970	2,771,277	3,126,053
Cost of materials consumed		(735,162)	(787,030)	(887,062)
Gross profit		1,777,808	1,984,247	2,238,991
Other income and gains, net	6	32,939	45,696	20,286
Gain on disposal of non-current assets classified as held for sale	26	—	—	162,614
Staff costs		(743,853)	(858,909)	(1,033,250)
Depreciation and amortisation		(128,995)	(133,396)	(147,813)
Rental and related expenses		(345,018)	(399,729)	(453,606)
Other operating expenses, net		(328,562)	(347,757)	(397,370)
Finance costs	8	(16,587)	(19,611)	(21,203)
Listing expenses		—	—	(10,973)
PROFIT BEFORE TAX	7	247,732	270,541	357,676
Income tax expense	11	(50,853)	(60,908)	(52,742)
PROFIT FOR THE YEAR		196,879	209,633	304,934
Profit for the year attributable to:				
Owners of the Company		108,644	115,682	304,934
Non-controlling interests		88,235	93,951	—
		196,879	209,633	304,934

	Notes	Year ended 31 December 2016 HK$'000	2017 HK$'000	2018 HK$'000
OTHER COMPREHENSIVE INCOME				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		(9,061)	12,332	(13,655)
Reclassification adjustment for foreign operations deregistered during the year		(1,605)	—	(1,270)
Release of exchange reserve upon disposal of subsidiaries	35	—	—	976
		(10,666)	12,332	(13,949)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Gain on asset revaluation	16	35,576	1,044	—
Other comprehensive income/(loss) for the year		24,910	13,376	(13,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		221,789	223,009	290,985
Attributable to:				
Owners of the Company		122,390	123,063	290,985
Non-controlling interests		99,399	99,946	—
		221,789	223,009	290,985

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	721,674	743,305	802,799
Prepaid land lease payments	15	13,426	13,608	12,655
Investment properties	16	290,626	18,027	10,655
Intangible asset	17	712	557	400
Prepayments, deposits and other receivables	20	99,690	140,951	136,249
Deferred tax assets	31	14,700	16,289	19,741
Total non-current assets		1,140,828	932,737	982,499
CURRENT ASSETS				
Inventories	18	39,709	39,157	56,555
Trade receivables	19	8,127	19,327	18,700
Prepayments, deposits and other receivables	20	71,291	80,267	95,353
Loans to related companies	21	57,900	—	—
Due from related companies	21	744,804	65,590	302
Due from related parties	21	675	1,494	—
Due from a director	22	22,880	11,158	—
Financial assets at fair value through profit or loss	23	4,120	983	851
Debt investments at amortised cost	24	—	56,707	—
Tax recoverable		3,975	1,140	2,785
Cash and cash equivalents	25	152,491	164,682	242,162
Non-current assets classified as held for sale	26	—	361,145	—
Total current assets		1,105,972	801,650	416,708
CURRENT LIABILITIES				
Trade payables	27	97,210	113,286	110,468
Other payables and accruals	28	198,033	191,928	216,870
Contract liabilities	29	52,546	62,733	75,062
Due to related companies	21	64,337	42,735	—
Interest-bearing bank borrowings	30	889,638	1,019,178	112,357
Tax payable		18,317	30,246	17,838
Total current liabilities		1,320,081	1,460,106	532,595
NET CURRENT LIABILITIES		(214,109)	(658,456)	(115,887)
TOTAL ASSETS LESS CURRENT LIABILITIES		926,719	274,281	866,612

		As at 31 December		
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES				
Other payables and accruals	28	50,413	66,118	68,236
Interest-bearing bank borrowings	30	—	—	424,802
Deferred tax liabilities	31	10,256	10,503	7,529
Total non-current liabilities		60,669	76,621	500,567
Net assets		866,050	197,660	366,045
EQUITY				
Equity attributable to owners of the Company				
Issued capital	32	—	1	1
Reserves	33	477,912	197,659	366,044
		477,912	197,660	366,045
Non-controlling interests		388,138	—	—
Total equity		866,050	197,660	366,045

(C) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended 31 December 2016, 2017 and 2018

	Attributable to owners of the Company								
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 32)	(note 33(a))		(note 33(b))	(note 33(c))				
At 1 January 2016	—	30,058	—	(2,760)	742	335,208	363,248	295,013	658,261
Profit for the year	—	—	—	—	—	108,644	108,644	88,235	196,879
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	(4,998)	—	—	(4,998)	(4,063)	(9,061)
Release of exchange fluctuation reserve upon liquidation of a subsidiary	—	—	—	(887)	—	—	(887)	(718)	(1,605)
Gain on asset revaluation *(note 16)*	—	—	19,631	—	—	—	19,631	15,945	35,576
Total comprehensive income for the year	—	—	19,631	(5,885)	—	108,644	122,390	99,399	221,789
Appropriation to statutory reserve	—	—	—	—	941	(941)	—	—	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(7,726)	(7,726)	(6,274)	(14,000)
At 31 December 2016	—	30,058	19,631	(8,645)	1,683	435,185	477,912	388,138	866,050

Years ended 31 December 2016, 2017 and 2018

	Attributable to owners of the Company								
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 32)	(note 33(a))		(note 33(b))	(note 33(c))				
At 1 January 2017	—	30,058	19,631	(8,645)	1,683	435,185	477,912	388,138	866,050
Profit for the year	—	—	—	—	—	115,682	115,682	93,951	209,633
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	—	—	—	6,805	—	—	6,805	5,527	12,332
Gain on asset revaluation *(note 16)*	—	—	576	—	—	—	576	468	1,044
Total comprehensive income for the year	—	—	576	6,805	—	115,682	123,063	99,946	223,009
Issue of shares *(note 32)*	1	—	—	—	—	—	1	—	1
Release of revaluation reserve upon disposal of assets	—	—	(19,631)	—	—	19,631	—	—	—
Appropriation to statutory reserve	—	—	—	—	4,372	(4,372)	—	—	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(491,901)	(491,901)	(399,499)	(891,400)
Acquisition of non-controlling interest *(note 2.1)*	—	88,585	—	—	—	—	88,585	(88,585)	—
At 31 December 2017	1	118,643	576	(1,840)	6,055	74,225	197,660	—	197,660

Years ended 31 December 2016, 2017 and 2018

	Attributable to owners of the Company						
	Issued capital	Capital reserve*	Asset revaluation reserve*	Exchange fluctuation reserve*	Statutory reserve*	Retained profits*	Total equity
	HK$'000 (note 32)	HK$'000 (note 33(a))	HK$'000	HK$'000 (note 33(b))	HK$'000 (note 33(c))	HK$'000	HK$'000
At 1 January 2018	1	118,643	576	(1,840)	6,055	74,225	197,660
Profit for the year	—	—	—	—	—	304,934	304,934
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	(13,655)	—	—	(13,655)
Release of exchange reserve upon liquidation of a subsidiary	—	—	—	(1,270)	—	—	(1,270)
Release of exchange reserve upon disposal of subsidiaries *(note 35)*	—	—	—	976	—	—	976
Total comprehensive income for the year	—	—	—	(13,949)	—	304,934	290,985
Appropriation to statutory reserve	—	—	—	—	400	(400)	—
Dividends paid to the then shareholders *(note 12)*	—	—	—	—	—	(102,600)	(102,600)
Interim dividend *(note 12)*	—	—	—	—	—	(20,000)	(20,000)
At 31 December 2018	1	118,643	576	(15,789)	6,455	256,159	366,045

* These reserve accounts comprise the consolidated reserves of HK$477,912,000, HK$197,659,000 and HK$366,044,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

(D) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2016 HK$'000	2017 HK$'000	2018 HK$'000
		Year ended 31 December		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		247,732	270,541	357,676
Adjustments for:				
Finance costs	8	16,587	19,611	21,203
Bank interest income	6	(238)	(1,035)	(1,750)
Interest income from related companies	6	(10,240)	(12,456)	(1,181)
Loss on disposal of items of property, plant, and equipment	7	1,415	3,017	6,612
Loss on disposal of an investment property	7	—	2,275	—
Gain on disposal of subsidiaries	6	—	—	(472)
Gain on disposal of non-current assets classified as held for sale	7	—	—	(162,614)
Depreciation	7	128,891	132,778	147,180
Amortisation of intangible assets	7	65	155	157
Amortisation of lease payments	7	39	463	476
Impairment of items of property, plant and equipment	7	11,713	2,646	2,070
Fair value loss/(gain) on financial assets at fair value through profit or loss	7	(239)	(433)	132
Fair value gain on investment properties	6	(981)	(2,220)	(24)
Gain on deregistration of subsidiaries	6	(1,605)	—	(1,270)
Cash coupon forfeited	6	(1,883)	(1,954)	(1,106)
Bad debt written off	7	634	—	—
		391,890	413,388	367,089

	Notes	2016	2017	2018
		Year ended 31 December		
		HK$'000	HK$'000	HK$'000
Decrease/(increase) in inventories		(520)	872	(18,072)
Decrease/(increase) in trade receivables		(1,260)	(10,898)	392
Decrease/(increase) in prepayments, deposits and other receivables		806	(47,118)	(13,160)
Movement in balances with related parties		3,722	(772)	1,556
Movement in balances with related companies	37(a)(i), (iii), (iv)	(146,033)	(160,998)	237,577
Decrease in an amount due from a director		428	11,722	11,158
Increase/(decrease) in trade payables		(15,102)	14,782	(1,710)
Increase/(decrease) in other payables and accruals	37(a)(ii)	(17,645)	494	20,017
Increase in contract liabilities		4,168	12,141	13,451
Cash generated from operations		220,454	233,613	618,298
Hong Kong profits tax paid		(40,967)	(36,383)	(46,542)
Overseas tax paid		(7,504)	(11,565)	(25,417)
Net cash flows from operating activities		171,983	185,665	546,339

		Year ended 31 December		
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	6	10,478	13,491	2,931
Purchases of items of property, plant and equipment	14, 37(a)(ii)	(230,675)	(297,304)	(222,079)
Purchase of an intangible asset	17	(777)	—	—
Proceeds from disposal of items of property, plant and equipment		5,686	16,037	4,759
Proceeds from disposal of investment properties		—	51,225	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	3,830	—
Proceeds from disposal of debt investments at amortised cost		—	—	57,701
Disposal of subsidiaries	35	—	—	9,560
Proceeds from disposal of non-current assets classified as held for sales	26, 37(a)(iii)	—	—	206,474
Purchase of investment properties	16	(7,273)	—	—
Acquisition of financial assets at fair value through profit or loss		(624)	(260)	—
Acquisition of debt investments at amortised cost		—	(56,878)	—
Acquisition of subsidiaries	34	(47,486)	—	—
Net cash flows from/ (used in) investing activities		(270,671)	(269,859)	59,346
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of a share	32	—	1	—
New bank borrowings	37(b)	748,531	655,209	779,800
Repayment of bank borrowings	37(b)	(603,245)	(525,669)	(1,261,819)
Capital element of finance lease payments		(244)	—	—
Interest paid on bank borrowings		(16,587)	(19,611)	(21,203)
Dividend paid	37(a)(i)	(14,000)	(15,400)	(20,000)
Net cash flows from/ (used in) financing activities		114,455	94,530	(523,222)

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,767	10,336	82,463
Cash and cash equivalents at beginning of year	140,534	152,491	164,682
Effect of foreign exchange rate changes, net	(3,810)	1,855	(4,983)
CASH AND CASH EQUIVALENTS AT END OF YEAR	152,491	164,682	242,162
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	152,491	164,682	242,162

(E) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2017	2018
	Notes	HK$'000	HK$'000
NON-CURRENT ASSET			
Investment in subsidiaries*		—	—
CURRENT ASSETS			
Cash and bank balances		1	100
Total current assets		1	100
CURRENT LIABILITIES			
Due to subsidiaries		77	67
NET CURRENT ASSETS/(LIABILITIES)		(76)	33
NET ASSETS/(LIABILITIES)		(76)	33
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	32	1	1
Retained profits/(accumulated losses)	33	(77)	32
Total equity/(deficiency in assets)		(76)	33

* This item was with an amount less than a thousand.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 December 2017. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

The Company is an investment holding company. During the Track Record Periods, the subsidiaries now comprising the Group were engaged in the operation and management of restaurants.

In the opinion of the Directors, Chun Fat Company Limited ("Chun Fat"), a company incorporated in the British Virgin Islands (the "BVI") on 30 November 2017, is the immediate and ultimate holding company of the Company. The controlling shareholders of the Company and its subsidiaries are Mr. Chan Wing On, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Mr. Ho Ping Kee (the "Controlling Shareholders") before and after the Reorganisation.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tai Hing Group Holdings (BVI) Limited Note (a)	BVI 1 November 2017	US$21	100	—	Investment holding
Auto Plus Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Licence holding
Auto Success Enterprise Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Investment holding
Best Domain Limited Note (b)	Hong Kong 3 July 2009	HK$100	—	100	Investment holding
Bright Rich (China) Limited Note (b)	Hong Kong 1 April 2016	HK$10,000	—	100	Investment holding
Café 308 Limited Note (b)	Hong Kong 3 June 2010	HK$100	—	100	Restaurant operation
Chance Spread Limited Note (b)	Hong Kong 26 August 2010	HK$100	—	100	Licence holding
CTC Congee Limited Note (b)	Hong Kong 22 October 2008	HK$1,300,000	—	100	Restaurant operation
Delighted City Limited Note (b)	Hong Kong 2 June 2010	HK$100	—	100	Licence holding
Double Reward Limited Notes (b), (c)	Hong Kong 11 December 2009	HK$100	—	100	Property holding
Easy Empire Company Limited Note (b)	Hong Kong 22 March 1989	HK$200,000	—	100	Licence holding
Gold Business International Company Limited Note (b)	Hong Kong 16 September 1993	HK$10,000	—	100	Property holding
Gold Rainbow Limited Note (b)	Hong Kong 6 October 2008	HK$10,000	—	100	Licence holding
Great Art Development Limited Note (b)	Hong Kong 19 August 2016	HK$100	—	100	Investment holding

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Great Reward Enterprise Limited Notes (b), (c)	Hong Kong 29 March 2010	HK$100	—	100	Property holding
Hugh Profit Star Limited Note (b)	Hong Kong 11 December 2009	HK$100	—	100	Investment holding
Hugh Boom Limited Note (b)	Hong Kong 4 January 2008	HK$100	—	100	Investment holding
Miyasaki Yakiniku Company Limited Note (b)	Hong Kong 13 October 2010	HK$100	—	100	Restaurant operation
Niceway International Enterprise Limited Note (b)	Hong Kong 8 March 2017	HK$100	—	100	Investment holding
Nice Bloom Investment Limited Note (b)	Hong Kong 2 January 2018	HK$100	—	100	Idle for future use
Nice Success International Development Limited Note (i)	Hong Kong 2 January 2018	HK$100	—	100	Idle for future use
Original Taste Catering Company Limited Note (b)	Hong Kong 5 October 2007	HK$100	—	100	Licence holding
Record Sino Limited Notes (b), (c)	Hong Kong 9 July 2008	HK$100	—	100	Property holding
Roast.Pot Limited Note (b)	Hong Kong 31 July 2012	HK$100	—	100	Restaurant operation
Steerhead Limited Note (b)	Hong Kong 13 June 2008	HK$100	—	100	Lease holding
Sun Hing Food Factory Limited Note (b)	Hong Kong 9 October 2007	HK$100	—	100	Licence holding
Sun Smart Limited Note (b)	Hong Kong 22 December 1994	HK$100,000	—	100	Licence holding
Tai Hing Catering Limited Notes (b), (c)	Hong Kong 7 December 1995	HK$10,000	—	100	Property holding
Tai Hing Catering Management (China) Limited Note (b)	Hong Kong 3 February 2009	HK$4,006,000	—	100	Investment holding
Tai Hing Catering Management (Macau) Limited Note (a)	Macau 11 April 2016	MOP 25,000	—	100	Restaurant operation
Tai Hing Gourmet Limited Note (b)	Hong Kong 15 October 2009	HK$100	—	100	Investment holding
Tai Hing Worldwide Development Limited Note (b) ("THD")	Hong Kong 2 January 2001	HK$10,000	—	100	Restaurant operation
TeaWood Taiwanese Dining Bar Limited Note (b) ("TWD")	Hong Kong 31 July 2012	HK$100	—	100	Restaurant operation
Tokyo Tsukiji Ramen Limited Note (b)	Hong Kong 1 November 2010	HK$100	—	100	Restaurant operation
Total Charm Limited Note (b)	Hong Kong 5 August 2010	HK$100	—	100	Licence holding
VIET Corner Limited Note (b)	Hong Kong 5 August 2016	HK$100	—	100	Restaurant operation
Wealthy Grace Investment Limited Note (b)	Hong Kong 11 September 2015	HK$100	—	100	Investment holding
Well Champ International Development Limited Note (b), (c)	Hong Kong 5 July 2015	HK$100	—	100	Investment holding
東莞永富食品有限公司 Note (h)	The People's Republic of China (The "PRC") 13 May 1991	HK$101,350,000	—	100	Food factory
太興飲食管理(中國)有限公司 Note (d)	The PRC 22 June 2009	HK$88,000,000	—	100	Restaurant operation

