

OVERVIEW

We are a food and beverage and entertainment group based in Hong Kong that owns and operates two night entertainment clubs, namely Volar and Fly; and three restaurants focusing on Japanese-style curry dishes under our proprietary “Tiger” brand.

According to the F&S Report, we were one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6% and Volar is internationally recognised. In May 2016, Volar was awarded “Asia’s Best Club” by the Asian Club and Bar Association. In December 2016, Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association.

We position our two clubs strategically to cover different segments of the night entertainment club market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience. Fly, which came under our operation through our acquisition of its operating company in November 2015, aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing experience at more affordable prices. Volar is situated in Lan Kwai Fong, a night entertainment district in Hong Kong. Fly is also located in Central. In respect of our clubbing operations, we derive our revenue mainly from sales of beverage, entrance fee income, sponsorship income and sales of other products and services (including cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events). For the two years ended 31 May 2016 and the four months ended 30 September 2016, net sales of beverage for our clubs represented approximately 89.7%, 91.4% and 89.3% of our revenue from clubbing operations, respectively, and approximately 82.6%, 75.0% and 70.7% of our total revenue, respectively. Champagne is our principal beverage product. Sales of Champagne represented approximately 44.5%, 45.8% and 42.2% of our gross sales of beverage for the two years ended 31 May 2016 and the four months ended 30 September 2016, respectively.

Our “Tiger” branded restaurants are aimed at mass market customers. We seek to distinguish ourselves from other local casual dining and quick service restaurant concepts by creating food menus centred on Japanese-style curry dishes yet at the same time also offer a variety of other Japanese dishes with broad appeal. The estimated average expenditure per customer per meal in our “Tiger” branded restaurants is within the range of HK\$72 to HK\$137. We operate three restaurants under the sub-brands of “Tiger Curry”, “Tiger Curry Jr.” and “Tiger Curry & Cafe”. Tiger Curry is located in an area in Causeway Bay with trendy restaurants and hotels nearby. The restaurant’s exterior is a three-floor high wall, the lower portion of which has a striking grey tiger drawing on timber planks on one side and is made up of shiny black bricks on the other side, whereas the top portion features a grey camouflage drawing. The restaurant’s interior features a long wood counter, an open kitchen, big black-framed windows, a mix of white bricked, black bricked and grey walls and a large grey tiger drawing. The design of oversized graphics and images throughout the restaurant aims to communicate our brand personality, which is fun and contemporary. Tiger Curry Jr. is located in the food court in City Super, Times Square, Causeway Bay and aims to deliver quality Japanese-style curry dishes to food court customers at affordable prices. Tiger Curry & Cafe is located in Harbour City, Tsim Sha Tsui. It follows the same trendy design of Tiger Curry and provides a wider range of menu offerings with more non-curry Japanese-style dishes.

We plan to open two sports-themed bars and further expand our “Tiger” brand to other locations across the city by establishing five new restaurants in Hong Kong. For details, see “— Business strategies — Continue to expand and diversify our outlet network”.

BUSINESS

The table below sets out a breakdown of our revenue by principal business activity for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Clubbing operations	62,082	92.1	72,851	82.0	18,707	79.5	24,240	79.2
Restaurant operations	5,305	7.9	16,019	18.0	4,812	20.5	6,373	20.8
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

COMPETITIVE STRENGTHS

Leading position with strong brand recognition

According to the F&S Report, we were one of the leading market players in the clubbing market in Hong Kong in terms of revenue for the year ended 31 May 2016 with a market share of approximately 10.6% and Volar is internationally recognised. In May 2016, our Volar was awarded “Asia’s Best Club” by the Asian Club and Bar Association. In December 2016, Volar and Fly were awarded “Quality Bar Label Award” by the Hong Kong Bar & Club Association. For our other key recognitions, see “— Key recognitions”.

We operate on a multi-brand business model that targets different customer segments. The diversity of our offerings allows our business to penetrate into different customer segments and expand into a broader range of revenue streams, which also helps lessen any reliance on a particular customer segment. We believe our success is attributable to brand awareness and desirability, which differentiates our offerings in the market we operate. We aim to attract customer groups that aspire to be associated with our branded outlets by encouraging their attendance and participation in our events and services. We offer prestigious beverage brands in our clubs and quality food products in our restaurants. The design of our outlet venues aims to commensurate our branding strategy. We promote ourselves in social media by documenting our images and events. We engage third-party public relations agencies for marketing activities to leverage the profile and image of Tiger Curry within the industry as well as establishing and implementing online and mobile promotion strategies. We pride ourselves on the continued ability to deliver a wealth of attractive featured events, some of which received wide media coverage. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we hosted 62, 70 and 17 featured events, respectively. We generally involve in the entire organisation process of the events, from venue decoration, marketing and promotion, sourcing of beverage products, ticketing sales, sourcing of DJs and arranging extra security. We believe that our regularly held featured events enhance the high-end image of our clubs, increase customer traffic and increase our overall revenue. For details of our featured events, see “— Our clubs — Our key offerings — Featured events”. Our success in hosting well-recognised events is attributable to our ability to attract internationally renowned DJs to perform in our clubs. We believe that our brand reputation and our continuing success in marketing are key attraction when inviting guest DJs to perform. From a marketing perspective, collaboration with such internationally renowned DJs allow us to attract customers and enable us to maintain the reputation and market awareness of our brand. We have also organised other events in our clubs, such as marketing events of global lifestyle or fashion brands or company events of corporate customers, which we believe has further raised our brand awareness and the image of our clubs as versatile venues.

Well-designed clubs and restaurants in prime locations with diverse offerings

Our Directors believe that the prime locations of our outlets are vital for reaching target customers. Volar is situated in Lan Kwai Fong, a night entertainment district in Hong Kong. The present location of Volar is where the first club in Lan Kwai Fong was located when it opened in 1978. Fly is located on Ice House Street which is in Central. Our restaurants are strategically located in Causeway Bay and Tsim Sha Tsui. We believe these areas generate substantial customer and pedestrian traffic with high accessibility and visibility. For details of our outlet locations, see “— Our clubs — General information and operating data” and “— Our restaurants — General information and operating data”.

We understand that the atmosphere and ambience for clubs and restaurants are a vital part of the entertainment and dining experience. We have strategically positioned each of our outlets to target a different customer group with different designs. Volar targets customers with strong spending power and aims to provide a premium clubbing experience. Volar's venue has a basement location and encompasses over 5,500 sq.ft.. Upon descending the stairs into the space, customers have the choice of two distinct sections each with upholstered leather seating and plays out a range of music through an advanced 5-way Turbosound speaker system. Another design feature is the bands of coloured LED lights that crisscross around the club and across the ceiling. Fly is aimed at the younger white collar professionals and university students and graduates. Fly's venue reaches over 2,100 sq.ft. It has a large wooden entrance and an inside completed with polished concrete floors, gritty black tiles and urban street art. Our "Tiger" branded restaurants are aimed at mass market customers and follow the same trendy design theme featuring black and white bricked walls, timber furniture and generally a bright, airy atmosphere, yet each provides a different dining environment and menu items catering to customers looking for trendy dining experience, food court customers and customers attracted to our brand and looking for a wider range of Japanese-style dishes.

Our Directors believe the clubbing and dining experience offered by our clubs and restaurants help attract more customers with strong spending power and enhanced customer loyalty, which in turn drives our business growth.

Established relationships with our major suppliers

We have established strong and solid business relationships with our major suppliers. Our major suppliers include suppliers of beverage and food ingredients. As at the Latest Practicable Date, we had established relationship with our largest supplier for over three years and with our five largest suppliers ranged from one to three years. As confirmed by Moët Hennessy Diageo Hong Kong Limited ("MHD"), our largest supplier, which is a premium supplier of prestigious alcoholic beverage brands, we were one of its top five customers among its "on premise" channel customers for the two years ended 31 May 2016. As we understand, MHD classifies its customers in Hong Kong into two main categories based on sales channels operated by customers, namely "on premise" channel and "off premise" channel. According to MHD's classification, generally, "on premise" channels refer to restaurant and club channels and "off premise" channels refer to retail channels. "On premise" channel is further divided into the five categories: (i) "hotel and membership club" channel which covers hotels and membership clubs offering social and recreation services; (ii) "Chinese restaurant" channel which covers Chinese restaurants; (iii) "local modern on trade" channel which covers pubs, KTV lounges and gentlemen's clubs; (iv) "international modern on trade" channel which covers western bars, disco and clubs; and (v) "other restaurant" channel which covers western restaurants, Japanese restaurants and restaurants offering other Asian cuisines. We belong in the "international modern on trade" channel category under the "on premise" channel according to MHD's classification. We believe our established relationships with our suppliers and our volume of purchase give us greater bargaining power in cost negotiation and ensure the stability in the supply of products we need.