Company name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣州太興餐飲管理有限公司 Notes (j), (k)	The PRC 18 January 2011	RMB1,000,000	—	100	Restaurant operation
南寧太興餐飲管理有限公司 Notes (e), (j)	The PRC 3 August 2012	RMB1,000,100	—	100	Restaurant operation
上海太興餐飲管理有限公司 Notes (j), (k)	The PRC 18 May 2010	RMB1,000,000	—	100	Restaurant operation
杭州太興餐飲管理有限公司 Notes (j), (k)	The PRC 8 April 2013	RMB1,000,000	—	100	Restaurant operation
鄭州太興餐飲管理有限公司 Notes (j), (k)	The PRC 11 February 2014	RMB100,000	—	100	Restaurant operation
北京太興餐飲管理有限公司 Notes (j), (k)	The PRC 17 June 2010	RMB1,000,000	—	100	Restaurant operation
天津太興餐飲管理有限公司 Note (f)	The PRC 22 November 2011	RMB1,000,000	—	100	Restaurant operation
惠州太興餐飲管理有限公司 Note (e)	The PRC 17 March 2017	RMB100,000	—	100	Restaurant operation
濟南太興餐飲服務有限公司 Notes (j), (k)	The PRC 24 June 2011	RMB2,050,000	—	100	Restaurant operation
青島太興餐飲管理有限公司 Notes (j), (k)	The PRC 26 March 2015	RMB100,000	—	100	Restaurant operation
瀋陽太興餐飲管理有限公司 Notes (g), (j)	The PRC 25 March 2011	RMB1,050,000	—	100	Restaurant operation
鞍山太興餐飲管理有限公司 Notes (i)	The PRC 4 December 2018	RMB100,000	—	100	Restaurant operation
廣州靠得住餐飲有限公司 Note (i)	The PRC 3 January 2017	HK$1,000,000	—	100	Restaurant operation
深圳靠得住餐飲管理有限公司 Note (i)	The PRC 28 June 2017	RMB100,000	—	100	Restaurant operation
上海靠得住餐飲管理有限公司 Note (i)	The PRC 14 June 2018	RMB100,000	—	100	Restaurant operation
杭州靠得住餐飲管理有限公司 Note (i)	The PRC 6 June 2018	RMB100,000	—	100	Restaurant operation
北京靠得住餐飲管理有限公司 Note (i)	The PRC 1 August 2018	RMB100,000	—	100	Restaurant operation
茶木餐飲管理(深圳)有限公司 Note (d)	The PRC 17 October 2014	HK$14,000,000	—	100	Restaurant operation
廣州茶木餐飲管理有限公司 Notes (j), (k)	The PRC 15 December 2014	RMB100,000	—	100	Restaurant operation
深圳得好勵投資諮詢有限公司 Note (d)	The PRC 23 June 2010	HK$15,000,000	—	100	Property holding
新世代餐飲管理(深圳)有限公司 Note (d)	The PRC 23 June 2010	HK$41,000,000	—	100	Restaurant operation
錦麗餐飲管理(深圳)有限公司 Note (i)	The PRC 29 November 2017	HK$1,000,000	—	100	Restaurant operation
廣州錦麗餐飲管理有限公司 Notes (i), (m)	The PRC 11 July 2018	RMB100,000	—	100	Restaurant operation
杭州錦麗飲食管理有限公司 Notes (i), (m)	The PRC 15 February 2019	RMB100,000	—	100	Restaurant operation
東莞太興餐飲管理有限公司 Notes (i), (m)	The PRC 22 February 2019	HK$8,000,000	-	100	Idle for future use
瀋陽靠得住餐飲管理有限公司 Note (i), (m)	The PRC 25 March 2019	RMB100,000	-	100	Restaurant operation
Men Wah Catering Management Limited Note (i)	Hong Kong 20 March 2019	HK$100	—	100	Investment holding
T-Factory Concept Limited Note (i)	Hong Kong 20 March 2019	HK$100	—	100	Idle for future use
台灣太興餐飲股份有限公司 Note (1)	Taiwan 11 April 2019	NTD15,000,000	—	51	Restaurant operation

Notes:

(a) No statutory financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their countries/jurisdictions of incorporation.

(b) The statutory financial statements of these entities for each of the year/period ended 31 December 2016 and/or 2017 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young (certified public accountants registered in Hong Kong).

(c) On 4 September 2018, the entire equity interests in these companies were acquired by Tai Hing Group Holdings (BVI) Limited (note 2.1).

(d) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of these entities for the years ended 31 December 2016 and 2017 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 深圳華碩會計師事務所 (certified public accountants registered in the PRC).

(e) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of these entities for the year ended 31 December 2017 prepared under the PRC GAAP were audited by 深圳華碩會計師事務所.

(f) This entity is registered as a wholly-foreign-owned enterprise under the laws of the "PRC". The statutory financial statements of this entity for the year ended 31 December 2016 and 2017 prepared under the PRC GAAP were audited by 北京東審鼎正國際會計師事務所有限責任公司 (certified public accountants registered in the PRC).

(g) This entity is registered as wholly-foreign-owned enterprises under the laws of the "PRC". The statutory financial statements of this entity for the year ended 31 December 2017 prepared under the PRC GAAP were audited by 北京東審鼎正國際會計師事務所有限責任公司.

(h) On 30 November 2016, the Group entered into a sale and purchase agreement with a third party to acquire 100% equity interest of the entity. The transaction was accounted for as acquisition of assets and liabilities rather than as a business combination. Details of the acquisition were set out in note 34 to the Historical Financial Information. The statutory financial statements of this entity for each of the years ended 31 December 2016 and 2017 prepared under PRC GAAP were audited by Guangdong CCAT certified Public Accountants Limited Company (certified public accountants registered in the PRC).

(i) No statutory financial statements have been prepared for these entities since their incorporation.

(j) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". No statutory financial statements have been prepared for these entities for the year ended 31 December 2016.

(k) These entities are registered as wholly-foreign-owned enterprises under the laws of the "PRC". No statutory financial statements have been prepared for these entities for the year ended 31 December 2017.

(l) The share capital structure of the subsidiaries incorporated in the BVI or Hong Kong refer to their issued shares. The share capital structure of the subsidiaries incorporated in Macau and Taiwan or established in the PRC refer to their registered capital.

(m) The share capital of these entities were not fully paid-up up to the date of this report.

2.1 BASIS OF PRESENTATION

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$115,887,000. The current liabilities as at 31 December 2018 mainly consisted of trade payables of HK$110,468,000, other payables and accruals of HK$216,870,000 and interest-bearing bank borrowings of approximately HK$112,357,000, which were mainly used for financing purchases of non-current assets. Based on the Group's operating history and financial resources available to the Group to meet working capital requirements, the Directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The Historical Financial Information does not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 December 2017 except for the companies listed in note 1(c) to the Historical Financial Information, which became subsidiaries of the Company on 4 September 2018. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, including HKFRS 15 *Revenue from Contracts with Customers* and related amendments to HKFRS 15 *Clarifications to HKFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Company and its subsidiaries (collectively referred to as the "Group") in the preparation of the Historical Financial Information and are consistently applied throughout the Track Record Periods, except that HKFRS 9 *Financial Instruments* ("HKFRS 9") is adopted by the Group prospectively from 1 January 2018 as the standard does not allow the use of hindsight if it is applied retrospectively.

The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of HKFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018.

The Group has assessed the effects of adoption of HKFRS 9 on its financial statements and it considered that the adoption did not have a significant impact on its financial position and results of operations.

The Historical Financial Information has been prepared under the historical cost convention except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value.

The principal effects of adopting HKFRS 9 are as follows.

HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. Differences arising from the adoption of HKFRS 9 (if any) have been recognised directly in retained earnings as of 1 January 2018.

Changes to classification and measurement

To determine the classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets (fair value through profit or loss, available-for-sale, held-to-maturity and loans and receivables) have been replaced by:

(a) Financial assets at amortised cost

(b) Debt investments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition

(c) Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition

(d) Financial assets at fair value through profit or loss

The accounting of financial liabilities remains largely the same as it was under HKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

The Group's classification of its financial assets and liabilities is explained in note 3.

Changes to the impairment calculation

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Details of the Group's impairment method are disclosed in note 3.

There were no significant changes for the Group's financial assets and financial liabilities on the classification and impairment on 1 January 2018, the Group's date of initial application of HKFRS 9.

Subsidiaries and consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except as further explained in note 2.1 to the Historical Financial Information regarding business combination under common control, the results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 38 to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$928,431,000. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$1,402,164,000 and lease liabilities of HK$1,402,164,000 will be recognised at 1 January 2019, and the recognition of right-of-use assets and lease liabilities in the consolidated statement of financial position will materially affect certain items on statement of financial position of the Group, resulting in a potential increase in net current liabilities. As for the financial performance impact in the consolidated statement of profit or loss and other comprehensive income, rental and related expenses will decrease, while depreciation and amortisation expenses and finance costs will increase and will not have material impact on the overall financial results of the Group over the entire lease terms of the lease contracts.

The adoption of other revised HKFRSs is not expected to have significant financial effect on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations (other than those under common control)

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Fair value measurement

The Group measures its equity investments at fair value at the end of each of the Track Record Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease term
Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licences

Purchased Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a non-equity financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchase and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement (applicable for periods beginning on 1 January 2018)

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKFRS 9 applicable before 1 January 2018)

Initial recognition and measurement

For the Track Record Periods before 1 January 2018, financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the profit or loss in other expenses.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectable of recovering the contractual cash flows.

Simplified approach

For trade receivables, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related companies and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants and subsidies

Government grants and subsidies are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant and subsidy relate to an expense item, they are recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services on the following bases:

(a) from restaurant operation, when catering services have been provided to customers;

(b) from sale of food products, when control of the goods has been transferred when the products are accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect customer's acceptance of the products;

Revenue from other sources

(a) royalty income, on an accrual basis in accordance with the terms and conditions of the franchise agreements, based on a certain percentage of net sales of franchised restaurants for use of the "Tai Hing" trademark;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customers, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the subsidiaries of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Full-time employees of the Group in Macau are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the memorandum and bye-laws of the relevant companies grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year/reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets were HK$14,700,000, HK$16,289,000 and HK$19,741,000 as at 31 December 2016, 2017 and 2018, respectively (note 31).

Depreciation of property, plant and equipment

The Group depreciates the different classes of property, plant and equipment on a straight-line basis at applicable depreciation rates over the estimated useful life. The useful life is estimated with reference to the wear and tear history of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The carrying amounts of property, plant and equipment were HK$721,674,000, HK$743,305,000 and HK$802,799,000 as at 31 December 2016, 2017 and 2018, respectively (note 14).

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax liability

Deferred tax liability relating to withholding tax of undistributed earnings of certain subsidiaries established in the PRC is provided to the extent that it is probable that distribution is made according to the relevant tax rules enacted in the relevant jurisdiction, and is subject to management's judgement on the timing and level of such distribution. Such judgement is made with reference to the Group's business plan and cash flow requirements for the holding companies of the subsidiaries. The carrying amount of deferred tax liability provided relating to such withholding tax amounted to HK$4,749,000, HK$7,447,000 and HK$4,797,000 as at 31 December 2016, 2017 and 2018, respectively (note 31).

Provision for reinstatement cost

The Group determines the estimated reinstatement costs of items of property, plant and equipment arising from leasing of properties. The estimate is based on historical experience of the actual reinstatement costs incurred with reference to quoted price and/or other available information. Management will reassess the provision at the end of each reporting period, take into consideration of size, shape topography and the complexity of the structure of each restaurant. The carrying amount of such provision amounted to HK$30,260,000, HK$34,947,000 and HK$42,132,000 as at 31 December 2016, 2017 and 2018, respectively (note 28).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation and management of restaurants.

For management purposes, the Group is organised into business units based on geographical areas and has two reportable operating segments as follows:

(i) the Hong Kong and Macau segment is engaged in the operation of restaurants, and sale of food products; and

(ii) the Mainland China segment is engaged in the operation of restaurants.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, finance costs, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude, deferred tax assets, tax recoverable, balances with a director, related companies and related parties, an intangible asset and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and balances with related companies as these liabilities are managed on a group basis.

Geographical information

For the years ended 31 December 2016, 2017 and 2018

	Hong Kong and Macau			Mainland China			Total		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue									
Sales to external customers*	1,833,842	2,102,396	2,428,111	679,128	668,881	697,942	2,512,970	2,771,277	3,126,053
Intersegment sales	—	—	—	—	—	1,249	—	—	1,249
Revenue	1,833,842	2,102,396	2,428,111	679,128	668,881	699,191	2,512,970	2,771,277	3,127,302
Reconciliation:									
Elimination of intersegment sales							—	—	(1,249)
							2,512,970	2,771,277	3,126,053
Segment results	208,216	220,847	393,710	45,863	56,871	(5,039)	254,079	277,718	388,671
Reconciliation:									
Interest income from related companies							10,240	12,434	1,181
Finance costs							(16,587)	(19,611)	(21,203)
Listing expenses							—	—	(10,973)
Profit before tax							247,732	270,541	357,676
Segment assets	975,255	1,076,959	759,079	273,408	396,518	374,738	1,248,663	1,473,477	1,133,817
Reconciliation:									
Corporate and other unallocated assets							998,137	260,910	265,390
Total assets							2,246,800	1,734,387	1,399,207
Segment liabilities	277,520	308,654	349,005	120,682	125,411	121,631	398,202	434,065	470,636
Reconciliation:									
Corporate and other unallocated liabilities							982,548	1,102,662	562,526
Total liabilities							1,380,750	1,536,727	1,033,162
Other segment information									
Depreciation and amortisation	70,828	85,770	97,925	58,167	47,626	49,888	128,995	133,396	147,813
Loss on disposal of items of property, plant and equipment	1,326	1,970	2,754	89	1,047	3,858	1,415	3,017	6,612
Loss on disposal of an investment property	—	2,275	—	—	—	—	—	2,275	—
Gain on disposal of non-current assets classified as held for sale	—	—	(162,614)	—	—	—	—	—	(162,614)
Capital expenditure**	178,020	237,981	117,918	116,053	66,618	114,360	294,073	304,599	232,278
Non-current assets***	886,962	618,217	652,080	239,166	298,231	310,678	1,126,128	916,448	962,758
Fair value (gain)/loss on investment properties	981	2,542	—	—	(322)	(24)	981	2,220	(24)
Impairment of items of property, plant and equipment	650	—	—	11,063	2,646	2,070	11,713	2,646	2,070
Compensations of early termination of tenancy agreements	—	(8,529)	—	—	—	—	—	(8,529)	—

* The revenue information above is based on the locations of the customers.

** Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties and other intangible assets including assets from the acquisition of subsidiaries.

*** The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue from contracts with customers			
(i) **Disaggregated revenue information**			
Type of goods or services			
Revenue from restaurant operations	2,454,686	2,711,956	3,061,670
Revenue from the sale of food products	58,284	59,321	64,383
Total revenue from contracts with customers	2,512,970	2,771,277	3,126,053
Geographical markets			
Hong Kong and Macau	1,833,842	2,102,396	2,428,111
Mainland China	679,128	668,881	697,942
Total revenue from contracts with customers	2,512,970	2,771,277	3,126,053
Timing of revenue recognition			
At a point in time	2,512,970	2,771,277	3,126,053

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue recognised that was included in the contract liabilities at the beginning of the year			
— Restaurant operation	38,781	40,387	45,462

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally less than one month.

Sale of food products

The performance obligation is satisfied upon acceptance of the products by the customers with immediate payment. The Group's trading terms with its customers are mainly on cash, credit card settlement and on credit. The credit period is generally one to two months.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Revenue from other sources			
Other income and gains, net			
Interest income from related companies	10,240	12,456	1,181
Bank interest income	238	1,035	1,750
Rental income	8,722	7,130	2,694
Royalty income	5,819	6,658	5,538
Subsidies received from utility companies for purchases of items of property, plant and equipment*	1,683	2,217	2,705
Government grant	—	310	374
Cash coupon forfeited	1,883	1,954	1,106
Compensations of early termination of tenancy agreements	—	8,529	—
Fair value gain on investment properties, net *(note 16)*	981	2,220	24
Gain on disposal of subsidiaries *(note 35)*	—	—	472
Gain on deregistration of a subsidiary	1,605	—	1,270
Others	1,768	3,187	3,172
	32,939	45,696	20,286

* As at 31 December 2016, 2017 and 2018, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
		2016	2017	2018
	Notes	HK$'000	HK$'000	HK$'000
Cost of materials consumed		735,162	787,030	887,062
Depreciation	14	128,891	132,778	147,180
Amortisation of land lease payments	15	39	463	476
Amortisation of an intangible asset	17	65	155	157
Minimum lease payments under operating leases		288,709	332,101	367,951
Contingent rents under operating leases*		15,163	14,784	20,985
Auditor's remuneration		1,491	1,624	2,400
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 9)*):				
Salaries, allowances and benefits in kind		695,463	798,390	954,191
Pension scheme contributions		38,725	47,847	65,372
		734,188	846,237	1,019,563
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		125	128	77
Foreign exchange differences, net**		(1,315)	(307)	(285)
Impairment of items of property, plant and equipment	14	11,713	2,646	2,070
Bad debt written off		634	—	—
Loss on disposal of items of property, plant and equipment		1,415	3,017	6,612
Loss on disposal of an investment property		—	2,275	—
Gain on disposal of non-current assets classified as held for sale	26	—	—	(162,614)
Fair value loss/(gain) on financial assets at fair value through profit or loss		(239)	(433)	132
Listing expenses		—	—	10,973

* Contingent rents under operating leases are included in "Rental and related expenses" in profit or loss.

** Foreign exchange differences, net are included in "Other income and gains, net" in profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Interest on bank borrowings	16,587	19,611	21,203

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive or independent non-executive directors at any time during the years ended 31 December 2016, 2017 and 2018.