Experienced management team with industry knowledge

We have an experienced management team with expertise in the food and beverage and entertainment business. Mr. Kester Ng, our chairman and executive Director, started investing in food and beverage and entertainment business since 2005 and is familiar with industry trends, market behaviour, customer and supplier impact and dealing with competitions and other operational challenges. He has assumed a leading role in our management and has actively involved in handling of finance and investment related issues of our Group since our establishment. Ms. Lau Sze Yuen, our executive Director, has over 15 years of experience in the food and beverage and entertainment industry. Over the years, Ms. Lau has worked in managerial positions at restaurants and her responsibilities ranged from daily operations to business development. The general manager of each of Volar, Mr. Gurung Bhojendra, and Fly, Mr. Kharga Vishal, has over 12 and over seven years of experience in the management of night entertainment clubs, respectively. They are responsible for the day-to-day operation and management of the relevant club. Mr. Gurung joined Volar in December 2004 and is highly familiar with the operations of the club. His responsibilities include overseeing the day-to-day functions of the club, hiring and

BUSINESS

training personnel, ensuring the safety of employees and customers and liaising with various vendors. Mr. Kharga has accumulated solid experience from his previous roles in bar and restaurant business. For details of the experience of our management team, see “Directors and Senior Management”.

Our Directors believe that the collective experience and knowledge of our management team would enable us to understand the needs of our customers and industry trends timely and efficiently, as well as formulating and implementing our business strategies to drive our future growth.

BUSINESS STRATEGIES

Continue to expand and diversify our outlet network

The table below summarises our outlet expansion plan.

<u>Type of restaurant</u>	<u>Intended location</u>	<u>Intended time of opening</u>
		<u>2017</u>
Food court restaurant	Mong Kok	Second quarter
Standalone restaurant	Tsing Yi	Third quarter
Sports-themed bar	Wan Chai, Sheung Wan or Causeway Bay	Third quarter
Food court restaurant	Cheung Sha Wan	Fourth quarter
		<u>2018</u>
Food court restaurant	Kwun Tong	First quarter
Standalone restaurant	Tai Koo Shing	Third quarter
		<u>2019</u>
Sports-themed bar	Wan Chai, Sheung Wan or Causeway Bay	Second quarter

- ***Establish sports-themed bars***

We plan to diversify and expand our presence in the night entertainment market by establishing two upmarket sports-themed bars (the “**Sports Bars**”).

We have conducted a feasibility study to preliminarily assess our proposed expansion into the sports-themed bar business, which includes the following:

- ***studying the accessibility and visibility of potential locations.*** Each Sports Bar is targeted to occupy a gross floor area of approximately 2,000 sq.ft. to 3,000 sq.ft. with approximately 85 seats. We expect that each Sports Bar will have approximately 86 to 111 customer visits per day (by adopting the average daily seat turnover rate of 101% and 131% during weekdays and weekends respectively according to the F&S Report). We have performed site visits in Wan Chai, Sheung Wan and Causeway Bay to identify suitable locations which are available under our timing requirements and to examine the level of customer and pedestrian traffic. We have also considered whether the potential locations are close to various means of public transportation as our potential customers will likely be leaving the Sports Bars at night and after consuming alcohol;
- ***studying the size and structure of potential sites.*** In addition to broadcasting spectator sports during operating hours, the Sports Bars will also offer games such as pool, darts and beer pong at an additional price or free of charge. We plan to have around one or two pool tables, one or two electronic darting machines and one or two beer pong tables in each Sports Bar. As such, we have also considered whether the size and structure of potential sites are suitable for installing TV screens, pool tables and electronic darting machines;

BUSINESS

- ***studying the demographics of the neighbourhood.*** We expect that the average spending per customer per transaction will be about HK\$240 to HK\$390, which is within the industry average (i.e. approximately HK\$200 to HK\$400, according to the F&S Report). The Sports Bars' target customers cover all types of bar-goers, whether or not they are current customers of our existing clubs, including (i) those who are interested in attending bars during "Happy Hour" time (which is typically from 6:00 p.m. to 9:00 p.m., according to the F&S Report); (ii) those who are interested in watching the English Premier League and other major sports events such as National Football League and National Basketball Association, which has recently been broadcasting in Hong Kong mostly on Saturday, Sunday and Monday with a few football matches per day and many of which finish before 1:00 a.m.; and (iii) those who are interested to have the option of playing games (such as pool, darts and beer pong) while attending bars. We have performed site visits to observe whether the demographic characteristics demonstrated, including the apparent age and job type, are favourable for the opening of sports-themed bars in the area;
- ***obtaining rental information and renovation quotations.*** We have collected and reviewed information regarding the rental trends in Wan Chai, Sheung Wan and Causeway Bay. We have also obtained renovation quotations for potential sites in these districts of our target sizes. The quotations set out the estimated cost for works including electricity work, plumbing and ventilation;
- ***assessing competitors' existence in the vicinity.*** We have performed site visits to check whether other sports-themed bars exist in the vicinity in order to assess the extent of the competition;
- ***assessing the breakeven period and investment payback period of the Sports Bars.*** We estimate that the breakeven period and investment payback period of the Sports Bars will be three months and 24 to 36 months, respectively. In doing so, we have considered factors such as likely monthly expenses and costs of opening and operations; and
- ***assessing the necessary licences required.*** We have assessed the licences which are necessary for the operation of the Sports Bars including the light refreshment restaurant licence, liquor licence, water pollution control licence and amusement game centre licence (for electronic darting machines). We consider that (i) the time required for obtaining the above licences according to our experience and/or certain government guidelines would normally be around six months after the submission of all application documentation (which our Directors consider is feasible to meet our implementation plan to set up the first Sports Bar during the six months ending 30 November 2017); (ii) the fees for the application of the above licences would be minimal; and (iii) there will not be any major impediments to obtain the above licences after reviewing the major criteria since we have prior experience in obtaining the majority of them and certain criteria for obtaining a new amusement game centre licence are also applicable to the light refreshment restaurant licence and liquor licence.

The reasons for adding the potential Sports Bars to our existing outlet portfolio are as follows:

- ***diversifying our offerings.*** It is our goal to launch new offerings in the night entertainment market to capture the current customers of our existing clubs and also new customers by taking advantage of our marketing expertise gained from acquiring present customers and existing customer goodwill. By introducing the sports-themed bar concept with appropriate marketing strategies, we believe we are able to penetrate into the existing and new customer base and in turn drive greater foot traffic and overall spending at our venues. Through our customer research, we carry out customer profiling and identify our existing customers' interests and spending patterns. For the year ended 31 May 2016 and the four months ended 30 September 2016, the average spending per transaction for Volar was HK\$1,190 and HK\$960 respectively, and that for Fly was HK\$668 and HK\$528 respectively, which we believe represents an attractive demographic. We believe that some of our target customers are not attending our existing clubs because they find them expensive or the operating hours are not conducive to their schedule. With knowledge of our target market and our existing brand recognition, we believe we are able to design, market and price our new offerings effectively;
- ***increasing awareness of our brands.*** Our customer research shows that people who attend clubbing activities are aware of our existing clubs and show interest in attending any new entertainment venues

BUSINESS

which we may launch. In the night entertainment market, we seek to develop a range of recognisable entertainment brands which project the same fun upbeat image. With our expansion into the sports-themed bar market, we are able to cross-sell our existing clubs, for example, through social media, flyers or posters. We believe the enhanced portfolio of our entertainment brands will further strengthen our position in the market;

- ***building a scalable business.*** With the track record of Volar and the introduction of Fly and our other restaurant outlets, we have laid down a solid foundation to a sustainable and scalable business model. We believe that our management team’s experience in the restaurant and entertainment industries provides us with insights into our customer base and enables us to create the dynamic environment that is core to our image. We believe consumers who enjoy night entertainment activities, an area which we are experienced in and familiar with, searches for excitement in their options and we intend to be versatile and responsive to providing what customers are seeking, rather than focusing on a single entertainment product. We compare favourably to new entrants in the execution of a sports-themed bar concept, being backed by an experienced management and our existing operations; and
- ***forging stronger connections with our beverage suppliers.*** According to our current arrangement with MHD, we expect our average purchase cost per unit will decrease if the two Sports Bars are opened as the two Sports Bars will increase the demand of beverage products while the purchase volume of such beverage products is linked to different levels of value and cash incentives, which means the more beverage products we purchase, the higher level of incentives we will get. In addition, as confirmed by MHD, our largest supplier during the Track Record Period, they would provide additional marketing support and promotion fund to us if we increase our current purchase levels. During the Track Record Period, our purchases from MHD were approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively. We expect our purchases from MHD annually can reach approximately HK\$13.7 million if the two Sports Bars are opened.

Frost & Sullivan is of the view that any cannibalisation risk between our existing clubs and the two Sports Bars will be minimal due to their differences in the following aspects:

	Volar and Fly	Potential Sports Bars
Location	Volar and Fly are located in Central.	Our preferred locations for the two Sports Bars are within Wan Chai, Sheung Wan or Causeway Bay and we will only consider locations in Central (which, our Directors consider, is unlikely) if locations in the aforesaid districts are not available on satisfactory commercial terms. In any event, we do not expect the two Sports Bars to be located in the Lan Kai Fong area and we will not select a location which will result in the new outlet having a significant cannibalisation effect which will materially and adversely affect our existing operation in the vicinity.
Business nature	Volar and Fly are clubs that offer dance floor, music and featured events to attract and retain customers in the establishment to buy drinks. Music is an important attribute of our clubbing business. We engage resident DJs who perform in our clubs on regular basis and local and	The two Sports Bars will offer the broadcasting of televised sports events on large screen TVs and games (such as pools, darts and beer pong) to attract and retain customers in the establishment to buy drinks. There will be no dance floor and we do not intend to engage DJs to

BUSINESS

	<u>Volar and Fly</u>	<u>Potential Sports Bars</u>
	overseas guest DJs, some are internationally renowned, to perform at featured events.	perform in the two Sports Bars. We do not plan to apply for a dancing endorsement for the required liquor licence.
Ambience	Busy and party atmosphere with strong beat and high-energy music.	Casual atmosphere with unobtrusive music and large screen TVs broadcasting sports events.
Clientele	Customers who would like to drink, dance and socialise with friends late into night in an upscale and safe entertainment club.	All types of bar-goers, including sports fans, urban working population who want to drink and play games during “Happy Hour” and other customers who would like to socialise with friends in an upscale bar environment and those who may not attend clubs.
Pricing model	Our existing clubs charge an entrance fee in the form of a cover charge (which refers to the fee we charge for attending our clubs) and pre-event sales (which refers to the ticket income we charge for featured events generated from sales of tickets). During the Track Record Period, our entrance fee income constituted the second largest component of our revenue for our clubbing operations. We also sell prepaid beverage package to customers.	We do not expect to charge an entrance fee nor sell prepaid beverage package to customers for the two Sports Bars.
Alcohol served	Although we offer a wide variety of alcoholic beverages, we focus our efforts in promoting Champagne to our customers. During the Track Record Period, Champagne was the best-selling category of beverages.	We expect to focus our efforts in promoting spirits, cocktails and liqueurs and beer.
Peak hours	Our Volar and Fly currently operate until after 5:30 a.m. and until after 4:30 a.m. on most operating days, respectively. Our clubs normally reach peak times after 1:00 a.m. on an operating day, which can be seen from the fact that Volar and Fly generate most of their daily revenue from 1:00 a.m. to closing time, as evidenced by the receipt of customers’ orders.	According to the F&S Report, the operating hours of sports-themed bars in Hong Kong are usually from 6:00 p.m. to 3:00 a.m. and peak hours are from 10:00 p.m. to 1:00 a.m.. We expect that the Sports Bars will operate at similar hours.

We expect the two Sports Bars to locate in different districts and, as such, any cannibalisation risk between them will be minimal.

To prevent or control any potential competition between the Sports Bars and our clubs, we will:

- introduce our Sports Bars as unique products to our current and new customers which will attune to their various needs and interests. The Sports Bars will embody the concept of “watching sports”, “playing games”, “drinking and dining” and “socialising” all within the same establishment and a place

BUSINESS

to meet not just on weekends but also on weekdays, while our existing clubs will continue to be marketed as “late night entertainment spots” with more formality;

- upgrade our existing clubs to increase attraction to our customers and to ensure our already successful outlets/brands do not get undermined by new ones. For details, see “— Business strategies — Upgrade our club facilities”; and
- monitor the daily sales of our clubs and the Sports Bars closely and assess if the Sports Bars will cannibalise the sales of our clubs. For example, if there is a drop in the sales of our higher-priced higher-margin beverages in our clubs, we will analyse whether it is related to an increase in the order frequency of the same beverage product which is lower priced with lower margins in the Sports Bars.

The skills that our management and employees have acquired throughout the years are not only applicable to restaurant and club business and could be transported to the operation of bars. To diversify our portfolio and revenue streams, our Directors consider that it is commercially sensible to leverage our existing reputation, skills and experience to expand into the sports-themed bar market. Despite that we have no prior experience in operating sports-themed bars, our Directors are confident that we would be able to utilise and leverage our years of experience and local knowledge and connections in operating clubs and restaurants in operating the Sports Bars, including our experience in:

- ***promoting and sourcing of beverage products.*** As alcoholic beverages are expected to be the principal beverage for the Sports Bars, our connections with our beverage suppliers and our experience in inventory planning, cost-control, pricing and promoting alcoholic beverages will be applicable in the management of the beverage products for the Sports Bars;
- ***staffing needs and training.*** Clubs and bars, which operate in the night-time, require similar staffing requirements including front-of-the-house (including bartenders, servers and hosts), the back of the house (including washers, office staff and maintenance staff) and swing employees (including managers, bussers, barbacks and security). With our experience in allocating responsibilities to different staff especially the manager to control the entire flow of the day-to-day business and to take care of a guest’s problem or see to an emergency, we believe that we are able to run the Sports Bars smoothly shortly after commencement of business;
- ***in-store design, entertainment and dining.*** We believe we will continue to benefit from enhancements to our Group’s overall image through our store design. The design of the Sports Bars will give a contemporary image and includes clearly differentiated spaces for games, bar-drinking and dining, which are similar to the different zones in Volar. We will also apply our experience in managing seat turnover rate for our restaurants to the running of the Sports Bars. Similar to our clubs, the Sports Bars will focus on attracting customers by creating an enjoyable in-store entertainment and social experience and we can apply our skills and expertise in such context;
- ***marketing and branding.*** We will continue to adopt similar marketing strategies which we have adopted for our clubs to promote the Sports Bars, including effectively harnessing social media to keep our established brands current and be responsive to trends. We will also engage similar third-party public relations agencies for marketing activities and implement other online and mobile advertising strategies. We believe the introduction of the sports-themed bar concept provides an attractive opportunity to market our broader platform to new and existing customers through a year-round calendar of programming and promotions tied to popular sporting events and sport-related activities. In that regard, we are able to leverage our experience in organising, budgeting and beverage sourcing for featured events in our clubs. We may also rent our venues to or collaborate with corporates or brands; and
- ***site selection and application for licences.*** Leveraging our experience in the management of Volar and Fly, we believe we are able to formulate a site selection process specific to night entertainment so as to

BUSINESS

identify a location that is most suited to our needs. Our experiences in licences applications for our club operation will also help us in the application of similar licences, such as, liquor licence, light refreshment licence and/or water pollution control licence required by relevant government authorities, for the operation of the Sports Bars.