On 11 December 2017, Mr. Chan Wing On was appointed as an executive director of the Company. On 14 December 2018, Mr. Yuen Chi Ming, Mr. Lau Hon Kee and Ms. Chan Shuk Fong were appointed as executive directors of the Company, and Mr. Ho Ping Kee was appointed as a non-executive director of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or officers of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	8,150	10,997	11,649
Performance-related bonuses	1,443	1,603	1,966
Pension scheme contributions	72	72	72
	9,665	12,672	13,687
Total	9,665	12,672	13,687

(a) Independent non-executive directors

No independent non-executive directors were appointed and there were no fees and other emoluments payable to the independent non-executive directors during the Track Record Periods.

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016					
Executive directors					
Chan Wing On	—	4,555	488	18	5,061
Yuen Chi Ming	—	1,249	244	18	1,511
Lau Hon Kee	—	940	244	18	1,202
Chan Shuk Fong	—	1,406	467	18	1,891
	—	8,150	1,443	72	9,665
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	8,150	1,443	72	9,665
Year ended 31 December 2017					
Executive directors					
Chan Wing On	—	6,447	540	18	7,005
Yuen Chi Ming	—	1,463	270	18	1,751
Lau Hon Kee	—	1,205	270	18	1,493
Chan Shuk Fong	—	1,882	523	18	2,423
	—	10,997	1,603	72	12,672
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	10,997	1,603	72	12,672
Year ended 31 December 2018					
Executive directors					
Chan Wing On	—	6,614	849	18	7,481
Yuen Chi Ming	—	1,523	262	18	1,803
Lau Hon Kee	—	1,243	262	18	1,523
Chan Shuk Fong	—	2,269	593	18	2,880
	—	11,649	1,966	72	13,687
Non-executive director					
Ho Ping Kee	—	—	—	—	—
	—	11,649	1,966	72	13,687

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods.

During the Track Record Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017 and 2018, included 2 directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three non-director, highest paid employees during the years ended 31 December 2016, 2017, and 2018 are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Salaries, allowances and benefits in kind	4,870	7,674	8,512
Performance related bonuses	1,265	1,566	1,324
Pension scheme contributions	89	139	144
	6,224	9,379	9,980

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Year ended 31 December		
	2016	**2017**	**2018**
HK$3,500,001 to HK$4,000,000	—	1	1
HK$3,000,001 to HK$3,500,000	—	1	1
HK$2,500,001 to HK$3,000,000	—	1	1
HK$2,000,001 to HK$2,500,000	2	—	—
HK$1,500,001 to HK$2,000,000	1	—	—
	3	3	3

During the Track Record Periods, no emoluments were paid by the Group to any of the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Track Record Periods. PRC tax and Macau tax have been provided at the rate of 25% and 12% on the estimated profits arising in the PRC and Macau for each of the Track Record Periods, respectively.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Current — Hong Kong			
Charge for the year	33,988	44,301	48,800
Underprovision/(overprovision) in prior years	(40)	353	198
Current — elsewhere	15,517	17,476	10,267
Deferred *(note 31)*	1,388	(1,222)	(6,523)
Total tax charge for the year	50,853	60,908	52,742

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before tax	247,732	270,541	357,676
Tax at the statutory rates of different jurisdictions	44,840	49,906	58,486
Adjustments in respect of current tax of previous years	(40)	353	198
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	1,298	2,400	(2,473)
Income not subject to tax	(406)	(634)	(29,341)
Expenses not deductible for tax	3,825	3,962	11,535
Tax losses utilised from previous years	(1,452)	(613)	(709)
Tax losses not recognised	1,756	5,306	11,434
Others	1,032	228	3,612
Tax charge at the Group's effective tax rate (2016: 20.5%; 2017: 22.5%; 2018: 14.7%)	50,853	60,908	52,742

12. DIVIDENDS

The dividends declared/paid by the Company and the Company's subsidiaries to the then shareholders during the Track Record Periods were as follows:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Interim dividends paid by the Company	—	—	20,000
Interim dividends paid by the Company's subsidiaries	14,000	891,400	102,600
	14,000	891,400	122,600

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Periods on a consolidated basis as disclosed in note 2.1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	343,433	532,957	132,319	16,270	—	1,024,979
Accumulated depreciation	(48,556)	(275,482)	(68,950)	(10,354)	—	(403,342)
Accumulated impairment	—	(5,002)	(843)	—	—	(5,845)
Net carrying amount	294,877	252,473	62,526	5,916	—	615,792
At 1 January 2016, net of accumulated depreciation and impairment	294,877	252,473	62,526	5,916	—	615,792
Additions	106,870	90,399	32,974	6,126	566	236,935
Acquisition of subsidiaries *(note 34)*	34,881	—	64	—	—	34,945
Disposals	—	(6,360)	(650)	(91)	—	(7,101)
Impairment *(note 7)*	—	(9,130)	(2,550)	(33)	—	(11,713)
Depreciation *(note 7)*	(10,469)	(89,663)	(25,093)	(3,666)	—	(128,891)
Transfer from investment properties *(note 16)*	9,695	—	—	—	—	9,695
Transfer to investment properties *(note 16)*	(17,424)	—	—	—	—	(17,424)
Exchange realignment	(3,201)	(6,046)	(1,184)	(109)	(24)	(10,564)
At 31 December 2016, net of accumulated depreciation and impairment	415,229	231,673	66,087	8,143	542	721,674
At 31 December 2016:						
Cost	479,606	557,750	153,298	21,519	542	1,212,715
Accumulated depreciation	(64,377)	(316,947)	(84,661)	(13,343)	—	(479,328)
Accumulated impairment	—	(9,130)	(2,550)	(33)	—	(11,713)
Net carrying amount	415,229	231,673	66,087	8,143	542	721,674

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	479,606	557,750	153,298	21,519	542	1,212,715
Accumulated depreciation	(64,377)	(316,947)	(84,661)	(13,343)	—	(479,328)
Accumulated impairment	—	(9,130)	(2,550)	(33)	—	(11,713)
Net carrying amount	415,229	231,673	66,087	8,143	542	721,674
At 1 January 2017, net of accumulated depreciation and impairment	415,229	231,673	66,087	8,143	542	721,674
Additions	97,723	141,036	33,616	3,337	28,887	304,599
Disposals	(14,989)	(2,488)	(1,330)	(247)	—	(19,054)
Impairment *(note 7)*	—	(2,606)	(40)	—	—	(2,646)
Depreciation *(note 7)*	(14,839)	(89,002)	(25,125)	(3,812)	—	(132,778)
Transfer from investment properties *(note 16)*	10,075	—	—	—	—	10,075
Transfer to investment properties *(note 16)*	(10,026)	—	—	—	—	(10,026)
Transfer to non-current assets classified as held for sale	(138,545)	—	—	—	—	(138,545)
Transfer	—	—	2,777	—	(2,777)	—
Exchange realignment	3,754	4,316	1,149	62	725	10,006
At 31 December 2017, net of accumulated depreciation and impairment	348,382	282,929	77,134	7,483	27,377	743,305
At 31 December 2017:						
Cost	400,249	658,214	185,032	23,549	27,377	1,294,421
Accumulated depreciation	(51,867)	(372,679)	(107,858)	(16,066)	—	(548,470)
Accumulated impairment	—	(2,606)	(40)	—	—	(2,646)
Net carrying amount	348,382	282,929	77,134	7,483	27,377	743,305

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	400,249	658,214	185,032	23,549	27,377	1,294,421
Accumulated depreciation	(51,867)	(372,679)	(107,858)	(16,066)	—	(548,470)
Accumulated impairment	—	(2,606)	(40)	—	—	(2,646)
Net carrying amount	348,382	282,929	77,134	7,483	27,377	743,305
At 1 January 2018, net of accumulated depreciation and impairment	348,382	282,929	77,134	7,483	27,377	743,305
Additions	—	145,287	65,231	2,406	19,354	232,278
Disposals	—	(6,882)	(3,884)	(605)	—	(11,371)
Disposal of subsidiaries *(note 35)*	(8,139)	—	—	—	—	(8,139)
Impairment *(note 7)*	—	(2,070)	—	—	—	(2,070)
Depreciation *(note 7)*	(12,652)	(102,398)	(28,057)	(4,073)	—	(147,180)
Transfer from investment properties *(note 16)*	6,993	—	—	—	—	6,993
Transfer	—	8,122	10,718	—	(18,840)	—
Exchange realignment	(2,678)	(4,661)	(2,622)	(40)	(1,016)	(11,017)
At 31 December 2018, net of accumulated depreciation and impairment	331,906	320,327	118,520	5,171	26,875	802,799
At 31 December 2018:						
Cost	403,610	758,579	231,386	23,318	26,875	1,443,768
Accumulated depreciation	(71,704)	(433,743)	(112,866)	(18,147)	—	(636,460)
Accumulated impairment	—	(4,509)	—	—	—	(4,509)
Net carrying amount	331,906	320,327	118,520	5,171	26,875	802,799

During the years ended 31 December 2016 and 2017, leasehold land and buildings with carrying amounts of HK$17,424,000 and HK$10,026,000, respectively, were transferred to investment properties as a result of change in use from owner-occupied to rental purposes (note 16).

At 31 December 2016 and 2017 and 2018, the Group's building with carrying amount of approximately HK$207,073,000, HK$202,268,000 and HK$272,162,000, respectively, were pledged to secure general banking facilities granted to the Group (note 30).

As at 31 December 2016, 2017 and 2018, the Group's management identified certain restaurants which continued to underperform and the estimated corresponding recoverable amounts of their property, plant and equipment. Based on these estimates, an impairment loss of HK$11,713,000, HK$2,646,000 and HK$2,070,000 were recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amount of nil, nil and nil as at 31 December 2016, 2017 and 2018 respectively.

15. PREPAID LAND LEASE PAYMENTS

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Carrying amount at the beginning of the year	—	13,878	14,083
Acquisition of subsidiaries *(note 34)*	14,143	—	—
Recognised during the year *(note 7)*	(39)	(463)	(476)
Exchange realignment	(226)	668	(495)
Carrying amount at the end of the year	13,878	14,083	13,112
Current portion included in prepayments, deposits and other receivables	(452)	(475)	(457)
Non-current portion	13,426	13,608	12,655

16. INVESTMENT PROPERTIES

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January	239,067	290,626	18,027
Additions	7,273	—	—
Transfer from property, plant and equipment *(note 14)*	17,424	10,026	—
Fair value upon reclassification from property, plant and equipment	35,576	1,044	—
Disposal	—	(53,500)	—
Transfer to property, plant and equipment *(note 14)*	(9,695)	(10,075)	(6,993)
Transfer to non-current assets classified as held for sale *(note 26)*	—	(222,600)	—
Net gain from fair value adjustments *(note 6)*	981	2,220	24
Exchange realignment	—	286	(403)
	290,626	18,027	10,655

The Group's investment properties as of 31 December 2016, 2017 and 2018 consisted of 5, 1 and 1 commercial and 3, 1 and nil industrial properties, respectively, all of which are situated in Hong Kong and Mainland China and are held under medium to long term leases. The Directors have determined that during each of the year ended 31 December 2016, 2017 and 2018, the investment properties consisted of 2, 2 and 1 classes of assets, respectively, based on the nature, characteristics and risks of each property as set out below.

The Group's investment properties were revalued on 31 December 2016, 2017 and 2018 based on valuations performed by two independent professionally qualified valuers, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at aggregate balances of HK$290,626,000, HK$18,027,000 and HK$10,655,000, respectively. Each year, the Group's finance director decides, after approval from the directors, to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuers on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

At 31 December 2016, 2017 and 2018, the Group's investment properties with an aggregate carrying value of HK$274,050,000, nil and nil were pledged to secure general banking facilities granted to the Group (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	274,050	274,050
Industrial	—	—	16,576	16,576
	—	—	290,626	290,626

	Fair value measurement as at 31 December 2017 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	11,034	11,034
Industrial	—	—	6,993	6,993
	—	—	18,027	18,027

	Fair value measurement as at 31 December 2018 using			
	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Commercial	—	—	10,655	10,655

During the years ended 31 December 2016, 2017 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Notes	Commercial properties HK$'000	Industrial properties HK$'000	Total HK$'000
Carrying amount at 1 January 2016		225,050	14,017	239,067
Additions		148	7,125	7,273
Transfer from property, plant and equipment	14	53,000	—	53,000
Transfer to property, plant and equipment	14	(5,600)	(4,095)	(9,695)
Net gains from fair value adjustments recognised in profit or loss	6	1,452	(471)	981
Carrying amount at 31 December 2016 and 1 January 2017		274,050	16,576	290,626
Disposal		(53,500)	—	(53,500)
Transfer from property, plant and equipment	14	11,070	—	11,070
Transfer to property, plant and equipment	14	—	(10,075)	(10,075)
Transfer to non-current asset classified as held for sale	26	(222,600)	—	(222,600)
Net gains from fair value adjustments recognised in profit or loss	6	1,728	492	2,220
Exchange realignment		286	—	286
Carrying amount at 31 December 2017 and 1 January 2018		11,034	6,993	18,027
Transfer to property, plant and equipment	14	—	(6,993)	(6,993)
Net gains from fair value adjustments recognised in profit or loss	6	24	—	24
Exchange realignment		(403)	—	(403)
Carrying amount at 31 December 2018		10,655	—	10,655

During the years ended 31 December 2016 and 2017, certain leasehold land and buildings were transferred from property, plant and equipment as a result of change in use from owner-occupied to for rental purposes (note 14). Such leasehold land and buildings were revalued as at the date of transfer at HK$53,000,000 and HK$11,070,000, respectively, resulting in fair value gain on revaluation of HK$35,576,000 and HK$1,044,000 respectively for the years ended 31 December 2016 and 2017.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average	Sensitivity of fair value to the input
Commercial	Direct comparison method	Market price (per square feet)	2016: HK$14,386 to HK$38,226; 2017: HK$6,046; 2018: HK$5,839	5% increase/(decrease) in market price per square feet would result in increase/(decrease) in fair value by HK$13,703,000, HK$552,000 and HK$533,000 as at 31 December 2016, 2017 and 2018, respectively
Industrial	Direct comparison method	Market price (per square feet)	2016: HK$4,414 to HK$4,714; 2017: HK$5,550; 2018: Nil	5% increase/(decrease) in fair value would result in increase/(decrease) in fair value by HK$829,000, HK$350,000 and Nil as at 31 December 2016, 2017 and 2018, respectively

Under the direct comparison method, fair value is estimated by making reference to the comparable market transactions as available. This method involves the identification of the highest and best use of the property, identification of comparable sales and adjustment of the comparable sales values to reflect their superior and inferior characteristics to the investment properties held by the Group. Factors to be considered in making the adjustments include the size, shape topography and location of the comparable sales.

The key input was the market price per square feet, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment property.

17. INTANGIBLE ASSET

	Licenses
	HK$'000
31 December 2016	
At 1 January 2016	—
Additions	777
Amortisation provided during the year *(note 7)*	(65)
At 31 December 2016, net of accumulated amortisation	712
At 31 December 2016	
Cost	777
Accumulated amortisation	(65)
Net carrying amount	712
31 December 2017	
At 1 January 2017	712
Amortisation provided during the year *(note 7)*	(155)
At 31 December 2017, net of accumulated amortisation	557
At 31 December 2017	
Cost	777
Accumulated amortisation	(220)
Net carrying amount	557
31 December 2018	
At 1 January 2018	557
Amortisation provided during the period *(note 7)*	(157)
At 31 December 2018, net of accumulated amortisation	400
At 31 December 2018	
Cost	777
Accumulated amortisation	(377)
Net carrying amount	400

18. INVENTORIES

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Food and beverages, and other operating items for restaurant operations	39,709	39,157	56,555

19. TRADE RECEIVABLES

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade receivables	8,127	19,327	18,700

The Group's trading terms with its customers are mainly on cash and credit card settlement. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Track Record Periods based on the invoice date, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Within 1 month	4,117	7,425	11,924
1 to 2 months	1,665	9,716	5,764
2 to 3 months	358	375	286
Over 3 months	1,987	1,811	726
	8,127	19,327	18,700

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all above bands of trade receivables.

Impairment under HKAS 39 for the year ended 31 December 2016 and 2017

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2016	**2017**
	HK$'000	**HK$'000**
Neither past due nor impaired	3,376	7,936
Less than 1 month past due	2,685	9,456
1 to 3 months past due	79	460
Over 3 months past due	1,987	1,475
	8,127	19,327

Receivables that were neither past due nor impaired mainly relate to credit card receivables from banks for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments	37,117	64,295	53,935
Deposits and other receivables	133,864	156,923	177,667
	170,981	221,218	231,602
Less: Non-current portion	(99,690)	(140,951)	(136,249)
Current portion	71,291	80,267	95,353

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The expected credit losses for the Group's deposits and other receivable is minimal.