As at the Latest Practicable Date, we had not executed any lease agreement for any of the potential Sports Bars and we were in the process of reviewing suitable locations. The exact locations will not be finalised until we enter into the lease agreement. We will consider visibility, customer traffic, size and terms of the lease as our major site selection criteria. The opening procedures will be similar to our restaurant opening procedures. For details, see “— Our restaurants — Restaurant operations — New restaurant development procedures”.

The estimated investment costs for the two potential Sports Bars for renovation, purchase of equipment and inventory and rental deposit are expected to be approximately HK\$17.2 million, which will be funded by the net proceeds from the Share Offer.

We will provide updates on the particulars of the Sports Bars, including size, capacity, facilities and investment payback in our annual reports to notify our Shareholders and investors after the Listing.

- *Expand our restaurant network under our “Tiger” brand*

We intend to leverage on our existing scalable business model and the image of our proprietary “Tiger” brand and continue to expand our restaurant network so as to enhance our market share. Our Directors believe that the diversified demographics of the residents in Hong Kong present an opportunity to capture a larger portion of the industry. We intend to open a total of five “Tiger” branded restaurants in Hong Kong. Among these five potential restaurants, two will be opened as standalone restaurants in shopping malls (the “**Standalone Restaurants**”) and three will be opened in food courts of shopping malls (the “**Food Court Restaurants**”). The two potential Standalone Restaurants are expected to be larger than Tiger Curry and Tiger Curry & Cafe in aggregate in terms of size (i.e. gross floor area and seating capacity) and will adopt store design and menu offerings similar to Tiger Curry and Tiger Curry & Cafe. The three potential Food Court Restaurants are expected to be similar to Tiger Curry Jr. in terms of gross floor area and will adopt store design and menu offerings similar to Tiger Curry Jr.. As the potential restaurants will target our current customer segments and are expected to be located in areas with high customer traffic, they will be aligned with similar marketing and branding strategies. We expect to open the potential restaurants in shopping malls in areas with high customer traffic with high visibility and high accessibility within the districts of Mong Kok, Tsing Yi, Cheung Sha Wan, Kwun Tong and Tai Koo Shing. Mong Kok has been considered as one of the busiest districts with a high population density and a major shopping area in Hong Kong as evidenced by the presence of commercial and residential buildings and a vast number of shops, restaurants and hotels. Tsing Yi has a number of public and private housing estates as well as other residential and commercial developments. The Tsing Yi MTR station is also a transportation hub being an interchange station on the Tung Chung Line of MTR and Airport Express on Tsing Yi Island in Hong Kong. Cheung Sha Wan has a mix of residential, commercial and industrial buildings. Kwun Tong is also one of the most densely populated districts in Hong Kong with many residential and commercial buildings and has seen the construction of more office buildings in recent years. Tai Koo Shing houses the Taikoo Shing estate which consists of 61 residential towers, huge commercial and retail complexes as well as many office buildings. Our Directors consider that high customer traffic is critical to the success of a restaurant business. By expanding into residential neighbourhoods and commercial districts not already within our portfolio, we believe we could build a larger presence and prevent our new restaurants from competing with our existing restaurants. We believe that our business strategy enables us to achieve scalability, allowing for expansion and revenue growth while minimising increases in operational costs. We expect that the five potential restaurants will contribute additional number of customer visits and revenue to us.

We executed a letter of offer to lease dated 6 September 2016 confirming the major terms for the lease of a property in Tsing Yi for opening a standalone restaurant in 2017. Save as the aforesaid, as at the Latest Practicable Date, we had not executed any lease or licence agreements for any other potential restaurants and we were reviewing various potential locations in the above-mentioned areas for the remaining potential restaurants.

BUSINESS

The finalisation of the exact locations will not occur until we enter into the lease or licence agreement. We will continue to apply our established site selection criteria for assessing possible locations for our restaurants. For details see, “— Our restaurants — Restaurant operations — Site selection procedures”. For our new restaurant opening procedures, see “— Our restaurants — Restaurant operations — New restaurant development procedures”.

We expect the estimated investment costs of the two potential Standalone Restaurants and the three Food Court Restaurants for renovation, purchase of equipment and inventory and rental deposit to be approximately HK\$5.5 million and HK\$1.5 million, respectively. Except for the opening of one potential Food Court Restaurant (which we expect to locate in Mong Kok) which will be funded by our internal resources, we expect to apply the net proceeds from the Share Offer to the funding of the opening of other potential restaurants.

From 1 June 2016 to the Latest Practicable Date, we did not incur nor commit any capital expenditures for our expansion in Hong Kong. We expect that the opening of the seven potential outlets will increase our operating expenses, principally due to the anticipated increase in our cost of raw materials and consumables used, rental payment and staff cost.

Our Directors consider that our outlet achieves (i) breakeven at the point when its monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective outlet; and (ii) investment payback at the point when the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, on-going cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective outlet. For details on the breakeven period and investment payback period of our outlets, see “— Our restaurants — General information and operating data” and “— Our clubs — General information and operating data”. The historical breakeven periods and investment payback periods of the outlets we operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. Factors including but not limited to the amount of capital expenditures, scale of restaurants, location, timing of commencement of operation (which may affect our performance due to seasonality factors) will affect the time required for achieving breakeven period and investment payback period. According to the F&S Report, in general, the average investment payback period of restaurants is 12 to 48 months. We expect that the expected investment payback period of all of our potential restaurants to be within industry average. According to the F&S Report, in general, the average investment payback period of sports-themed bars is 12 months to 24 months. We expect that the investment payback period of the Sports Bars will be longer than the industry average on the basis that investment costs are higher for opening upmarket sports-themed bars. The expected breakeven period and investment payback period of our potential outlets are as follows:

<u>Potential outlets</u>	<u>Expected breakeven period</u> <i>(months)</i>	<u>Expected investment payback period</u> <i>(months)</i>
Each Food Court Restaurant	1	18 to 24 ⁽¹⁾
Standalone Restaurant in Tsing Yi	1	15 to 27 ⁽²⁾
Standalone Restaurant in Tai Koo Shing	1	24 to 36 ⁽³⁾
Each Sports Bar	3	24 to 36 ⁽⁴⁾

Notes:

- We estimate that the breakeven period and the investment payback period would be shorter or similar to those periods of Tiger Curry Jr. on the basis that (i) they are similar in the following aspects: (a) in terms of location, we expect the potential Food Court Restaurants to locate in shopping malls with similar or higher customer traffic; (b) in terms of gross floor area; and (c) in terms of pricing and operating style; and (ii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.

BUSINESS

2. We estimate that the breakeven period and the investment payback period of this restaurant will be shorter than those periods of Tiger Curry on the basis that (i) this restaurant will be located in a shopping mall which will attract high customer traffic; (ii) it will occupy a larger gross floor area and will accommodate more seats and thus the restaurant will be able to generate higher revenue with similar level of fixed costs based on economies of scale; and (iii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.
3. We estimate that the breakeven period and the investment payback period of this restaurant will be shorter than those periods of Tiger Curry on the basis that (i) this restaurant will be similar to Tiger Curry in the following aspects: (a) in terms of location, as we expect this restaurant to be located on the ground floor of a shopping mall, which is similar to the street level location of Tiger Curry; (b) in terms of size (i.e. gross floor area and seating capacity); and (c) in terms of pricing and operating style; and (ii) we will become more experienced in restaurant management and our Directors consider that our planned expansion will help us achieve scale and will result in a positive impact on the investment payback period of each outlet based on the reasons set out below.
4. We estimate that the breakeven period and investment payback period of the Sports Bars will be longer than the industry average (i.e. six to 18 months and 12 to 24 months, respectively) on the basis that investment costs are higher for opening upmarket sports-themed bars.

We believe the following strategies for our potential restaurants will enable them to achieve the target investment payback period:

- *Open more food court restaurants*

We will incur lower initial investments costs in opening a Food Court Restaurant compared to a street-level restaurant as (i) only minimum renovation costs will be required due to the size and nature of food court restaurants and no design cost will be required as we adopt standardisation in our store design; (ii) we will pay a licence fee for a small area of the entire food court instead of rental payment for the entire outlet with kitchen and toilet facilities; and (iii) the shopping mall will be responsible for obtaining the relevant licences which dispenses with the need for us to engage licensing consultants. We will incur less operating costs for a Food Court Restaurant compared to a street-level restaurant as (i) we only require a food preparation team with sufficient training, instead of experienced chefs, to run the restaurant as we will execute minimal food processing or servicing based on standardised recipes and simple cooking methods and ingredients, which lower our staff costs; and (ii) we do not need to run a central kitchen or a complicated in-store kitchen.