21. BALANCES WITH RELATED COMPANIES/ PARTIES

Loan to related companies

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Magic Top Limited	3,000	3,000	3,000	3,000	—	—	—
Bumper Gold Limited	12,270	12,270	8,950	8,950	—	—	—
Ever Beauty Limited	13,603	13,603	12,300	12,300	—	—	—
Welly Profit Development Limited	5,736	5,736	4,957	4,957	—	—	—
Win Long Development Limited	6,329	6,329	5,469	5,469	—	—	—
Beauty Capital Investment Limited	—	25,520	23,224	23,244	—	—	—
	40,938		57,900		—		—

Due from related companies

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Beauty Capital Investment Limited	69,810	69,810	46,586	70,333	—	—	—
Best Option Investments Limited	36	48	42	48	—	—	—
Billion Score Limited	190,112	257,825	190,112	190,119	—	—	—
Billion Success Capital Investment Limited	56,523	56,523	56,523	57,533	—	—	—
Bumper Gold Limited	70,113	70,113	61,163	74,958	—	—	—
Century Sharp Limited	38	38	38	45	—	—	—
Dream Maker Investment Limited	20,394	20,394	20,394	20,975	—	—	—
Ever Beauty Limited	38,024	38,024	25,724	38,457	—	—	—
Glory Wise Limited	20,285	20,285	20,285	21,708	—	—	—
Golden Reward Development Limited	70,772	70,772	70,772	72,184	—	—	—
H.K. Jiaying Development Limited (a)	19	19	19	25	25	32	—
Joy Huge Limited	9,039	9,039	9,039	9,182	—	—	—
Magic Top Limited	67,319	67,319	64,319	70,913	—	—	—
Power Great (Hong Kong) Limited	14	14	14	41,200	—	—	—
Preamble-Six Limited	19,306	19,306	19,306	19,986	—	—	—
Profit Luck International Limited	14,291	14,291	14,291	15,008	—	—	—
Prosper Sign Limited	42	42	42	49	—	—	—
Reward Century Limited	95	95	95	110	110	276	276
Surplus Grand Limited	69,993	90,082	69,993	69,999	—	—	—
SWD Holdings Limited	8,514	8,514	8,514	8,681	—	—	—
Tai Hing Catering Group Limited	49	49	49	75,236	—	—	—
Tai Hing Contemporary Catering Management Co., Limited (b)	8,057	8,057	8,057	8,064	8,064	8,064	—
Tai Hing Holdings Limited	1,387	1,387	1,387	913,781	22,381	364,919	—
Well Asia Limited	42	42	42	39,217	—	—	—
Well Charm (Hong Kong) Limited	14	14	14	26,496	—	—	—
Welly Profit Development Limited	16,071	16,071	11,114	16,359	—	—	—
Win Long Development Limited	17,774	17,774	12,305	17,991	—	—	—
Winner Cheer Limited	3,569	3,569	3,569	35,234	—	—	—
太興現代飲食管理 (深圳)有限公司 (b)	7,633	23,484	23,484	24,210	24,210	26,238	—
嘉紅盈餐飲管理 (深圳)有限公司 (a)	7,512	7,512	7,512	10,800	10,800	10,800	—
廣州至之凱投資諮詢有限公司	—	—	—	—	—	27	26
	786,847		744,804		65,590		302

Notes:

All related companies listed above are controlled by the Controlling Shareholder of the Company's ultimate holding company except for those stated below:

(a) Mr. Chan Wing On, a director of the Company, is a director and controlling shareholder of these companies.

(b) A close family member of Mr. Chan Wing On, a director of the Company, is a director and controlling shareholder of these companies.

Due from related parties

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Chan Ka Keung (c)	—	—	—	244	135	135	—
Mr. Ngai Chun Hung (d)	73	73	18	—	—	—	—
Mr. Lam Tai Po (d)	481	694	657	1,359	1,359	1,359	—
	554		675		1,494		—

Notes:

The related parties represent:

(c) A close family member of Mr. Chan Wing On, a director of the Company.

(d) Shareholders of the Company.

As at 31 December 2016, loans to related companies amounting to HK$57,900,000 were non-trade in nature, unsecured, interest-bearing from HIBOR plus 1.5% to 2.0% or prime rate minus 2.90% per annum and repayable on demand.

As at 31 December 2016 and 2017, except for the amounts due from related companies amounting to HK$347,773,000 and HK$22,381,000, respectively, which were interest-bearing at 2.5% per annum, all other balances with related companies were interest-free. All balances with related companies are non-trade in nature, unsecured and repayable on demand.

As at 31 December 2016 and 2017, the balances with related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

22. DUE FROM A DIRECTOR

The Group's balances due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	As at 1 January 2016	Maximum amount outstanding during the year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Chan Wing On	22,278	23,710	22,880	22,880	11,158	12,066	—

The balances due from a director are unsecured, interest-free and repayable on demand.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity investments, at fair value	4,120	983	851

The above equity investments as at 31 December 2016, 2017 and 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

24. DEBT INVESTMENTS AT AMORTISED COST

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Debt investments, at amortised cost	—	56,707	—

The debt investments at amortised cost represents investment in an unlisted debt instrument, with a principal guaranteed and fixed interest return.

25. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash and bank balances	152,491	164,682	242,162

The cash and bank balances of the Group denominated in Renminbi ("RMB") as at 31 December 2016, 2017 and 2018 amounted to approximately HK$62,660,000, HK$77,553,000 and HK$45,838,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets classified as held for sale	—	361,145	—

On 31 December 2017, the board of certain subsidiaries of the Group considered the market condition as well as offers from potential buyers and decided to dispose of its investment properties amounting to HK$222,600,000 and property, plant and equipment amounting to HK$138,545,000 with aggregate carrying amounts of HK$361,145,000. The related assets were reclassified as held for sale as at 31 December 2017.

During the year ended 31 December 2018, these investment properties and property, plant and equipment were sold to independent third parties for aggregate considerations of HK$206,474,000 and related companies that are controlled by the same shareholders as the Company's ultimate holding company for aggregate considerations of HK$317,285,000 respectively, and a net gain on disposal of HK$162,614,000 was recognised (note 7).

The Group's non-current assets classified as held for sale with an aggregate carrying value of HK$361,145,000 as of 31 December 2017 were pledged to secure general banking facilities granted to the Group (note 30). Such pledge was released upon disposal of the non-current assets.

27. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date as at the end of each of the Track Record Periods, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Within 1 month	67,079	84,340	88,346
1 to 2 months	24,682	17,321	14,103
2 to 3 months	277	1,657	1,427
Over 3 months	5,172	9,968	6,592
	97,210	113,286	110,468

The trade payables are non-interest-bearing and are normally settled on 30-day to 120-day terms.

28. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Other payables and accruals	194,486	178,599	194,825
Deposits received	1,970	1,318	371
Deferred rental expenses	21,730	43,182	47,778
Provision for reinstatement cost *(note)*	30,260	34,947	42,132
	248,446	258,046	285,106
Less: Non-current portion	(50,413)	(66,118)	(68,236)
Current portion	198,033	191,928	216,870

Other payables are non-interest-bearing and have an average term of 30 days to 90 days.

Note:

The movements in the provision for reinstatement during the year are as follows:

	Provision for reinstatement
	HK$'000
At 1 January 2016	26,558
Addition during the year	6,260
Utilised during the year	(2,189)
Exchange realignment	(369)
At 31 December 2016 and 1 January 2017	30,260
Addition during the year	7,295
Utilised during the year	(2,906)
Exchange realignment	298
At 31 December 2017 and 1 January 2018	34,947
Addition during the year	10,199
Utilised during the year	(2,697)
Exchange realignment	(317)
At 31 December 2018	42,132

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical reinstatement costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

29. CONTRACT LIABILITIES

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Contract liabilities in relation to cash coupons	52,546	62,733	75,062

The contract liabilities represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied in relation to the unredeemed cash coupons outstanding as of the end of each of the Track Record Periods. The Group expects the transaction price allocated to the unsatisfied performance obligations to be recognised as revenue when the related cash coupons are redeemed.

The following table shows the revenue recognised in the each of the Track Record Periods related to carried-forward contract liabilities:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the years — Restaurant operation	38,781	40,387	45,462

The following table shows unsatisfied performance obligations as at 31 December 2016, 2017 and 2018 resulting from restaurant operation.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Expected to be recognised within one year	52,546	62,733	75,062

The unsatisfied performance obligations under the cash coupons are expected to be recognised within one year although the coupons generally have a validity period of 24 months to 30 months. This is because there is no restriction on the use of coupons, and the coupon owners can redeem the coupons anytime at their discretion and the Group does not have unconditional right to defer the settlement after twelve months. Accordingly, the contract liabilities are classified as current liabilities.

30. INTEREST-BEARING BANK BORROWINGS

	As at 31 December								
	2016			2017			2018		
	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000	Effective interest rate per annum	Maturity	HK$'000
Current									
Bank loans — secured	1.6%-3.5%	2017 or on demand	889,638	2.5%-3.2%	2018 or on demand	1,019,178	3.6%-3.8%	2019	112,357
Non-Current									
Bank loans — secured			—			—	2.5%-4.2%	2020-2033	424,802
			889,638			1,019,178			537,159

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand	889,638	1,019,178	112,357
In the second year	—	—	106,052
In the third to fifth years, inclusive	—	—	271,249
Beyond five years	—	—	47,501
	889,638	1,019,178	537,159

Notes:

(a) All of the Group's bank loans were secured by:

(i) personal guarantees given by the directors and corporate guarantees given by certain related companies of the Company which will be uplifted upon listing of the shares of the Company on the Stock Exchange of the Hong Kong Limited;

(ii) investment properties with an aggregate net carrying value of approximately HK$274,050,000 as at 31 December 2016 and property, plant and equipment of approximately HK$207,073,000, HK$202,268,000, HK$272,162,000 as at 31 December 2016, 2017 and 2018 respectively;

(iii) non-current asset classified as held for sale with aggregate net carrying value of approximately HK$361,145,000 as at 31 December 2017; and

(iv) investment properties of certain related companies that are controlled by the same shareholders as the Company's ultimate holding company with aggregate net carrying values of approximately HK$825,700,000 and HK$943,838,000 as at 31 December 2016 and 2017, respectively.

(b) All borrowings were in Hong Kong dollars.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the bank loans, the amounts repayable in respect of the Group's interest-bearing bank loans are analysed as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Analysed into:			
Bank loans repayable:			
Within one year	606,095	742,473	112,357
In the second year	84,603	109,953	106,052
In the third to fifth years, inclusive	154,989	145,753	271,249
Beyond five years	43,951	20,999	47,501
	889,638	1,019,178	537,159

31. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Periods are as follows:

Deferred tax assets

	Tax losses	Others	Decelerated tax depreciation	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 January 2016	5,992	4,117	6,054	16,163
Deferred tax credited/(charged) to profit or loss during the year	(885)	1,124	(666)	(427)
Exchange realignment	(273)	(220)	—	(493)
At 31 December 2016 and 1 January 2017	4,834	5,021	5,388	15,243
Deferred tax credited/(charged) to profit or loss during the year	(994)	639	1,956	1,601
Exchange realignment	174	254	—	428
At 31 December 2017 and 1 January 2018	4,014	5,914	7,344	17,272
Deferred tax credited/(charged) to profit or loss during the year	(2,827)	990	4,728	2,891
Exchange realignment	(37)	(255)	—	(292)
At 31 December 2018	1,150	6,649	12,072	19,871

Deferred tax liabilities

	Revaluation of PRC properties	Withholding taxes	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	—	3,716	6,387	10,103
Deferred tax charged/(credited) to profit or loss during the year	—	1,298	(337)	961
Exchange realignment	—	(265)	—	(265)
At 31 December 2016 and 1 January 2017	—	4,749	6,050	10,799
Deferred tax charged/(credited) to profit or loss during the year	469	2,400	(2,490)	379
Exchange realignment	10	298	—	308
At 31 December 2017 and 1 January 2018	479	7,447	3,560	11,486
Deferred tax charged/(credited) to profit or loss during the year	—	(2,473)	(1,159)	(3,632)
Exchange realignment	(18)	(177)	—	(195)
At 31 December 2018	461	4,797	2,401	7,659

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	14,700	16,289	19,741
Net deferred tax liabilities recognised in the consolidated statement of financial position	(10,256)	(10,503)	(7,529)
	4,444	5,786	12,212

The Group had unrecognised tax losses arising in Hong Kong of approximately HK$21,210,000, HK$24,734,000 and HK$30,950,000 as at 31 December 2016, 2017 and 2018, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had unrecognised tax losses arising in Mainland China of approximately HK$85,301,000, HK$101,407,000 and HK$98,420,000 as at 31 December 2016, 2017 and 2018, respectively, that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the Track Record Periods is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, 2017 and 2018, deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. ISSUED CAPITAL

The Company was incorporated on 11 December 2017 with an initial authorised share capital of HK$380,000 divided into 38,000,000 share of a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share was allotted and issued at par by the Company. On 18 December 2017, 99,999 shares were further allotted and issued at par by the Company.

There was no authorised and issued capital as at 31 December 2016 since the Company has not yet been incorporated by that time.

In November 2018, certain of the Company's shareholders transferred some of their equity interest in the Company to certain employees of the Company at fair value. The share transfers were settled by cash. No share-based payment expenses were recognised during the Track Record Periods.

33. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the Track Record Periods are presented in the consolidated statements of changes in equity.

Company

The amounts and movements of the Company's retained profits/(accumulated losses) during the Track Record Periods are as follows:

	Retained profits/ (Accumulated losses)
	HK$'000
At 11 December 2017 (date of incorporation)	—
Net loss and total comprehensive loss for the period	(77)
At 31 December 2017 and 1 January 2018	(77)
Net profit and total comprehensive income for the year	20,109
Dividend paid to the shareholders	(20,000)
At 31 December 2018	32

(a) Capital reserve

Capital reserve represents the contribution from an intermediate holding company with respect to the consideration for the acquisition of a subsidiary in prior years and the transfer from non-controlling interests upon the Group's acquisition of non-controlling interests on 27 December 2017.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

(c) Statutory reserve

In accordance with the Company law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards to their respective statutory reserve until the reserve reaches 50% of their respective registered capital. Subject to certain restrictions set out in the Company law of the PRC, part of the statutory reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the restricted capital.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 30 November 2016, a wholly-owned subsidiary of the Company acquired a 100% equity interest in Bright Rich (China) Limited and its subsidiary from an independent third party, at an aggregate cash consideration of HK$47,500,000. Bright Rich (China) Limited and its subsidiary were dormant and held a property in Mainland China.

The above transaction was accounted for as an acquisition of assets and liabilities because the acquired subsidiaries have not carried out any significant business transactions prior to the date of acquisition.

The net assets acquired in the acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	14	34,945
Prepaid land lease payment	15	14,143
Prepayment, deposits and other receivables		3
Cash and bank balances		14
Other payables and accruals		(1,605)
Net assets		47,500
Satisfied by cash		47,500

An analysis of the cash flows in respect of the acquisition is as follows:

Cash consideration	47,500
Bank balances acquired	(14)
Net outflow of cash and cash equivalents	47,486

35. DISPOSAL OF SUBSIDIARIES

On 9 July 2018, the Group disposed of its 100% equity interest in Spring Market Investments Limited ("Spring Market") to a director of a corporate shareholder, for a consideration of RMB8,000,000 (approximately HK$9,680,000). Spring Market held 100% equity interest of 北京秀慧投資諮詢有限公司, which was engaged in property holding in PRC.

Details of net assets disposed of were as follows:

	Notes	HK$'000
Property, plant and equipment	14	8,139
Prepayment, deposits and other receivables		15
Cash and bank balances		120
Other payables and accruals		(42)
Net assets		8,232
Exchange fluctuation reserve		976
Gain on disposal of a subsidiary	6	472
Total consideration		9,680
Satisfied by cash		9,680

An analysis of the cash flows in respect of the disposal is as follows:

Cash consideration	9,680
Bank balances disposed	(120)
Net inflow of cash and cash equivalents	9,560

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December	
	2016	2017
Percentage of equity interest held by non-controlling interests:		
THD	44.8%	–
TWD	44.8%	–

	Year ended 31 December	
	2016	2017
	HK$'000	HK$'000
Profit for the year allocated to non-controlling interests:		
THD	43,568	43,896
TWD	24,955	31,922
Dividend paid to non-controlling interests:		
THD	6,274	177,655
TWD	–	67,226

	As at 31 December	
	2016	2017
Accumulated balances of non-controlling interests at the reporting date:		
THD	218,633	–
TWD	53,632	–

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	THD	TWD
2016	HK$'000	HK$'000
Revenue	1,294,546	345,507
Total expenses	1,197,332	289,825
Profit for the year	97,214	55,682
Total comprehensive income for the year	97,214	55,682
Current assets	1,474,180	51,259
Non-current assets	144,438	98,053
Current liabilities	1,118,845	22,576
Non-current liabilities	11,937	7,067
Net cash flows from/(used in) operating activities	(68,443)	15,680
Net cash flows used in investing activities	(59,037)	(25,778)
Net cash flows from financing activities	152,215	–
Net increase/(decrease) in cash and cash equivalents	24,735	(10,098)

2017	THD HK$'000	TWD HK$'000
Revenue	1,346,167	483,798
Total expenses	1,251,221	412,570
Profit for the year	97,946	71,228
Total comprehensive income for the year	97,946	71,228
Net cash flows from/(used in) operating activities	(77,678)	29,042
Net cash flows used in investing activities	(54,230)	(27,980)
Net cash flows from financing activities	126,687	–
Net increase/(decrease) in cash and cash equivalents	(5,221)	1,062

37. NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2017 and 2018, three and one of the subsidiaries now comprising the Group distributed interim dividends of HK$876,000,000 and HK$102,600,000, respectively, to the then shareholders of the subsidiaries (note 12). The interim dividends were settled through balances with related companies.

(ii) The Group recognised estimated obligations to dismantle, remove and restore certain items of property, plant and equipment of HK$6,260,000, HK$7,295,000 and HK$10,199,000 as at 31 December 2016, 2017 and 2018 in respect of the premises under operating leases in the Group's property, plant and equipment which had been recorded under other payables and accruals.

(iii) During the year ended 31 December 2018, the Group sold certain non-current assets classified as held for sale to its related companies, at a total consideration of HK$317,285,000. The consideration was settled through current accounts with the related companies.

(iv) During the year ended 31 December 2018, certain related companies of the Group underwent a debt assignment arrangement, the Group's amounts due from related companies and amounts due to related companies, amounting to HK$42,204,000 and HK$42,082,000 respectively, were assigned to a related company of the Group.