- *Choose shopping mall locations*

Our expansion strategy is driven by a site selection process that allows us to evaluate and select the location, size and design of our outlets based on consumer research and analysis of operating data from sales in our existing restaurants. We will strategically choose to open our potential restaurants in shopping malls in commercial and residential neighbourhoods which should bring high customer traffic and repeated customers as these locations are convenient to urban workers who dine out near office during lunch hours and those who dine out near home after work and on weekends. Our site selection process would enable us to customise each potential restaurant with the objective of maximising return on capital given the characteristics of the market and the location.

- *Achieve economies of scale*

We believe that our planned expansion will help us achieve scale and cost-savings, which in turn will result in a positive impact on investment payback period. In particular, we expect to enjoy cost-savings in the following aspects:

- *procurement cost.* We will be able to assert stronger pricing power through bulk purchase orders of raw materials and ingredients. By using standardised recipes, we will purchase similar raw materials and supplies from our suppliers for our potential and existing restaurants. Some of our major suppliers have confirmed to us that they will offer us extra discount, and some have confirmed that they will not apply price increment to us, if all our potential restaurants are opened;

BUSINESS

- *marketing cost.* We will consider to employ an in-house marketing staff to take charge of marketing and brand-building affairs which we believe the aggregate marketing cost of our restaurants will be reduced;
- *staffing cost.* We will enjoy the benefits of sharing staff cost. We currently plan to keep the arrangement of having only one operations manager and one head chef for all our “Tiger” branded restaurants. During the Track Record Period, we paid an aggregate of approximately HK\$0.2 million, HK\$0.4 million and HK\$0.2 million, respectively, as remuneration of the operations manager and the head chef, representing 15.9%, 7.9% and 11.2% of our total staff cost for restaurant operations. It is expected that an aggregate of approximately HK\$0.7 million will be paid to the operations manager and the head chef annually, representing 5.6% of our total staff cost for restaurant operations assuming that all of our five potential restaurants were opened. Accordingly, if we have more restaurants to share the staff cost, we stand a better chance to generate more profit;
- *inventory management cost.* Our current inventory control system can easily be deployed to cover more restaurants and will allow us to aggregate demand from each restaurant and better manage wastage. We do not need to install a separate system for the potential restaurants. The cost of managing inventory per restaurant will be lower; and
- *design costs.* We normally incur not more than approximately HK\$75,000 on interior design for a new restaurant. Since all potential restaurants will adopt our standardised interior design and similar casual dining or quick-service operating format, only minimal design cost will be incurred for our potential restaurants.

We intend to adopt the following operating strategies to improve the profitability and operating margins of our restaurants going forward:

- ***Grow same-store sales***

- *launch food and beverage offerings with broad appeal.* We seek to distinguish ourselves from other local casual dining and quick service restaurant concepts by creating food menus centred on Japanese-style curry dishes yet at the same time also offer a variety of other Japanese dishes with broad appeal. We aim to ensure a pipeline for launching new products and review our menus on quarterly basis;
 - *enhance brand awareness and generate additional visits to our restaurants through marketing and promotions.* We have engaged a marketing company to initiate marketing campaigns to promote our restaurants, including, in particular, devising strategies to build our brand image through social media and reach out to our brand loyal customers and other potential customers. We will consider to employ an in-house marketing staff to take charge of our marketing and brand-building affairs. We also have customised local marketing programmes to increase new visits and repeat visits to individual locations;
- ***promote higher spending per customer per meal and higher cost items.*** We will design and launch more fixed-price set meals featuring combinations of drink, a main dish and a side dish which can be quickly prepared at a lower cost such as a soup or a small dessert and increase our efforts in encouraging our customers to purchase set meals instead of a single main dish. This will allow us to better manage and plan for customer spending and sourcing of raw materials, increase sales of our targeted food items, and speed up operations in a restaurant by shortening food preparation time, menu ordering time and our servicing time. We will evaluate our customers’ habits of consumption during one season and work out the pricing and portions of set meals regarding to customer traffic and food cost. We will monitor current food trends and launch seasonal or trendy food items with higher margins;
 - ***monitor wastage and idle resources.*** Food cost occupies a sizable portion of our costs. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our costs of food ingredients

BUSINESS

represented approximately 12.0%, 21.1% and 24.3% of our total cost of inventories sold, respectively. Inadequate management attention can result in draining of profits. Wastage can occur due to, expiry, damages, excess or wrong production. We will design procedures to track, monitor and control wastages at different restaurants with the aim to improve gross margins. With a higher number of restaurants, we will modify our centralised purchasing procedures to the effect that (i) our procurement staff will generally stop accepting individual orders placed by each restaurant unless the head chef approves. We will designate our procurement staff to first collect information from each restaurant on its expected inventory needs and then to estimate the total inventory needs of all our restaurants and report to our head chef for approval before making purchases; and (ii) in making delivery arrangements, our procurement staff will liaise with the suppliers to deliver the purchases to satisfy each restaurant's need based on the actual situation. This will help reduce inventory build-up in case expected usage does not materialise and lower the risk of shortages in case of unexpected increases in demand. We will monitor and adjust our serving portions, utensils required and recipe masters across restaurants to control leakages and reduced food cost. We will also adjust our manpower resources and operating hours based on customer traffic and actual sales. In that regard, we will identify time periods with heavy and slow-moving customer traffic. During time periods of heavy customer traffic, we may hire more full-time or part-time staff to push sales and to ensure our customer service remain satisfactory. During time periods of slow-moving customer traffic, we may reduce the number of part-time staff to save costs or allocate the staff to work in our other restaurants or carry out other functions. We may also extend our operating hours if we see a need (such as open for breakfast or for longer operating hours on weekends or during seasonal periods) or shorten our operating hours (such as cut breakfast service or close on weekends or during seasonal periods);

- ***increase staff training and boost staff morale.*** Manpower is a crucial element of restaurant business. We will continue to provide training to our staff on skills, awareness and morale to increase productivity. We will hold meetings with our managers from time to time to discuss any challenges or changes in respect of profitability issues.

We may explore any possibilities to open restaurants, bars and clubs under other brands if suitable opportunity arises.