(b) Reconciliation of movement of financing activities

	Interest-bearing bank borrowings HK$'000
At 1 January 2016	744,352
New bank borrowings	748,531
Repayment of bank borrowings	(603,245)
At 31 December 2016 and 1 January 2017	889,638
New bank borrowings	655,209
Repayment of bank borrowings	(525,669)
At 31 December 2017 and 1 January 2018	1,019,178
New bank borrowings	779,800
Repayment of bank borrowings	(1,261,819)
At 31 December 2018	537,159

38. CONTINGENT LIABILITIES

At the end of each of the Track Record Periods, contingent liabilities not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Guarantees given to banks in connection with related companies *(note)*	74,596	88,391	60,853
Bank guarantees in favour of landlords in lieu of deposits	7,694	8,900	15,676

Note:

The banking facilities granted to related companies subject to guarantees given to banks by the Group were utilised to the extent of approximately HK$74,596,000, HK$88,391,000 and HK$60,853,000 as at 31 December 2016, 2017 and 2018, respectively. The fair value of such guarantees contract is minimal at initial recognition. Such guarantees will be uplifted upon listing of the Shares of the Company on the Stock Exchange of Hong Kong Limited.

39. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2016, 2017 and 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	6,223	577	166
In the second to fifth years, inclusive	3,611	274	—
	9,834	851	166

As lessee

The Group leases certain of its restaurants, staff quarters and office premises under operating lease arrangements. Leases for restaurants are negotiated for terms ranging from three to eleven years, while leases for staff quarters and office premises are negotiated for terms ranging from one to three years.

As at 31 December 2016, 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	304,546	308,572	350,433
In the second to fifth years, inclusive	447,989	613,721	535,591
After five years	47,983	35,447	42,407
	800,518	957,740	928,431

The operating lease rentals of certain restaurants are payable on the higher of a fixed rent or a contingent rent based on the sales of those restaurants. In the opinion of the directors, as the future sales of those restaurants could not be accurately estimated, the relevant fixed rent of future lease commitments have been included in the operating lease arrangements above.

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Track Record Periods:

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**
Interest income received from related companies	(i)	10,240	12,456	1,181
Rental expenses paid to related companies	(ii)	7,284	8,933	11,195
Sales of non-current assets classified as held for sale to related companies	26	—	—	317,285

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions in (i) and (ii) were conducted in the ordinary course of business of the Group.

Notes:

(i) Interest income received from related companies was charged from HIBOR plus 1.50% to 2.0% or prime rate minus 2.90% for the loans to related companies or 2.5% per annum on certain amounts due from related companies. Details of the loans to and due from related companies are disclosed in note 21 to the Historical Financial Information.

(ii) Rental expenses paid to related companies were paid for properties leased from related companies for restaurant operations and staff quarters based on rates determined between the parties, which approximated to market rates.

(b) Outstanding balances due from related companies and a director

Details of the Group's balances with related companies and a director and guarantees for banking facilities granted in favour of related companies as at 31 December 2016, 2017 and 2018 are disclosed in notes 21, 22 and 38 to the Historical Financial Information, respectively.

(c) Other transactions with related parties

(i) Personal guarantees were given by the directors of the Company in favour of banks in respect of banking facilities granted to the Group during the Track Record Periods (note 30(a)(i)) which will be uplifted upon listing of the shares of the Company on the Stock Exchange of the Hong Kong Limited.

(ii) Investment properties of certain related companies with aggregate net carrying value of HK$825,700,000 and HK$948,838,000 as of 31 December 2016 and 2017, respectively, were pledged for the Group's bank borrowings (note 30(a)(iv)).

(iii) The Group also provided cross-guarantees to various banks in connection with banking facilities granted to related companies which were utilised to the extent of approximately HK$74,596,000, HK$88,391,000 and HK$60,853,000 as at 31 December 2016, 2017 and 2018, respectively (note 38) which will be uplifted upon listing of the shares of the Company on the Stock Exchange of the Hong Kong Limited.

(d) Commitment with related parties

During the Track Record Periods, certain subsidiaries of the Group entered into lease agreements with related companies, which are controlled by the same shareholders of the Group, to lease the properties for the Group's restaurant operations and staff quarters. The amounts of rental expenses paid to the related companies are included in note 40(a) to the Historical Financial Information. The leases are negotiated for one to three years with a one-month notice period for termination.

As at 31 December 2016, 2017 and 2018, the Group had outstanding future minimum lease payments under non-cancellable operating leases for such properties owned by related companies amounting to HK$7,760,000, HK$4,898,000 and HK$1,015,000, respectively.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Short-term employee benefits	15,728	21,840	23,451
Post-employment benefits	161	211	216
Total compensation paid to key management personnel	15,889	22,051	23,667

The compensation of key management personnel of the Group for each reporting periods during the Track Record Periods included the directors' emoluments and five highest paid employees as disclosed in notes 9 and 10 to the Historical Financial Information.

41. CAPITAL COMMITMENT

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the Track Record Periods:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Contracted, but not provided for:			
Leasehold improvement and plant and machinery	3,338	77,120	29,236
Capital contribution payable to a subsidiary	—	—	6,375
	3,338	77,120	35,611

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at 31 December 2016, 2017 and 2018 are as follows:

Financial assets

	Financial assets at fair value through profit or loss	Loan and receivables	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2016			
Trade receivables	—	8,127	8,127
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	133,864	133,864
Loan to related companies	—	57,900	57,900
Due from related companies	—	744,804	744,804
Due from related parties	—	675	675
Due from a director	—	22,880	22,880
Financial assets at fair value through profit or loss	4,120	—	4,120
Cash and cash equivalents	—	152,491	152,491
	4,120	1,120,741	1,124,861
As at 31 December 2017			
Trade receivables	—	19,327	19,327
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	156,923	156,923
Due from related companies	—	65,590	65,590
Due from related parties	—	1,494	1,494
Due from a director	—	11,158	11,158
Financial assets at fair value through profit or loss	983	—	983
Debt investments at amortised cost	—	56,707	56,707
Cash and cash equivalents	—	164,682	164,682
	983	475,881	476,864

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2018			
Trade receivables	—	18,700	18,700
Financial assets included in prepayments, deposits and other receivables *(note 20)*	—	177,667	177,667
Due from related companies	—	302	302
Financial assets at fair value through profit or loss	851	—	851
Cash and cash equivalents	—	242,162	242,162
	851	438,831	439,682

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Trade payables	97,210	113,286	110,468
Financial liabilities included in other payables and accruals	224,746	213,546	236,957
Due to related companies	64,337	42,735	—
Interest-bearing bank borrowings	889,638	1,019,178	537,159
	1,275,931	1,388,745	884,584

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, current portion of interest-bearing bank borrowings, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies, related parties and a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current deposits and other receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and were assessed to approximate to their carrying amounts.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Financial assets at fair value through profit or loss:

	Fair value measurement using quoted market price (Level 1)		
	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	4,120	983	851

The Group did not have any financial liabilities measured at fair value as at 31 December 2016, 2017 and 2018.

During the Track Record Periods, there were no transfers into or out of Level 1 for the financial asset of the Group.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, balances with related companies, related parties and a director, trade payables and other payables, which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the each of the Track Record Periods to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate	Increase/ (decrease) profit before tax	Increase/ (decrease) in equity*
	%	HK'000	HK'000
As at 31 December 2016			
If Renminbi weakens against HK$	10	418	—
If Renminbi strengthens against HK$	10	(418)	—
As at 31 December 2017			
If Renminbi weakens against HK$	10	(1,327)	—
If Renminbi strengthens against HK$	10	1,327	—
As at 31 December 2018			
If Renminbi weakens against HK$	10	151	—
If Renminbi strengthens against HK$	10	(151)	—

* Excluding retained profits

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term and long term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which are regularly reviewed by senior management.

As at 31 December 2016, 2017 and 2018, if the interest rates on borrowings had been 50 basis points higher, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the years would have been approximately HK$4,085,000, HK$4,772,000 and HK$3,891,000, respectively, which would have been lower as a result of higher interest expenses on interest-bearing bank borrowings.

Credit risk

HKAS 39 (Policy applicable before 1 January 2018)

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, other receivables and balances with related companies, related parties and a director, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

HKFRS 9 (Policy applicable from 1 January 2018)

The Group has applied the simplified approach to providing for impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and days past due. The ECLs also incorporate forward looking information.

Management considered that no provision for impairment of trade receivables is necessary for the year ended 31 December 2018.

The Group has applied a loss rate approach with reference to the historical loss record of the Group for impairment for expected credit losses of the deposits and other receivables. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

All of the current portions of the other receivable balances and cash and cash equivalents are expected to be recovered within one year.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual and undiscounted payments, is as follows:

	On demand	Within 1 year	2 to 5 years	Beyond 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016					
Trade payables	—	97,210	—	—	97,210
Financial liabilities included in other payables and accruals	—	198,033	26,713	—	224,746
Amounts due to related companies	64,337	—	—	—	64,337
Interest-bearing bank borrowings	889,638	—	—	—	889,638
	953,975	295,243	26,713	—	1,275,931
As at 31 December 2017					
Trade payables	—	113,286	—	—	113,286
Financial liabilities included in other payables and accruals	—	178,599	34,947	—	213,546
Amounts due to related companies	42,735	—	—	—	42,735
Interest-bearing bank borrowings	1,019,178	—	—	—	1,019,178
	1,061,913	291,885	34,947	—	1,388,745
As at 31 December 2018					
Trade payables	—	110,468	—	—	110,468
Financial liabilities included in other payables and accruals	—	203,037	33,920	—	236,957
Interest-bearing bank borrowings	—	130,163	404,516	56,467	591,146
	—	443,668	438,436	56,467	938,571

As at 31 December 2016 and 31 December 2017, the Group's term loans with a repayment on demand clause in the amounts of HK$889,638,000 and HK$1,019,178,000, respectively, were repayable over one year in accordance with the terms of the loans. The loan agreement contained a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount was classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans would be called in its entirety within 12 months, and they considered that these borrowings would be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: (i) the financial position of the Group at the date of approval of the financial statements; (ii) the lack of events of default; and (iii) the fact that the Group has made previously scheduled repayments on time.

As at 31 December 2016, in accordance with the terms of the loans, the contractual undiscounted payments were HK$606,593,000 within one year, HK$80,811,000 in the second year and HK$241,742,000 beyond 2 years.

As at 31 December 2017, in accordance with the terms of the loans, the contractual undiscounted payments were HK$743,036,000 within one year, HK$96,640,000 in the second year and HK$217,999,000 beyond 2 years.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

The Group monitors capital using a gearing ratio which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, contract liabilities, amounts due to related companies, trade payables, other payables and accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the Company. The gearing ratios as at the end of each of the Track Record Periods were as follows:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Trade payables	97,210	113,286	110,468
Other payables and accruals	248,446	258,046	285,106
Contract liabilities	52,546	62,733	75,062
Due to related companies	64,337	42,735	—
Interest-bearing bank borrowings	889,638	1,019,178	537,159
Less: Cash and cash equivalents	(152,491)	(164,682)	(242,162)
Net debt	1,199,686	1,331,296	765,633
Equity attributable to owners	477,912	197,660	366,045
Capital and net debt	1,677,598	1,528,956	1,131,678
Gearing ratio	71.5%	87.1%	67.7%

45. EVENTS AFTER REPORTING PERIOD

On 12 April 2019 and 21 May 2019, special dividends of HK$20.0 million and HK$20.0 million, respectively, were declared and paid by the Company to the then shareholders.

On 22 May 2019, certain senior management and employees of the Group were conditionally granted Pre-IPO share options to subscribe for a total of 6,375,000 shares of the Company.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2018. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 December 2018 or any future dates:

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000	HK$'000	HK$'000	HK$
	(note 1)	*(note 2)*		*(note 3)*
Based on the Offer Price of HK$2.80 per Share	365,645	657,461	1,023,106	1.02
Based on the Offer Price of HK$3.80 per Share	365,645	898,711	1,264,356	1.26

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 is based on consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018 of approximately HK$366,045,000 as extracted from the Accountants' Report set out in Appendix I to this prospectus, after netting off intangible asset of approximately HK$400,000.

2. The estimated net proceeds from the Global Offering is calculated based on the indicative Offer Price range of HK$2.80 and HK$3.80 per share, after deduction of the underwriting fees and related expenses payable by the Company and does not take into account any shares which may be issued upon the exercise of the Over-allotment option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Global Offering, but takes no account of any Shares which may be issued under the Over-allotment option or any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme, or any Shares which may be allotted, issued or repurchased by the Company.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company does not take into account the special dividends of HK$20,000,000 and HK$20,000,000 declared by the Company to its shareholders on 12 April 2019 and 21 May 2019, respectively. Had the special dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK$0.98 (assuming an Offer Price of HK$2.80 per Share) and HK$1.22 (assuming an Offer Price of HK$3.80 per Share), respectively.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Tai Hing Group Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tai Hing 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2018, and related notes as set out on page II-1 of the prospectus dated 30 May 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes as set out on page II-1.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "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*, 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 4.29(7) of the Listing Rules, on the 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 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 Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the 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 transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

30 May 2019

JLL
仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
Level 7, One Taikoo Place, 979 King's Road, Hong Kong
Company Licence No. C-003464

30 May 2019

The Board of Directors
Tai Hing Group Holdings Limited
13/F., Chinachem Exchange Square
1 Hoi Wan Street
Quarry Bay
Hong Kong

Dear Sirs

Re: Property Valuation for Tai Hing Group Holdings Limited

Instruction and Date of Valuation

In accordance with the instruction from Tai Hing Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") to assess the market value of 75 workshop units and 5 car parking spaces, Wah Sang Industrial Building, Nos.14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong (the "**Properties**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we deem necessary to provide our opinion of the market value of the property interests as at 30 April 2019 (the "**date of valuation**"), for the purpose of incorporation in the listing document of the Company.

Basis of Valuation

Our valuation has been prepared in accordance with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors (HKIS), "International Valuation Standards 2017" published by the International Valuation Standards Council (IVSC) and "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors (RICS) subject to variation to meet local established law. Our valuation of the property interests is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as follows:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have applied the definition of market value to each unit of the Properties independently. The valuation presented in this report represents the 100% interest of the Properties and not the shareholdings of the company holding the property interest thereof.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the Properties.

No allowance has been made in our valuation for any unpaid land use fee or premium, compensation, charges, mortgages or amounts owing on the Properties nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated in Note 2 of the Valuation Certificate, it is assumed that the title owners of the Properties have an enforceable title of the Properties and the Properties are free from encumbrances, restrictions and outgoings of onerous nature that could affect their values.

Valuation Method

We have assessed the market value of the Properties which are owned and occupied by the Group by the direct comparison method. In applying the direct comparison method, we have compared the Properties with comparable properties that were recently sold around the date of valuation. Appropriate adjustments have been considered in the course of assessment to reflect the difference between the Properties and the comparables.

Source of Information

We have relied on the information provided by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Group that no material facts have been omitted from the information supplied and no material information has been withheld.

Dimensions, measurements and areas included in the valuation report are based on information contained in copies of documents provided to us and are therefore only approximations.

Measurements

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local practice, we declare our departure from the "RICS property measurement" published by RICS in May 2018. Unless otherwise stated, we do not physically measure the Properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the registered floor plans.

Title Investigation

We have not been provided with copies of title documents of the Properties but we have conducted Land Registry searches at the Land Registry to obtain the title information documents. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

Property Inspection

We inspected the exterior and where possible the representative parts of the interior of the Properties on 7 November 2018 by our Tiffany Luk (Manager), Amy Cheng (Senior Manager) and Alkan Au (Senior Director).

We have not conducted formal site and structural surveys and, as such, we cannot report that the Properties are free from rot, infestation or any other structural defects. We have not carried out building surveys, nor have we inspected those parts of the Properties, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the building services.

We were not instructed to arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Properties, or has since been incorporated, and therefore unable to report that the Properties are free from risk in this respect. For the purpose of this assessment, we have assumed that such investigations would not disclose the presence of any such material to any significant extent. Our valuation is prepared on the assumptions that these aspects are satisfactory.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Currency

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK$).

Report

The Summary of Valuation and the Valuation Certificate are attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

AU Kin Keung, Alkan
BA (Hons), MHKIS, MRICS, RPS (GP), MCIREA
Senior Director
Licence No.: E-181955

Note:

Mr Au is a Registered Professional Surveyor and a Senior Director with the Valuation Advisory Service Department of Jones Lang LaSalle Limited. He has about 25 years of valuation and advisory experience in Hong Kong.