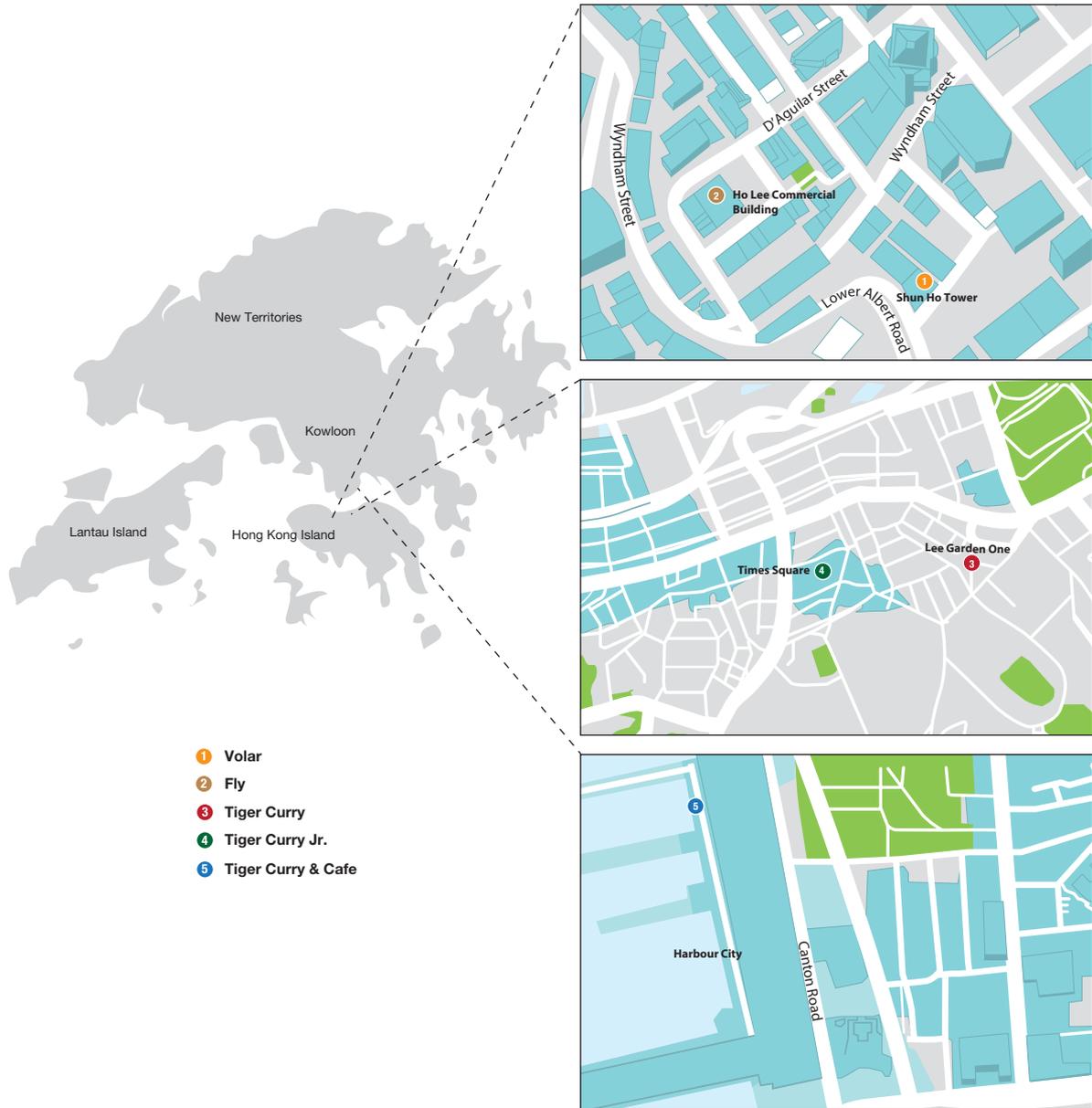
Upgrade our club facilities

Our Directors believe that the demand for our clubs is highly susceptible to the changing lifestyle trends and tastes. Operating in a competitive business, we recognise a renovation would provide an opportunity for us to update our venues, refresh our brand image and attract customers. According to the F&S Report, the life cycle of a club will be limited without rebranding or upgrading activities. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we spent approximately HK\$141,000, nil and HK\$145,000 on leasehold improvement for Volar, respectively; and nil, nil and HK\$25,000 for Fly, respectively. We plan to upgrade and renovate Fly in or around the second quarter of 2017 and Volar in or around the first quarter of 2018 to ensure that each remains attractive to our customers.

We expect the estimated refurbishment costs for Volar and Fly, which will primarily cover decoration, furniture and fixture expenses, to be approximately HK\$10.3 million and HK\$4.0 million, respectively, which will be funded by the net proceeds from the Share Offer.

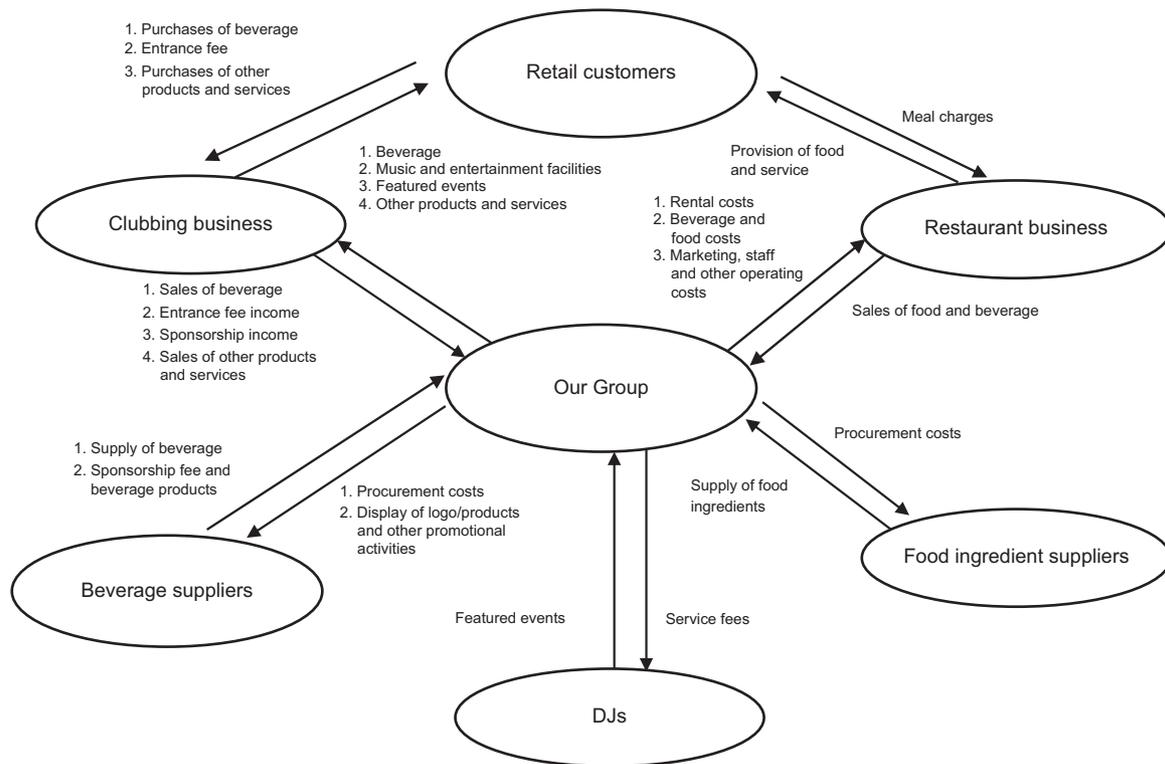
OUR BUSINESS AND REVENUE MODEL

The map below shows the current locations of our clubs and restaurants.



BUSINESS

The diagram below illustrates our business model.



During the Track Record Period, we derived our revenue principally from our clubbing and restaurant operations. The table below sets forth a breakdown of our revenue by outlet for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Volar ⁽¹⁾	62,082	92.1	62,748	70.6	18,707	79.5	19,726	64.4
Fly ⁽²⁾	—	—	10,103	11.4	—	—	4,514	14.8
Tiger Curry	5,208	7.8	6,044	6.8	2,294	9.8	1,960	6.4
Tiger Curry Jr. ⁽³⁾	97	0.1	4,982	5.6	1,548	6.6	2,003	6.5
Tiger Curry & Cafe ⁽⁴⁾	—	—	4,993	5.6	970	4.1	2,410	7.9
Total	67,387	100.0	88,870	100.0	23,519	100.0	30,613	100.0

Notes:

- For the two years ended 31 May 2016 and the four months ended 30 September 2016, the profit before income tax expense of Volar amounted to approximately HK\$9.6 million, HK\$10.2 million and HK\$1.7 million, representing approximately 111.7%, 97.7% and 97.7% of the profit before income tax expense of our Group (after excluding the non-recurring Listing expenses of approximately HK\$8.2 million incurring during the four months ended 30 September 2016), respectively. The profit contribution from Volar to our Group exceed 100% for the year ended 31 May 2015 as we incurred lost mainly in our restaurant operations during the year.
- Fly came under our operation through our acquisition of its operating company in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.
- Commenced business in May 2015.
- Commenced business in July 2015.

BUSINESS

Our clubbing operations

Our well-designed venues are equipped with advanced lighting and music equipment, high quality live featured events by resident and guest DJs, dedicated bar and waiter service and an elaborated beverage menu. In respect of our clubbing operations, we derive our revenue mainly from the sales of beverage, entrance fee income, sponsorship income, and sales of other products and services. Our gross sales of beverage comprise sales of different alcoholic and non-alcoholic beverage products and the corresponding service charge (which is 10%). Our entrance fee income comprises cover charges and pre-event sales. Our gross sales of beverage and entrance fee income are generally higher on the days we host featured events compared to our regular operating days. Our sponsorship income mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages (for further details, see “— Suppliers — Sponsorship income from suppliers”). We also derive revenue from cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events.

We categorise our operating days into (i) regular operating days; and (ii) days on which we host featured events. The table below sets forth the number of our regular operating days and the days on which we hosted featured events in our clubs for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Volar	Fly	Volar	Fly	Volar	Fly	Volar	Fly
Regular operating days ^(Note)	205	—	209	135	69	—	77	80
Days with featured events ^(Note)	60	—	55	13	18	—	10	7
Total	<u>265</u>	<u>—</u>	<u>264</u>	<u>148</u>	<u>87</u>	<u>—</u>	<u>87</u>	<u>87</u>

Note: Featured events which run past midnight may extend into the next day, which could be a regular operating day, another day on which we host featured events or a day when we have no operations.

The table below sets out a breakdown of our gross sales of beverage by operation type of our clubbing operations for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Regular operating days	41,580	63.6	53,188	68.0	12,912	62.5	20,681	79.4
Featured events	23,761	36.4	25,000	32.0	7,733	37.5	5,350	20.6
Total	<u>65,341</u>	<u>100.0</u>	<u>78,188</u>	<u>100.0</u>	<u>20,645</u>	<u>100.0</u>	<u>26,031</u>	<u>100.0</u>

BUSINESS

The table below sets forth a breakdown of our revenue generated from our clubbing operations by service/product offering for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Revenue	% of revenue from clubbing operations	Revenue	% of revenue from clubbing operations	Revenue	% of total revenue from clubbing operations	Revenue	% of total revenue from clubbing operations
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Gross sales of beverage	65,341	105.2	78,188	107.3	20,645	110.3	26,031	107.4
Less: sales discount	(9,654)	(15.5)	(11,568)	(15.9)	(3,389)	(18.1)	(4,382)	(18.1)
Net sales of beverage	55,687	89.7	66,620	91.4	17,256	92.2	21,649	89.3
Entrance fee income	4,503	7.3	3,220	4.4	649	3.5	1,124	4.6
Sponsorship income ⁽¹⁾	896	1.4	1,652	2.3	502	2.7	1,069	4.4
Others ⁽²⁾	996	1.6	1,359	1.9	300	1.6	398	1.7
Total	62,082	100.0	72,851	100.0	18,707	100.0	24,240	100

Notes:

- Mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages. Sponsorship income is recognised in accordance with Hong Kong Accounting Standard (“HKAS”) 18 “Revenue”. As the sponsorship income is generated from rendering of various services in the course of our ordinary activities to certain businesses that also happen to be our suppliers and is not dependent on the purchase of the suppliers’ products, the presentation of sponsorship income as part of revenue is appropriate to reflect the substance of the transactions pursuant to HKAS 1, Presentation of Financial Statements.
- Includes cloakroom income, photobooth income, tips income and rental income from leasing our club premises for events.

Beverage sales

The table below sets forth a breakdown of our gross sales of beverage for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage	Gross sales of beverage	% of total gross sales of beverage
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000) (Unaudited)	(%)	(HK\$'000)	(%)
Champagne	29,088	44.5	35,777	45.8	10,297	49.9	10,975	42.2
Spirits ⁽¹⁾	20,819	31.9	25,029	32.0	5,755	27.9	9,106	35.0
Cocktails and liqueurs ⁽²⁾	5,396	8.3	5,434	7.0	1,546	7.5	1,795	6.9
Soft drinks and others ⁽³⁾	3,260	5.0	3,153	4.0	901	4.4	1,066	4.1
Beer	1,230	1.9	1,746	2.2	388	1.9	670	2.6
Wine	330	0.5	584	0.7	76	0.3	322	1.2
Service charge	5,218	7.9	6,465	8.3	1,682	8.1	2,097	8.0
Total	65,341	100.0	78,188	100.0	20,645	100.0	26,031	100.0

Notes:

- Include mainly whisky, vodka, brandy, gin, rum, tequila, schnapps, etc.
- Generally refers to an alcoholic beverage served by glass and prepared by bartenders mixing different alcoholic and non-alcoholic ingredients.
- Generally include mineral water, juices and condiments.

BUSINESS

As seen above, Champagne was the best-selling category of beverages, amounting to 44.5%, 45.8% and 42.2% of the gross revenue for the two years ended 31 May 2016 and the four months ended 30 September 2016.

For further analysis of the revenue contributed by various beverage items, see “Financial Information — Description and analysis of principal components in the consolidated statements of comprehensive income — Our clubbing operations — Sales of beverage”.

Entrance fee income

Our entrance fee income comprises cover charges and pre-event sales. Cover charge refers to the fee we charge for attending our clubs (whether on a regular operating day or on a day with featured events) and ranges from HK\$150 to HK\$600 per customer. The cover charge generally entitles our customers to a few complimentary beverages. We may waive the cover charge for customers of our prepaid beverage package (as an inducement for them to visit our clubs based on their past spending power or for publicity reasons), customers who make a booking for a table (as we impose a minimum charge for table bookings which guarantees certain spending amount to us) and other valued customers. Pre-event sales refer to the ticket income we charge for featured events generated from sales of tickets through a third-party online ticketing agent which generally receives a fee from us based on the amount of gross ticket revenue from purchases through its website.

The table below sets forth a breakdown of our entrance fee income for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Entrance fee income (HK\$'000)	% of total entrance fee income (%)	Entrance fee income (HK\$'000)	% of total entrance fee income (%)	Entrance fee income (HK\$'000) (Unaudited)	% of total entrance fee income (%)	Entrance fee income (HK\$'000)	% of total entrance fee income (%)
Cover charges	4,292	95.3	3,028	94.0	592	91.2	1,087	96.7
Pre-event sales	211	4.7	192	6.0	57	8.8	37	3.3
Total	4,503	100.0	3,220	100.0	649	100.0	1,124	100.0

Sponsorship income

Our sponsorship income mainly covers (i) the sponsorship fees we receive from beverage suppliers for displaying logos or products and other promotions in our clubs; and (ii) beverage products equivalent to a certain value we receive from beverage suppliers according to the number and type of events promoting specified beverages. We generate sponsorship income mainly from beverage suppliers. As at the Latest Practicable Date, among our five largest suppliers, we entered into purchasing and sponsorship agreements with MHD and Supplier A, details of which are set out in “— Suppliers”.

The table below sets forth a breakdown of our sponsorship income for the periods indicated.

	Year ended 31 May				Four months ended 30 September			
	2015		2016		2015		2016	
	Sponsorship income (HK\$'000)	% of total sponsorship income (%)	Sponsorship income (HK\$'000)	% of total sponsorship income (%)	Sponsorship income (HK\$'000) (Unaudited)	% of total sponsorship income (%)	Sponsorship income (HK\$'000)	% of total sponsorship income (%)
Sponsorship fees	482	53.8	1,068	64.6	312	62.2	891	83.3
Beverage products equivalent to certain value ^(Note)	414	46.2	584	35.4	190	37.8	178	16.7
Total	896	100.0	1,652	100.0	502	100.0	1,069	100.0

Note: For accounting purpose, these figures (i) include beverage products we receive based on the promotional activities we conduct; and (ii) exclude beverage products we receive based on our purchase volume which are recorded on our stock record as normal stock.

BUSINESS

Our restaurant operations

For our three “Tiger” branded restaurants, we strive to provide a contemporary Japanese dining experience in a relaxing atmosphere for our customers. We primarily generate revenue through the sale of food and beverage products as displayed on our menus.

OUR CLUBS

General information and operating data

We own and operate two night entertainment clubs, Volar and Fly. Volar targets customers with strong spending power. Fly is aimed at the younger white collar professionals and university students and graduates. With a target customer demographic, we promote our brands primarily through the venue design, beverage offerings, music and event offerings. Our Directors believe that our clubs are complementary as they are able to offer different aspects of the clubbing and night entertainment experience to customers. As at the Latest Practicable Date, we held all necessary licences for our clubbing operations.

The table below sets forth the general information of each of our clubs.