Summary of Valuation

Property Interest Owned and Occupied by the Group in Hong Kong

Property	Market value as at 30 April 2019 (Aggregate) (HK$)	Interest attributable to the Group	Market value attributable to the Group as at 30 April 2019 (Aggregate) (HK$)
75 units and 5 car parking spaces, Wah Sang Industrial Building, Nos.14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong	$588,700,000	100%	$588,700,000

Valuation Certificate

Property Interest Owned and Occupied by the Group

Property	Description, age and tenure	Particulars of occupancy	Market value as at 30 April 2019 (Aggregate)
75 units and 5 car parking spaces, Wah Sang Industrial Building, Nos.14-18 Wong Chuk Yeung Street, Shatin, New Territories, Hong Kong (the "**Properties**") (see Note 1) .... Aggregate of 447/1,725 undivided shares of and in Sha Tin Town Lot No.136	The Properties comprise a total of 75 workshop units located across various floors, and 1 open private car parking space and 4 covered lorry parking spaces on the 1/F of an 18-storey industrial building known as Wah Sang Industrial Building (the "**Building**") completed in 1987. The workshop units of the Properties have a total gross floor area and saleable area of about 143,000ft² (13,285m²) and about 100,100ft² (9,300m²) respectively. The Building is held under New Grant No. 11634 by the Government for industrial uses subject to a land lease term of 99 years commencing on 1 July 1898 and has been extended to 30 June 2047 subject to a payment of an annual Government Rent of 3% of the rateable value for the time being of the lot.	The Properties were occupied by the Group for workshop, storage and/or ancillary office uses as at the date of inspection.	HK$588,700,000 (100% interest attributable to the Group: HK$588,700,000)

Notes:

1. The registered owners of the Properties are summarized as follows:

The Properties

Floor	Unit No.	Name of Owner	Date of Registration	Memorial No.
Workshop				
2/F	1	Double Reward Ltd	6 Oct 2016	16100601490032
	2	Record Sino Limited	6 Oct 2016	16100601490044
	3	Gold Business International Company Ltd	6 Oct 2016	16100601490050
	4	Great Reward Enterprise Limited	6 Oct 2016	16100601490063
	7	Gold Business International Company Ltd	28 Apr 2017	17042802250103
	10	Gold Business International Company Ltd	18 Aug 2010	10081802390088
	11	Gold Business International Company Ltd	18 Aug 2010	10081802390088
	12	Gold Business International Company Ltd	3 Mar 2007	07030301500191
3/F	2	Double Reward Ltd	28 Oct 2016	16102801500123
	3	Record Sino Ltd	31 Oct 2016	16103101110055
	11	Gold Business International Company Ltd	4 Oct 2010	10100402500123
	12	Record Sino Ltd	12 Nov 2014	14111201030126
	13	Double Reward Ltd	12 Nov 2014	14111201030137
	16	Gold Business International Company Ltd	11 May 2012	12051102120125
	17	Gold Business International Company Ltd	11 May 2012	12051102120125
	18	Double Reward Ltd	11 May 2012	12051102120155
	19	Double Reward Ltd	11 May 2012	12051102120155
4/F	1	Double Reward Ltd	23 Jan 2018	18012302430064
	2	Gold Business International Company Ltd	23 Jan 2018	18012302430076
	3	Record Sino Ltd	23 Jan 2018	18012302430082
	4	Gold Business International Company Ltd	23 Jan 2018	18012302430097
	12	Gold Business International Company Ltd	21 Sep 2007	07092103280030
	14	Record Sino Ltd	20 Jun 2016	16062001630016
	20	Record Sino Ltd	23 Jan 2018	18012302430102
6/F	1	Gold Business International Company Ltd	25 Oct 2017	17102502020048
	2	Gold Business International Company Ltd	30 Oct 2017	17103001670165
	3	Record Sino Ltd	25 Oct 2017	17102502020053
	4	Double Reward Ltd	25 Oct 2017	17102502020068
	20	Record Sino Ltd	30 Oct 2017	17103001670158
7/F	1	Double Reward Ltd	26 Sep 2011	11092602380051
	2	Gold Business International Company Ltd	26 Sep 2011	11092602380067
	3	Record Sino Ltd	26 Sep 2011	11092602380075
	5	Record Sino Ltd	1 Dec 2015	15120101640040
	20	Tai Hing Catering Ltd	26 Sep 2011	11092602380083
8/F	2	Gold Business International Company Ltd	15 May 2009	09051502520168
	4	Gold Business International Company Ltd	9 Nov 2009	09110902480096
	6	Gold Business International Company Ltd	19 Mar 2017	07031901820070
	7	Gold Business International Company Ltd	19 Mar 2017	07031901820070
	8	Gold Business International Company Ltd	13 Jun 2007	07061302810107
	9	Gold Business International Company Ltd	2 Apr 2007	07040200340033
	10	Gold Business International Company Ltd	23 Aug 2007	07082302820219
11/F	1	Gold Business International Company Ltd	31 Jan 2007	07013102590284

The Properties

Floor	Unit No.	Name of Owner	Date of Registration	Memorial No.
12/F	3	Record Sino Ltd	13 Jan 2017	17011301060214
	11	Gold Business International Company Ltd	27 May 2013	13052702010119
	12	Gold Business International Company Ltd	14 Apr 2017	07041401340129
	13	Gold Business International Company Ltd	4 Jan 2007	07010402680119
	17	Gold Business International Company Ltd	13 Jun 2014	14061300880108
	18	Double Reward Ltd	13 Jun 2014	14061300880090
	19	Record Sino Ltd	13 Jun 2014	14061300880115
	20	Gold Business International Company Ltd	5 Dec 2007	07120502900103
13/F	10	Record Sino Ltd	30 Jul 2018	18073002160179
	11	Double Reward Ltd	20 Oct 2017	17102002200135
	17	Gold Business International Company Ltd	21 Aug 2013	13082101760194
14/F	5	Double Reward Ltd	6 Dec 2012	12120601640182
	6	Gold Business International Company Ltd	6 Dec 2012	12120601640208
	10	Record Sino Ltd	17 Jan 2012	12011701450046
	11	Gold Business International Company Ltd	17 Jan 2012	12011701450066
	12	Double Reward Ltd	17 Jan 2012	12011701450035
	13	Great Reward Enterprise Ltd	17 Jan 2012	12011701450056
	14	Record Sino Ltd	8 Aug 2011	11080801390043
	16	Gold Business International Company Ltd	1 Mar 2012	12030101280092
	17	Double Reward Ltd	17 Sep 2012	12091700970127
	18	Gold Business International Company Ltd	17 Sep 2012	12091700970134
	20	Record Sino Ltd	29 May 2015	15052902020071
16/F	2	Record Sino Ltd	6 Jan 2017	17010601610174
	6	Record Sino Ltd	19 Jul 2017	17071902050086
	7	Gold Business International Company Ltd	27 Jul 2017	17072701270080
	9	Gold Business International Company Ltd	6 Jan 2017	17010601610182
	10	Double Reward Ltd	6 Jan 2017	17010601610190
	13	Double Reward Ltd	31 Mar 2014	14033101600138
	14	Record Sino Ltd	2 Apr 2014	14040201290057
	15	Gold Business International Company Ltd	31 Mar 2014	14033101600094
17/F	13	Record Sino Ltd	29 Mar 2016	16032901620106
	15	Record Sino Ltd	7 Oct 2015	15100701500114
	18	Record Sino Ltd	27 July 2015	15072702260083
Car Parking Space				
1/F	21	Gold Business International Company Ltd	30 Nov 2010	10113002820359
	22	Gold Business International Company Ltd	30 Nov 2010	10113002820359
	23	Gold Business International Company Ltd	20 Dec 2010	10122002420303
	24	Gold Business International Company Ltd	20 Dec 2010	10122002420303
	42	Gold Business International Company Ltd	17 Jan 2012	12011701450024

2. According to the Land Registry Search conducted on 1 November 2018, the Properties were subject to the following encumbrances:

   i) Certificate of Compliance dated 14 December 1987 vide Memorial No. ST403757.

   ii) Management Agreement dated 16 December 1987 vide Memorial No. ST405675.

   iii) Deed of Mutual Covenant dated 16 December 1987 vide Memorial No. ST411463 (previously registered by Memorial No. ST405674).

iv) Various Building Orders dated 19 Jan 2017 to 24 July 2018 vide different memorials. As advised by the Company, they have completed the required remedial works pending approval from the Building Authority.

v) Various Mortgages dated 18 July 2016 to 31 July 2018 vide various memorials.

3. According to Approved Sha Tin Outline Zoning Plan No. S/ST/34 dated 29 May 2018, the Properties were zoned for "Industrial" use as at the date of valuation.

4. The assessed market value of the Properties is the aggregate of the market value of each individual unit of the Properties.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the 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 the Company is established are unrestricted (including acting as an investment company), and that the 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 the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The 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 22 May 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to 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.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) 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 Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

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. 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 of that share.

The board may, in its absolute discretion, at any 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.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it 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 any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The 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 the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls 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 installments. 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 installments payable upon any shares held by him, and upon all or any of the monies so advanced the 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 the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement 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) shall 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 by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall 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.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power 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 the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the 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 the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the 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 if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or (ff) 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 appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may 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 must, 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.

(ii) 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 (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others 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.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the 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 the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the 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 are also 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 the 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 the 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 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 and such other benefits 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 the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the 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.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) 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 the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise 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.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the 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 the 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 the Company must 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 is materially interested, but this prohibition does 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 the 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 the 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 the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any 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 the Company by virtue only of his/their interest in shares or debentures or other securities of the 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 the 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.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the 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 the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, 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.

Under the Companies Law, 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 the 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 of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, 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 installments 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 authorized 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 the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised 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 the 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 the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

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 must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members 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 the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an 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; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is 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 is 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 as 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.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must 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 the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must 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 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 the 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 the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the 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 the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the 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 the 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 the 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 the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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 the Company until claimed and the 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 the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

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 office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of 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 the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the 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 the Company is 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 the Company is 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 the 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.

(k) 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 the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of 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

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands 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) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The 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.

(c) Financial assistance to purchase shares of a company or its holding company

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

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 is to 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 is not be treated as a member for any purpose and must 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 must not be voted, directly or indirectly, at any meeting of the company and must 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.

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

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. With the exception of the foregoing, there are 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.

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.

(f) Protection of minorities and shareholders' suits

The 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) Disposal of assets

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 must 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.

An exempted company must 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 of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(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 the 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 the Company.

The undertaking for the Company is for a period of twenty years from 3 January 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is 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 the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

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 must 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 of the Cayman Islands.

(o) Register of Directors and Officers

The 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.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) 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 therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how 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. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) 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.

(s) Take-overs

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.

(t) 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).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the 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 paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. 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 GROUP

1. Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Cayman Islands Companies Law with limited liability on 11 December 2017.

Our Company has established a principal place of business in Hong Kong at 13/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 February 2019. Ms. Chan Shuk Fong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to Cayman Islands law and to the constitution comprising the Memorandum and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

Our Company was incorporated on 11 December 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, one Share was allotted and issued, credited as fully paid, to our initial subscriber and was subsequently transferred to Chun Fat.

On 18 December 2017, as part of the Reorganisation, our Company allotted and issued 99,999 Shares, credited as fully paid. As at the Latest Practicable Date, a total of 100,000 Shares were issued. The shareholding structure of our Company is set out in the section headed "History, Development and Reorganisation" in this prospectus.

On 22 May 2019, the authorised share capital of our Company was increased by HK$99,620,000 by the creation of 9,962,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

Conditional upon the share premium account of our Company being credited with the proceeds of the Global Offering, an appropriate sum will be capitalised and applied in paying up in full at par such number of shares in our Company to be allotted and issued to the then existing shareholders of our Company so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company.

Assuming that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares is made pursuant thereto without taking into account any Shares that may be issued pursuant to the exercise of the Over-allotment

Option or any Shares which may be issued and issued pursuant to the exercise of any Pre-IPO Share Option and/or Post-IPO Share Option, the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue will be HK$10,000,000 divided into 1,000,000,000 Shares, fully paid or credited as fully paid.

Saved as disclosed above and in the paragraphs headed "History, Development and Reorganisation" in this prospectus and this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in capital of our subsidiaries

Our material operating subsidiaries are listed in the section headed "History, Development and Reorganisation" in this prospectus and all of our subsidiaries are listed in "II. Notes to the Historical Financial Information — 1. Corporate and Group Information" in Appendix I to this prospectus. Save for the following alterations, there has been no change in the capital of our subsidiaries within two years immediately preceding the date of this prospectus:

Tai Hing (BVI)

On 1 November 2017, one subscriber share was allotted and issued to Tai Hing (Samoa). On 28 December 2017, 20 shares was allotted and issued to Tai Hing (Samoa).

Nice Bloom Investment Limited

On 21 March 2018, the share capital of Nice Bloom Investment Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

Nice Success International Development Limited

On 21 March 2018, the share capital of Nice Success International Development Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

Niceway International Enterprise Limited

On 5 July 2017, the share capital of Niceway International Enterprise Limited increased from HK$1 divided into 1 share to HK$100 divided into 100 shares.

東莞永富食品有限公司 Dongguan Yongfu Food Limited*

On 17 January 2017, the registered capital of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* increased from HK$21,350,000 to HK$81,350,000. On 7 September 2017, the registered capital of 東莞永富食品有限公司 Dongguan Yongfu Food Limited* increased from HK$81,350,000 to HK$101,350,000.

* *For identification purpose only*

4. Written resolutions of our Shareholders passed on 22 May 2019

Our Shareholders passed written resolutions on 22 May 2019 to resolve that, amongst other things:

(a) the Memorandum was approved and adopted in substitution for and to the exclusion of the then existing memorandum of association of the Company with immediate effect and the Articles were approved and conditionally adopted in substitution for and to the exclusion of the then existing articles of association of our Company with effect from the Listing Date;

(b) the authorised share capital of our Company was increased by HK$99,620,000 by the creation of an additional 9,962,000,000 Shares with par value of HK$0.01 each;

(c) conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 749,900,000 Shares (or any other number of Shares as any one Director may determine), credited as fully-paid at par, to our Shareholders whose names appear on the register of members of our Company at close of business on 12 June 2019 (or such other date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respective shareholdings by way of capitalisation of the sum of HK$7,499,000 (or any other amount as any one Director may determine) standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalisation;

(d) conditional on (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been determined; (iii) the execution and delivery of the Underwriting Agreements on or around the respective dates as mentioned in this prospectus; (iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining 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:

    (1) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

    (2) the Listing was approved;

(3) the Post-IPO Share Option Scheme, the principal terms of which are set out in "— D. Share Option Schemes — Post-IPO Share Option Scheme" in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorized, at their sole discretion, to (aa) administer the Post-IPO Share Option Scheme; (bb) modify/amend the Post-IPO Share Option Scheme from time to time as required by the Stock Exchange; (cc) grant Post-IPO Share Options to subscribe for Shares under the Post-IPO Share Option Scheme before up to the limits referred to in the Post-IPO Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any of the Post-IPO Share Options which may be granted under the Post-IPO Share Option Scheme; (ee) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the Post-IPO Share Options granted under the Post-IPO Share Option Scheme; and (ff) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme;

(4) the Pre-IPO Share Option Scheme, the principal terms of which are set out in "— D. Share Option Schemes — Pre-IPO Share Option Scheme" in this appendix below, were approved and adopted and our Directors or any committee established by our Board were authorized, at their sole discretion, to (aa) administer the Pre-IPO Share Option Scheme; (bb) grant Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme before up to the limits referred to in the Pre-IPO Share Option Scheme; (cc) allot, issue and deal with the Shares pursuant to the exercise of any Pre-IPO Share Options which may be granted under the Pre-IPO Share Option Scheme; and (dd) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Pre-IPO Share Option Scheme;

(5) a general unconditional mandate (the "**Issuing Mandate"**) was given to the 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 providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules or any specific authority granted by the Shareholders in general meetings, Shares with an aggregate number not exceeding the sum of 20% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (but excluding any shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general

meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever is the earliest;

(6) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to purchase Shares with total number not exceeding 10% of the total number of Shares in issue and to be issued immediately following the completion of the Global Offering and the Capitalisation Issue (but excluding any shares that may be issued upon exercise of the Over-allotment Option), until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever is the earliest; and

(7) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in sub-paragraph (5) above by the addition to the aggregate number of Shares of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares of our Company repurchased by our Company pursuant to sub-paragraph (6) above.

5. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group.

See "History, Development and Reorganisation — Reorganisation" in this prospectus for details of the Reorganisation arrangements undergone by our Group in preparation for the Listing, and the chart showing our Group's structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Global Offering.

6. Repurchases by our Company of its own securities

This section sets out 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 Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, under the Companies Law any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue and to be issued immediately following the completion of the Global Offering and the Capitalisation Issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may request.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases and impact on working capital or gearing position

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to approximately 100,000,000 Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 Listing Rules and the applicable laws of the Cayman Islands and the Articles.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert 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. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) a deed of indemnity dated 22 May 2019 executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for the subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "— F. Other Information — 3. Indemnities given by our Controlling Shareholders" in this Appendix; and

(b) the Hong Kong Underwriting Agreement.

2. Material intellectual property rights of our Group

Set out below is a summary of our material intellectual property rights. Our material intellectual property rights were determined by our Directors on the basis of their materiality to our business operation, financial position and prospects.

(a) Trademarks

As at the Latest Practicable Date, members of our Group were the registered owner of the following trademarks which we believe are material to our business:

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
....	Hong Kong	30, 35	Our Group	303349765	26 March 2015	25 March 2025
....						
....	Hong Kong	43	Our Group	301317889	3 April 2009	2 April 2029
....	Hong Kong	43	Our Group	302294145	25 June 2012	24 June 2022
....	Hong Kong	30, 43	Our Group	301208727	25 September 2008	24 September 2028
....	Hong Kong	43	Our Group	303454173	26 June 2015	25 June 2025
....	Hong Kong	43	Our Group	304315167	26 October 2017	25 October 2027

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
A. 敏華 B. 敏华	Hong Kong	43	Our Group	304671036	14 September 2018	13 September 2028
A. Men Wah B. MEN WAH C. men wah	Hong Kong	43	Our Group	304671045	14 September 2018	13 September 2028
A. Phở Lệ B. Phở Lệ	Hong Kong	43	Our Group	303812896	20 June 2016	19 June 2026
A. 錦麗 B. 錦麗 C. 锦丽 D. 锦丽	Hong Kong	43	Our Group	303812904	20 June 2016	19 June 2026
PHỞ LỆ 錦麗	Hong Kong	43	Our Group	304068298	7 March 2017	6 March 2027
TOKYO TSUKIJI 東京 築地	Hong Kong	43	Our Group	303276612	22 January 2015	21 January 2025

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
A 漁牧 B 渔牧 C 漁牧 D 渔牧	Hong Kong	43	Our Group	303373515	15 April 2015	14 April 2025
	Hong Kong	43	Our Group	304241862	15 August 2017	14 August 2027
	Macau	43	Our Group	N/51146	29 December 2010	29 December 2024
TAI HING	PRC	43	Our Group	9379833	7 May 2012	6 May 2022
	PRC	43	Our Group	13396318	14 February 2015	13 February 2025
	PRC	29	Our Group	22046692	14 January 2018	13 January 2028
	PRC	30	Our Group	22046939	28 February 2018	27 February 2028
	PRC	31	Our Group	22047082	21 April 2018	20 April 2028
	PRC	32	Our Group	22056636	14 February 2018	13 February 2028
	PRC	35	Our Group	22056794	14 April 2018	13 April 2028

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
太兴 . . .	PRC	29	Our Group	5414623	7 May 2009	6 May 2029
	PRC	30	Our Group	5414622	28 July 2009	27 July 2029
	PRC	31	Our Group	5414621	7 May 2009	6 May 2029
	PRC	32	Our Group	5414339	21 May 2009	20 May 2029
	PRC	43	Our Group	5414338	14 February 2010	13 February 2020
TEA 茶 WOOD 木 . . .	PRC	43	Our Group	13965614	7 September 2015	6 September 2025
TEA 茶 WOOD 木 . .	PRC	43	Our Group	13965615	7 September 2015	6 September 2025
TEA 茶 WOOD 木	PRC	9	Our Group	19435869	7 May 2017	6 May 2027
	PRC	29	Our Group	19435976	7 May 2017	6 May 2027
	PRC	31	Our Group	19435920	7 May 2017	6 May 2027
	PRC	32	Our Group	19435940	14 March 2018	13 March 2028
	PRC	33	Our Group	19435973	7 May 2017	6 May 2027
TEA 茶 WOOD 木 . .	PRC	9	Our Group	19435691	7 May 2017	6 May 2027
	PRC	29	Our Group	19435730	7 May 2017	6 May 2027
	PRC	31	Our Group	19435760	7 May 2017	6 May 2027
	PRC	32	Our Group	19435786	14 March 2018	13 March 2028
	PRC	33	Our Group	19435822	7 May 2017	6 May 2027
	PRC	43	Our Group	19435546	7 May 2017	6 May 2027
茶 木 . . .	PRC	43	Our Group	19435542	28 July 2017	27 July 2027
靠 得 佳 . .	PRC	43	Our Group	14907712	21 November 2016	20 November 2026
錦麗	PRC	43	Our Group	22983596	28 February 2018	27 February 2028

Trademark	Place of Registration	Class	Registrant	Registration Number	Registration Date	Expiry Date
PHỞLÊ 錦麗	PRC	43	Our Group	22983855	28 February 2018	27 February 2028
PHỞLÊ 錦麗	PRC	43	Our Group	22983351	28 February 2018	27 February 2028
飯規 RICE RULE	PRC	43	Our Group	25987035	14 September 2018	13 September 2028
太興 TAI HING	Taiwan	43	Our Group	01435829	16 October 2010	15 October 2020

As at the Latest Practicable Date, members of our Group had applied for the registration of the following trademarks which we believe are material to our business:

Trademark	Place of Application	Class	Applicant	Application Number	Application Date
夫妻沸片	Hong Kong	43	Our Group	304763313	10 December 2018
	Hong Kong	43	Our Group	304823488	1 February 2019
	Hong Kong	43	Our Group	304695599	11 October 2018
	Hong Kong	43	Our Group	304695634	11 October 2018
A. 興喜 B. 兴喜	Hong Kong	9,16, 35, 38, 41,42	Our Group	304775392	19 December 2018
	PRC	35	Our Group	29140096	5 February 2018

Trademark	Place of Application	Class	Applicant	Application Number	Application Date
敏華冰廳	PRC	43	Our Group	33669919	21 September 2018
Men Wah Bing Teng	PRC	43	Our Group	33683036	21 September 2018
Men Wah MEN WAH men wah	PRC	43	Our Group	36303902	3 February 2019
MW 敏華冰廳 Men Wah Bing Teng	PRC	43	Our Group	36299683	2 February 2019
夫妻沸片	PRC	43	Our Group	36303905	3 February 2019

(b) Patents

As at the Latest Practicable Date, members of the group were the owner of the following patents which are material to our business:

Patent	Type	Owner	Patent Number	Term
Automatic wok device with sound indication (發聲自動炒鍋裝置)	Utility model	Our Group	HK1245572	8 years from 11 May 2018
Automatic Wok Device (自動炒鍋裝置)	Utility model	Our Group	HK1179464	8 years from 18 June 2013
Smokeless Oven (無煙烤爐)	Utility model	Our Group	HK1192997	8 years from 22 May 2014

(c) Domain Names

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

Domain Name	Registrant	Registration Date	Expiration Date
www.taihing.com.	Our Group	25 August 1997	24 August 2024
www.taihingroast.com.hk	Our Group	4 October 2011	5 October 2021
www.teawood.hk	Our Group	22 June 2012	22 June 2022

The contents of the above websites, registered or licensed, do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service agreements

Each of our executive Directors has entered into a service agreement with our Company for an initial term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement). The annual remuneration payable to our executive Director by our Group (excluding any discretionary bonus) is as follows:

Executive Director	Remuneration (per annum)
Mr. Chan Wing On	HK$100,000
Mr. Yuen Chi Ming	HK$100,000
Mr. Lau Hon Kee	HK$100,000
Ms. Chan Shuk Fong	HK$50,000

Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with our Company for an initial term of three years, commencing from Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The annual remuneration payable to each of our non-executive Directors and independent non-executive Directors under the relevant letters of appointment is as follows:

Non-executive Director	Remuneration (per annum)
Mr. Ho Ping Kee	HK$180,000

Independent non-executive Director	Remuneration (per annum)
Mr. Mak Ping Leung (alias: Mak Wah Cheung)	HK$240,000
Mr. Wong Shiu Hoi Peter	HK$240,000
Ms. Sat Chui Wan	HK$240,000

All of our Directors are covered by the directors' and officers' liability insurance purchased by our Company.

2. Directors' and senior management's remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of FY2016, FY2017 and FY2018 were approximately HK$9.7 million, HK$12.7 million and HK$13.7 million respectively. The aggregate emoluments paid and benefits in kind granted by our Group to our senior management (excluding our Directors) in respect of FY2016, FY2017 and FY2018 were approximately HK$11.5 million, HK$16.8 million and HK$19.3 million respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their capacity as Directors) for FY2019 are expected to be approximately HK$13.0 million.

(iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for FY2016, FY2017 and FY2018 (a) as an inducement to join or upon joining our Company or (b) 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.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and FY2018.

3. Disclosure of Interests

(a) Interests and short position of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and the associated corporations

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), the interests or short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing

Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest/ Capacity	Relevant company (including associated corporations)	Long position in number of shares in the relevant company	Approximate percentage of shareholding (%)
Chan Shuk Fong	Beneficial interest	our Company	11,250,000	1.1
Mr. Chan	Interest in a controlled corporation	our Company	512,392,500	51.2
Mr. Chan	Beneficial interest	Chun Fat	141,342	70.7
Mr. Lau	Beneficial interest	Chun Fat	19,866	12.6
Mr. Ho	Beneficial interest	Chun Fat	13,676	9.9
Mr. Yuen	Beneficial interest	Chun Fat	25,116	6.8

Save as disclosed in the sections headed ''History, Development and Reorganisation'', ''Relationship with Controlling Shareholders'' and the paragraph headed ''— C. Further information about our Directors and substantial Shareholders — 1. Particulars of Directors' services agreements'' in this Appendix above, none of our Directors or their close associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Interests of Substantial Shareholders

Save as disclosed in ''Substantial Shareholders — (a) Interest in our Company'' and ''Substantial Shareholders — (b) Interest in our subsidiaries'', so far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Pre-IPO Share Options or the Post-IPO Share Options), no person will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

(a) Save as disclosed in the sections headed ''History, Development and Reorganisation'', ''Relationship with Controlling Shareholders'' and ''— A. Further Information about Our Group — 5. Reorganisation'' of this Appendix, none of our Directors nor any of the persons listed in ''— F. Other Information — 8. Qualification of experts'' below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) Save as disclosed in sections headed ''History, Development and Reorganisation", "Relationship with Controlling Shareholders" and "— A. Further Information about our Group — 5. Reorganisation" of this Appendix, none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group; and

(c) Save as disclosed in "— 1. Particulars of Directors' services agreements" above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

D. SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to motivate the grantees of the Pre-IPO Share Options (the "**Grantees**") to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with the Grantees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of the Pre-IPO Share Option Scheme approved and adopted by our Shareholders on 22 May 2019 are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms:

(i) the exercise price of the Pre-IPO Share Options will be HK$0.45;

(ii) no Pre-IPO Share Option shall be further granted after Listing Date;

(iii) any Pre-IPO Share Options will lapse automatically if the Listing does not take place by 31 December 2019;

(iv) no Pre-IPO share Option shall become vested or exercisable before the first anniversary date of the Listing Date;

(v) on the first anniversary of the Listing Date (the "**First Exercisable Date**"), 30% of the Pre-IPO Share Options (the "**First Batch Option**") granted to an individual Grantee shall become vested in and exercisable by such Grantee, and all unexercised First Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the First Exercisable Date;

(vi) on the second anniversary of the Listing Date (the "**Second Exercisable Date**"), a further 30% of the Pre-IPO Share Options (the "**Second Batch Option**") granted to an individual Grantee shall become vested in and exercisable by such Grantee, and all unexercised Second Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Second Exercisable Date;

(vii) on the third anniversary of the Listing Date (the "**Third Exercisable Date**"), the remaining 40% of the Pre-IPO Share Options (the "**Third Batch Option**") granted to an individual Grantee shall become exercisable by such Grantee, and all unexercised Third Batch Options shall lapse and be deemed as cancelled and void on the fifth anniversary date of the Third Exercisable Date;

(viii) paragraphs 2(c) and 3(c) in "Post-IPO Share Option Scheme" below regarding granting options to connected persons are not applicable to the Pre-IPO Share Option Scheme; and

(ix) the Pre-IPO Share Option Scheme is conditional upon approval of the Listing being granted by the Stock Exchange in respect of the Shares to be issued upon the exercise of the Pre-IPO Share Options; and (b) the commencement of dealings in Shares on the Main Board of the Stock Exchange.

Outstanding options

As at Latest Practicable Date, options to subscribe for an aggregate of 6,375,000 Shares, representing approximately 0.6375% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued upon any exercise of the Over-allotment Option, the Pre-IPO Share Options or the Post-IPO Share Options), or approximately 0.6335% of the enlarged issued share capital of our Company upon full exercise of all the outstanding Pre-IPO Share Options on completion of the Global Offering and Capitalisation Issue (without taking into account any Shares to be issued upon any exercise of the Over-allotment Option or the Post-IPO Share Options), at an exercise price of HK$0.45, are conditionally granted or expected to be conditionally granted by our Company to a total of 2 members of the senior management of our Group and 39 other Grantees (who were employees of our Group as at the Latest Practicable Date) under the Pre-IPO Share Option Scheme.

As such, assuming full exercise of the outstanding Pre-IPO Share Options (assuming the Over-allotment Option is not exercised) and that the Offer Price is fixed at HK$3.30 (being the mid-point of the Offer Price range), and without taking into account the recognition of the share-based compensation expense, the shareholding of our Shareholders immediately following the Global Offering and Capitalisation Issue will be diluted by approximately 0.6375% and earnings per Share will be reduced by approximately 0.6% (unaudited).

Based on the valuation carried out by our valuer, the fair value of the Pre-IPO Share Options is estimated to be HK$14.7 million, and such amount will be substantially recognised as share-based compensation expenses in our consolidated statements of profit or loss and other comprehensive income by the year ending 31 December 2021.

(a) Senior management of our Group

Our senior management have been granted Pre-IPO Share Options to subscribe for a total of 1,200,000 Shares, representing approximately 0.12% of the issued share capital of our Company upon completion of the Global Offering and Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and the Post-IPO Share Options).

Below is a list of senior management of our Group who are Grantees under the Pre-IPO Share Option Scheme:

Name of Grantee	Position	Address	Consideration Paid for the Grant	Exercise Price of each Share	Number of Shares under the Options Granted	Date of Grant	Option Period	Approximate Percentage of Issued Shares Immediately after Completion of Global Offering and Capitalisation Issue(2)
Senior management								
Wong Kin Pong Edmond	Senior director of group finance department and company secretary	Flat A, 31/F, Block 3, Royal Peninsula, Hung Hom, Kowloon	HK$1.00	HK$0.45	600,000	22 May 2019	5 years from the relevant exercisable date	0.06%
Zhou Yuewu	General manager (back office and leasing)	Flat A, 15/F, Block 30, City One, Shatin, New Territories	HK$1.00	HK$0.45	600,000	22 May 2019	5 years from the relevant exercisable date	0.06%
					1,200,000			0.12%

Notes:

1. Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon the exercise of his/her option and the holding of such Shares.

2. These percentages are calculated on the basis of 1,000,000,000 Shares in issue immediately following completion of the Global Offering and Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options).

(b) Other Grantees (Employees of our Group)

Among the Grantees, other than our senior management, 39 other Grantees (who are employees of our Group) have been granted Pre-IPO Share Options to subscribe for a total of 5,175,000 Shares, representing approximately 0.5175% of the issued share capital of our Company upon completion of the Global

Offering and Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option, Pre-IPO Share Options and Post-IPO Share Options).

The table below shows the details of options granted to such other Grantees (who are employees of our Group):

Name of Grantee	Position	Address	Consideration paid for the grant	Exercise price of each Share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalisation Issue(2)
Employees of our Group								
Lai Yat Keung	Senior Director of Operations Department	Flat 3, 19/F, Fu Hong House, Fu Keung Court, Lok Fu, Kowloon	HK$1.00	HK$0.45	600,000	22 May 2019	5 years from the relevant exercisable date	0.0600%
Wong Moon Foo	Senior Director of Operations Department	Flat B, 2/F, Block 3, Kam Fai Garden, 6 Wah Fat Street, Tuen Mun, New Territories	HK$1.00	HK$0.45	600,000	22 May 2019	5 years from the relevant exercisable date	0.0600%
Yee Don Yea	Senior Director of Product Development Department	Flat D, 35/F, Block 3, Cheerful Garden, Siu Sai Wan Road, Chaiwan, Hong Kong	HK$1.00	HK$0.45	600,000	22 May 2019	5 years from the relevant exercisable date	0.0600%
Chen Wei Guang	General Manager (Quality/ Property Development)	Flat 35D, Block 3,Cheerful Garden Siu Sai Wan, Chai Wan, Hong Kong	HK$1.00	HK$0.45	225,000	22 May 2019	5 years from the relevant exercisable date	0.0225%
Situ Zhouhong	Executive Chef (Beverage Bar)	Flat H, 50/F, Block 7, Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories	HK$1.00	HK$0.45	225,000	22 May 2019	5 years from the relevant exercisable date	0.0225%
Wu Man Wai	Executive Chef	Room 1503, Yiu Wah House, Tin Yiu Estate, Tin Shui Wai, New Territories	HK$1.00	HK$0.45	225,000	22 May 2019	5 years from the relevant exercisable date	0.0225%
Tang Chi Chiu	Director of Production	Flat 5, 1/F, Man Chak House, Hing Man Estate, Chai Wan, Hong Kong	HK$1.00	HK$0.45	150,000	22 May 2019	5 years from the relevant exercisable date	0.0150%

Name of Grantee	Position	Address	Consideration paid for the grant	Exercise price of each Share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalisation Issue(2)
Wong Mei Wan	Director of Marketing and Communications Department	Flat D, 20/F, Block 6, South Horizons, Ap Lei Chau, Hong Kong	HK$1.00	HK$0.45	150,000	22 May 2019	5 years from the relevant exercisable date	0.0150%
Yau Chi Po	Director of Operations Training and 5S	Flat B, 23/F, Block B, Ho Shun Tai Building, 10 Sai Ching Street, Yuen Long, N.T.	HK$1.00	HK$0.45	150,000	22 May 2019	5 years from the relevant exercisable date	0.0150%
Ai Run Dong	Director of Operations Department	Flat E, 2/F Block 7, Rhythm Garden, Choi Hung Road, San Po Kong, Kowloon	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Bin Siu Pui	Director of Audit Department	Flat 15, 14/F, Choi Ying House, Choi Po Court, Sheung Shui, N.T.	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Chan King Ki	Production Floor-in-charge	Flat 304, Kwai Yiu House, Lai Yiu Estate, Kwai Chung, N.T.	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Chan Kong	Deputy Director of Product Development Department	Room E, 2/F, Block 7, Rhythm Garden, Choi Hung Road, San Po Kong, Kowloon	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Chan Yip Wah	Deputy Head Chef (Chinese Cuisine)	Flat 409, 4/F, Block 11, Sau Wah House, Sau Mau Ping Estate, Phase 9, Kwun Tong, Kowloon	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Chen Ri Hui	Senior Quality Control Director (Product Development)	Flat 35D, Block 3, Cheerful Garden, Siu Sai Wan, Chai Wan, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Choi Chun Nam	Assistant Director (Creative and Design)	Flat A, 29/F, Block 8 Bauhinia Garden, Tseung Kwan O, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%

Name of Grantee	Position	Address	Consideration paid for the grant	Exercise price of each Share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalisation Issue(2)
Lai Bik Yan	Deputy Director of Marketing Department	Flat 6, 27/F, Tsui Ching House, Hang Tsui Court, Chai Wan, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Lam Ho Shing	Senior Deputy Director of Operations Department	Flat 617, 6/F, Cheuk Wah House, Hing Wah Estate, Chai Wan, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Lam Kwok Leung	Deputy Director of Purchasing Department	Flat E, 5/F, Ficus Garden, 11 Lok King Street, Shatin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Lee Kwok Man	Assistant Director of Quality Control Department	Flat E, 21/F, Block 1, Saddle Ridge Garden, 6 Kam Ying Road, Ma On Shan, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Leung Chak Kuen	Deputy Head Chef (Chinese Cuisine)	Room 3, 18/F, Block A, Ping Oi Hse, Pingyan Crt, 65 Ping Ha Road, Ping Shan, Yuen Long	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Leung Kam Chiu	Deputy Head Chef (Beverage Bar)	Flat 2310, 23/F, Sheung Yan House, Sheung Tak Estate, Tseung Kwan O, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Leung Yan Lung	Assistant Director of Business Development Department	Flat A, 5/F, Kellet Court, 18 Baker Street, Hung Hom, KLN	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Li Chi Chiu	Director of Property Development and Project	Flat A, 61/F, Tower 8, 599 Sai Sha Road, Lake Silver, Ma On Shan, Shatin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%

Name of Grantee	Position	Address	Consideration paid for the grant	Exercise price of each Share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalisation Issue(2)
Luo Wei Qiong	Senior Director of Operations Department	Flat E, 2/F, Block 7,Rhythm Garden, Choi Hung Road, San Po Kong, Kowloon	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Ma Pui Meng	Personal Assistant to Chairman	G/A, Tower 6, Woodsville, 18 Hung Shun Road, Yuen Long, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Ng Wai Ki	District Senior Chef	Flat 2815, 28/F, Lei Moon House, Ap Lei Chau East Estate, Ap Lei Chau, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Nong Yu Qian	Regional Deputy General Manager	Flat A, 23/F, Tower 11, The Palazzo, 28 Lok King Street, Sha Tin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Su Yi Zhen	Regional Deputy General Manager	Flat 2815, Lei Moon House, Ap Lei Chau Estate, Ap Lei Chau North, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Tam Fung Yee	Deputy Operations Director	Flat 2324, Ting Hong House, On Ting Estate, Tuen Mun, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Tan Xian Yu	Director of Operations Department	Flat 2815, Lei Moon House, Ap Lei Chau Estate, Ap Lei Chau North, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Tang Siu Wah Simon	Deputy Operations Director	Flat B, 18/F, Block 1, Aldrich Garden, 2 Oi Lai St, Shau Kei Wan, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Tong Wai Kwok	Senior Deputy Director of Marketing and Communications Department	Rm 505, Kam Pong House, Kam Tai Court, Ma On Shan, Shatin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%

Name of Grantee	Position	Address	Consideration paid for the grant	Exercise price of each Share	Number of Shares under the options granted	Date of grant	Option period	Approximate percentage of issued Shares immediately after completion of Global Offering and Capitalisation Issue[(2)]
Tsui Chi Kong	Deputy Head Chef (Roasted Meat)	Flat A, 11/F, Kam Moon Court, Tit Shu Road, Tai Kok Tsui, Kowloon	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Wai Ching Yee Monica	Deputy Director of Group Finance Department	2/F, Ming Tak Mansion, 6 Tin Hau Temple Road, Wan Chai, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Wong Hoi Che	Deputy Head Chef (Chinese Cuisine)	Flat A, 6/F, Block 2, Ho Fai Garden, 222-224 Sai Lau Kok Road, Tsuen Wan, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Wong Kam Chuen	Deputy Head Chef (Roasted Meat)	Flat 1913, Hin Wan House, Hin Keng Estate, 69 Che Kung Miu Road, Shatin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Yin Kin Ying	Deputy Director of Repair and Maintenance Department	Flat 2316, 23/F, Tsui Ning House, Tsui Wan Estate, Chai Wan, Hong Kong	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
Zhou Yuan Ping	Deputy Director of Operations Department	Flat A, 15/F, Block 30, City One, Shatin, New Territories	HK$1.00	HK$0.45	75,000	22 May 2019	5 years from the relevant exercisable date	0.0075%
					5,175,000			0.5175%

Notes:

1. Each Grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to our Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Share to him/her upon the exercise of his/her option and the holding of such Shares.

2. These percentages are calculated on the basis of 1,000,000,000 Shares in issue immediately following completion of the Global Offering and Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options).

Assuming that the Over-allotment Option is not exercised, the shareholding in our Company held by the Grantees under the Pre-IPO Share Option Scheme after the full exercise of all the Pre-IPO Share Options (without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options) will be as follows:

Name of Grantee	Immediately following the completion of the Global Offering and Capitalisation Issue and the full exercise of Pre-IPO Share Options	
	Number of Shares	%
Senior Management		
Wong Kin Pong Edmond	600,000	0.0596%
Zhou Yuewu	600,000	0.0596%
Other grantees (employees of our Group)		
Lai Yat Keung	600,000	0.0596%
Wong Moon Foo	600,000	0.0596%
Yee Don Yea	600,000	0.0596%
Chen Wei Guang	225,000	0.0224%
Situ Zhouhong	225,000	0.0224%
Wu Man Wai	225,000	0.0224%
Tang Chi Chiu	150,000	0.0149%
Wong Mei Wan	150,000	0.0149%
Yau Chi Po	150,000	0.0149%
Ai Run Dong	75,000	0.0075%
Bin Siu Pui	75,000	0.0075%
Chan King Ki	75,000	0.0075%
Chan Kong	75,000	0.0075%
Chan Yip Wah	75,000	0.0075%
Chen Ri Hui	75,000	0.0075%
Choi Chun Nam	75,000	0.0075%
Lai Bik Yan	75,000	0.0075%
Lam Ho Shing	75,000	0.0075%
Lam Kwok Leung	75,000	0.0075%
Lee Kwok Man	75,000	0.0075%
Leung Chak Kuen	75,000	0.0075%
Leung Kam Chiu	75,000	0.0075%
Leung Yan Lung	75,000	0.0075%
Li Chi Chiu	75,000	0.0075%
Luo Wei Qiong	75,000	0.0075%
Ma Pui Meng	75,000	0.0075%
Ng Wai Ki	75,000	0.0075%
Nong Yu Qian	75,000	0.0075%
Su Yi Zhen	75,000	0.0075%
Tam Fung Yee	75,000	0.0075%
Tan Xian Yu	75,000	0.0075%
Tang Siu Wah Simon	75,000	0.0075%

Name of Grantee	Immediately following the completion of the Global Offering and Capitalisation Issue and the full exercise of Pre-IPO Share Options	
	Number of Shares	%
Tong Wai Kwok	75,000	0.0075%
Tsui Chi Kong	75,000	0.0075%
Wai Ching Yee Monica	75,000	0.0075%
Wong Hoi Che	75,000	0.0075%
Wong Kam Chuen	75,000	0.0075%
Yin Kin Ying	75,000	0.0075%
Zhou Yuan Ping	75,000	0.0075%
	6,375,000	0.6335%

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme adopted pursuant to the resolutions of our Shareholders passed on 22 May 2019. The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules:

1. Purpose of the Post-IPO Share Option Scheme

(a) The Post-IPO Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to our Group.

(b) The Post-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:

(i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to our Group.

(c) For the purpose of the Post-IPO Share Option Scheme, "Eligible Participant" means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis for determining eligibility

(a) Our Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

(b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

(c) Each grant of options to a connected person (as defined in the Listing Rules) of our Company, or any of his associates (as defined in the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.

(d) Any person whom our Board has resolved to be qualified to become an Eligible Participant must remain eligible during the period when any option granted to him remains outstanding. In assessing such Grantee's continuing eligibility under this scheme, the requirements set out in this scheme and the views, if any, of the independent non-executive Directors shall be given due and careful consideration by our Board.

(e) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Post-IPO Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements in paragraph 9 below.

3. Grant of options

(a) On and subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time on a business day within ten years commencing on the effective date of the Post-IPO Share Option Scheme to offer the grant of an option to any Eligible Participant as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Post-IPO Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK$1.00 (or such other sum in any currency as our Board may determine).

(b) Subject to the provisions of the Post-IPO Share Option Scheme, the Listing Rules and any relevant laws and regulations, our Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Post-IPO Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):

(i) the continuing eligibility of the grantee under the Post-IPO Share Option Scheme, and in particular, where our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;

(ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by our Board, subject to the requirements in paragraph 9 below;

(iii) in the event that the Eligible Participant is a corporation, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Post-IPO Share Option Scheme;

(iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Post-IPO Share Option Scheme;

(v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Post-IPO Share Option Scheme;

(vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and

(vii) if applicable, the satisfactory performance of certain obligations by the grantee.

(c) Our Board shall not offer the grant of an option to any Eligible Participant:

(i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or

(ii) within the period commencing one month immediately preceding the earlier of:

(1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) deadline for our Company to publish an announcement of its result for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) Any grant of options to any Director, substantial Shareholder, chief executive of our Company or their respective associates must be approved by all of our Company's independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee).

4. Exercise Price

The exercise price for any Share under the Post-IPO Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

5. *Maximum number of Shares*

(a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of our Company from time to time. No options may be granted under any schemes of our Company (including the Post-IPO Share Option Scheme) if this will result in the said 10% limit being exceeded.

(b) The maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme and any other share option schemes involving the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed 100,000,000 Shares, representing 10% of the issued share capital of our Company as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options which may be or have been granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme) (the "**Scheme Mandate Limit**") unless Shareholders' approval has been obtained pursuant to sub-paragraph (d) below. Such 100,000,000 Shares represent 9.1% of the enlarged issued share capital of our Company upon full exercise of all Post-IPO Share Options (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the Pre-IPO Share Options).

(c) The Scheme Mandate Limit may be renewed by the Shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of our Company as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all options granted under the Post-IPO Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules.

(d) Our Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.

(e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Post-IPO Share Option Scheme (including exercised, cancelled and outstanding share options) in the twelve-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of our Company as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.

(f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company's auditors or our Company's independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

(a) Subject to certain restrictions contained in the Post-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option.

(b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Post-IPO Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

8. Rights on ceasing to be an Eligible Participant

Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Post-IPO Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

9. Rights on death/ceasing employment

(a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of twelve months following his death or such longer period as our Board may determine.

(b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:

(i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);

(ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Islands Company Law) or otherwise become insolvent;

(iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;

(iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i), (ii) and (iii) above;

(v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or

(vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;

the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 60 days following the date of such cessation.

(c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate and not exercised) within six months following such cessation or such longer period as our Board may determine.

(d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within three months following the date of such cessation or such longer period as our Board may determine.

(e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of our Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Post-IPO Share Option Scheme and the terms and conditions upon which such option(s) is granted unless our Board shall determine to the contrary.

(f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. Effects of alterations to capital

In the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalisation of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Post-IPO Share Option Schemes. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, independent financial adviser appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

11. Rights on a Takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a Scheme of Arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a Voluntary Winding up

In the event notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares allotted upon the exercise of an option shall rank pari passu in all respects with the existing fully paid Shares in issue at the date of allotment.

15. Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

(a) the expiry of the exercise period;

(b) the expiry of the periods referred to in paragraph 9;

(c) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;

(d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;

(e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;

(f) the happening of any of the following events, unless otherwise waived by our Board:

(i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);

(ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Cayman Islands Company Law) or otherwise become insolvent;

(iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;

(v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or

(vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;

(g) the date on which a situation as contemplated under paragraph 7 arises;

(h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by our Board; or

(i) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

Our Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorised share capital of our Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Post-IPO Share Option Scheme

Options may be granted to Eligible Participants under the Post-IPO Share Option Scheme during the period of ten years commencing on the effective date of the Post-IPO Share Option Scheme.

18. Alteration to the Post-IPO Share Option Scheme and Termination

(a) The Post-IPO Share Option Scheme may be altered in any respect by resolution of our Board except those specific provisions relating to matters in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) which cannot be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders of our Company in general meeting.

(b) Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature must be approved by the Shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(c) We by resolution in general meeting or our Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event, no further options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force in all other respects.

19. Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Post-IPO Share Option Scheme by our Shareholders in a special general meeting of our Company and is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Post-IPO Share Option Scheme.

20. Administration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be subject to the administration of our Board or any committee established by our Board from time to time, whose decision (save as otherwise provided in the Post-IPO Share Option Scheme) shall be final and binding on all parties.

Save as disclosed in the above paragraphs, no other options have been granted or agreed to be granted by our Company under the Post-IPO Share Option Schemes as at the date of this prospectus.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company and that the Cayman Islands currently has no estate duty, inheritance tax or gift tax.

2. Taxation

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from the dealings in Shares arising in or derived from Hong Kong may also be subject to profits tax in Hong Kong. Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of shares of our Company so long as our Company does not hold any interest in land in the Cayman Islands. Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. None of our Company, our Directors, or parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription form purchase, holding, disposal or dealing in our Shares.

3. Indemnities given by our Controlling Shareholders

Under the Deed of Indemnity, each of our Controlling Shareholders (together the "**Indemnifiers**") have jointly and severally undertaken to and covenanted with our Company that they will indemnify and at all times keep our Group fully indemnified against any actions, claims, losses, liabilities, damages, costs, charges or expenses which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claims which are covered by the indemnities in relation to taxation, estate duty and claims (as set out below) including, but not limited to, all reasonable costs (including legal costs), charges, expenses, penalties and other liabilities which our Group may reasonably and properly incur in connection with, among others,

(a) the investigation, assessment or the contesting of any claim;

(b) the settlement of any claim;

(c) any legal proceedings in which our Group claims under or in respect of the Deed of Indemnify and in which judgment is given in favour of our Group;

(d) the enforcement of any such settlement or judgment in respect of any claim;

(e) any further removal or reinforcement work in relation to unreleased building orders under the paragraph headed "Business — Properties — Owned properties — Building orders registered against our owned properties" in this prospectus upon request of the Building Department;

(f) the non-compliances as disclosed under the paragraph headed "Business — Legal Proceedings and Compliance — Non-compliance of our Group" except that specific provision reserve or allowance has been made for such liabilities; or

(g) the non-registration of lease agreements and inconsistency with the permitted usage in respect of our PRC leased properties as disclose under "Business — Properties — Leased Properties" in this prospectus.

4. Litigation

As of the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. Sponsor and the application for listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering and any Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and the Post-IPO Share Options.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

7. Preliminary expenses and the Sole Sponsor's fees

The preliminary expenses of our Company are estimated to be approximately HK$43,000 and are payable by our Company. The Sole Sponsor will be paid by our Company an aggregate fee of HK$2.8 million to act as the sole sponsor to the Global Offering.

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BOCOM International (Asia) Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Chan Chung	Legal counsel
Russell Bedford Hong Kong	Tax adviser
Deacons	Qualified Hong Kong lawyers
Jingtian & Gongcheng	Qualified PRC lawyers
Rato, Ling, Lei & Cortés — Advogados	Qualified Macau lawyers
Frost & Sullivan	Independent industry consultants
Jones Lang LaSalle Limited	Property valuer

9. Consents of experts

Each of the experts referred to above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. Each of the experts' statements have been made on the date of this prospectus and were made by such expert for incorporation in this prospectus.

As at the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable for not) to subscribe for or nominate persons to subscribe for securities in any member of our Group, and none of such experts 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.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Miscellaneous

Except as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;

(b) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages 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 our subsidiaries;

(d) since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;

(e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;

(f) no company within our Group is presently listed on any stock exchange or traded or any trading system;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twenty-four (24) months immediately preceding the date of this prospectus; and

(i) our Company has no outstanding convertible debt securities as at the Latest Practicable Date.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in "Statutory and General Information — F. Other Information — 9. Consents of experts" in Appendix V to this prospectus and copies of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5/F, Alexandra House, 18 Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountants' report of our Group for the three financial years ended 31 December 2018 issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the letter issued by Ernst & Young on the unaudited pro forma financial information of our Group for the year ended 31 December 2018, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of the Company and where applicable, companies now comprising our Group during the Track Record Period;

(e) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

(f) the Cayman Islands Companies Law;

(g) the Hong Kong legal opinion prepared by Deacons, our legal advisers as to Hong Kong law, in respect of the applicable laws and regulations of our operations in Hong Kong and our operational and corporate matters in Hong Kong;

(h) the legal opinion issued by Mr. Chan Chung, our legal counsel, in relation to certain non-compliances of our Group;

(i) the tax report issued by Russell Bedford Hong Kong, our tax adviser, in relation to certain tax matters of our Group;

(j) the legal opinions issued by our PRC legal advisers, Jingtian & Gongcheng, in respect of the applicable laws and regulations of our operations in Mainland China and general matters of our Group in Mainland China;

(k) the legal opinion issued by our Macau legal advisers, Rato, Ling, Lei & Cortés — Advogados, in respect of the applicable laws and regulations of our operations and certain matters of our Group in Macau;

(l) the industry report prepared by Frost & Sullivan referred to in the section "Industry Overview" of this prospectus;

(m) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Jones Lang LaSalle Limited, the text of which are set out in Appendix III to this prospectus;

(n) the material contracts referred to "B. Further Information about Our Business — 1. Summary of material contracts" in Appendix V to this prospectus;

(o) the service contracts and appointment letters referred to in "C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' service agreements" in Appendix V to this prospectus;

(p) the written consents referred to in "Statutory and General Information — F. Other Information — 9. Consents of experts" in Appendix V to this prospectus;

(q) the rules of the Pre-IPO Share Option Scheme;

(r) the rules of the Post-IPO Share Option Scheme; and

(s) the full list of all grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules.

太興集團控股有限公司
TAI HING GROUP HOLDINGS LIMITED