Name of club	Address as shown in the liquor licence	Month/Year of commencement of business ⁽¹⁾	Month/Year of our operation of business	Approximate gross floor area (sq. ft.)	Maximum capacity ⁽²⁾	Number of staff as at the Latest Practicable Date	Breakeven period ⁽³⁾ (months)	Investment payback period ⁽⁴⁾ (months)
Volar	Basement, 38-44 D’Aguilar Street, Central, Hong Kong	December 2004	July 2013	5,563	293	37 (including 20 full-time and 17 part-time employees)	1	6
Fly	G/F, 24-30 Ice House Street, Central, Hong Kong	December 2010	November 2015	2,147	200	10 (including 8 full-time and 2 part-time employees)	1	3

Notes:

- Based on the best knowledge and information of our Directors.
- The maximum capacity is the maximum number of people allowed (including staff in each club) by the current liquor licence of each club at any given time.
- The number of month(s) it takes for the club to reach the point at which the monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective club.
- The number of month(s) it takes for the club to reach the point at which the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, ongoing cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective club.

For information about the leases and licences of our clubs, see “— Properties” and “— Licences and permits”.

The table below sets forth the operating data of each of our clubs for the periods indicated.

	Year ended 31 May							
	2015				2016			
	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)
Volar	64,092	265	969	234,272	52,708	264	1,190	237,680
Fly ⁽³⁾	—	—	—	—	15,114	148	668	68,265

BUSINESS

Four months ended 30 September

	2015				2016			
	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$) (unaudited)	Approximate number of transactions	Number of operation days	Average spending per transaction ⁽¹⁾ (HK\$)	Average daily revenue ⁽²⁾ (HK\$)
Volar	21,171	87	884	215,015	20,539	87	960	226,740
Fly ⁽³⁾	—	—	—	—	8,556	87	528	51,879

Notes:

1. Average spending per transaction is the total revenue of the relevant club divided by the approximate number of transactions.
2. Average daily revenue is the total revenue of the relevant club divided by the number of operation days.
3. Fly came under our operation through our acquisition of its operating company in November 2015. For details, see “History, Reorganisation and Corporate Structure — Corporate development — Our corporate history — Grand Diamond”.

Volar





Volar, located in Lan Kwai Fong, commenced business in December 2004 and came under our operation through our acquisition of its operating company in July 2013. Volar's venue has a basement location and encompasses over 5,500 sq.ft. on a single floor. Upon descending the stairs into the space, customers have the choice of two distinct sections each playing out a range of music from the latest electronic dance music genres through an advanced 5-way Turbosound speaker system in our front section. On weekdays, both sections are open, where the front section features more niche, alternative underground house music and the backend section plays mainstream chart-topping music. Each section has a DJ booth and is designed with upholstered leather seating. Another design feature is the bands of coloured LED lights that crisscross around the club and across the ceiling. With a large gross floor area, Volar hosts numerous large featured events throughout the year, attracting internationally renowned DJs to perform. Volar generally operates five days a week from Tuesday to Saturday (from 6:00 p.m. to 1:00 a.m. on Tuesday, from 6:00 p.m. to 5:30 a.m. from Wednesday to Thursday and from 10:00 p.m. to 6:30 a.m. from Friday to Saturday).

BUSINESS

Fly



Fly, located on Ice House Street, Central, commenced business in December 2010 and came under our operation through our acquisition of its operating company in November 2015. Fly's venue reaches over

2,100 sq.ft. on a single floor. It has a large wooden entrance and an inside completed with polished concrete floors, gritty black tiles and urban street art. The interior décor provides a venue with an ambiance where customers can relax, yet is able to transform into a clubbing atmosphere on any given night. Fly is predominantly an electronic music-themed club. Fly generally operates five days a week from Tuesday to Saturday (from 5:00 p.m. to 11:00 p.m. on Tuesday, from 5:00 p.m. to 4:30 a.m. from Wednesday to Thursday and from 8:00 p.m. to 4:30 a.m. from Friday to Saturday).

Our key offerings

Music and other entertainment facilities

We play a wide range of music in both of our clubs on regular operating days. We engage resident DJs who perform in our clubs on regular basis and local and overseas guest DJs, some internationally renowned, to perform at featured events. For details of our featured events, see “— Our clubs — Our key offerings — Featured events”. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we regularly engaged six, nine and 11 resident DJs, respectively. We source and negotiate with DJs directly or through third-party agents.

The choice and range of music is an important part of the night entertainment experience that our clubs offer. We review our music playlists from time to time to be on top of the latest trends, and also involve our DJs in such discussions. We offer a variety of dance-music focused genres, which mainly include electronic dance music, hip hop, pop, house, techno music and are often mixed and edited by our DJs.

We hold various licences for the use of music and songs. For details, see “— Licences and permits”. We have reached an agreement for the usage of music with three licensing bodies which are registered in the Copyright Licensing Bodies Registry of the Intellectual Property Department of Hong Kong, namely PPSEAL, HKRIA and CASH, as to the amounts of the licensing fees and have settled licensing fees for the usage of music until between mid-2017 and early 2018. During the Track Record Period, the total annual licensing fees (covering the general restaurant licence, light refreshment licence, liquor licence, water pollution licence and music-related licences from PPSEAL, HKRIA and CASH for our clubs and restaurants) were approximately HK\$762,000. Given some of the annual licensing fees for Fly were already paid for before it came under our operation in November 2015, we expect the aggregate annual fees to be higher in future years.

During the Track Record Period and as at the Latest Practicable Date, there were no present or threatened legal proceedings against us with respect to usage of music in our clubs.

Volar has two dance floors, two DJ booths, one LED screen and a cloakroom which a staff manages to serve the needs of our customers. It also has a lighting system which we can preprogramme to enable bands of coloured LED lights to crisscross around the club and across the ceiling. We sometimes engage a video jockey to introduce music videos on our LED screens. Fly has a dance floor, a DJ booth and a LED screen.

Featured events

For the two years ended 31 May 2016 and the four months ended 30 September 2016, we hosted 62, 70 and 17 featured events, respectively. Featured events included night entertainment events (i) headlined by an internationally renowned guest DJ; or (ii) based on festive and holiday themes such as Christmas, New Year’s Eve and Valentine’s Day. We believe that our regularly held featured events enhance the high-end image of our clubs, increase customer traffic and increase our overall revenue. In particular, we generate (i) more sales of entrance fee as we charge higher for entrance compared to cover charges on a regular operating day; (ii) more beverage sales due to higher customer traffic during these events; and (iii) more sponsorship fee income as promotions by beverage suppliers in the form of displaying logos or products and other promotions in our clubs are more likely to take place during these events than regular operating days. Our Directors confirm that we did not organise any featured events held outside of our club premises during the Track Record Period.

BUSINESS

The tables below set forth our five largest featured events in terms of gross sales of beverage for the periods indicated.

Five largest featured events for the year ended 31 May 2015

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
18 Steps to Hell Descend into Darkness Halloween at Volar	31 October 2014	795
Volar New Year's Eve Whip in 2015	31 December 2014	772
Xmas Eve at Volar	24 December 2014	664
Volar x Love & Beats presents Mitch LJ	8 November 2014	645
An event held at Volar	13 March 2015	644

Five largest featured events for the year ended 31 May 2016

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
Volar presents New Years Eve	31 December 2015	1,060
Volar presents Zombie Apocalypse	31 October 2015	777
Volar x Love & Beats presents Junior C.	9 October 2015	775
Volar presents Disco Step Child	5 June 2015	656
Volar presents Mitch LJ	4 July 2015	621

Five largest featured events for the four months ended 30 September 2016

	<u>Date</u>	<u>Gross sales of beverage</u> <i>(HK\$'000)</i>
Volar presents DJ RANA and DJ VAVI	3 September 2016	735
Volar x Delta presents Peter Van Hoesen	9 September 2016	586
Volar x Love & Beats presents Nicolas Masseyeff	23 September 2016	510
Volar presents ROAD to ULTRA HONG KONG Countdown Tour w/LDLV	26 August 2016	499
Volar x Immersion Presents Morttagua	24 June 2016	474

Set forth are the key steps involved in the planning and organisation of a featured event:

- ***selection of date and theme of event:*** In general, we plan and select the date and theme of featured events to be organised approximately one to two months in advance before the event date. Featured events are usually held on Fridays, Saturdays, the day before a public holiday or during festival weeks in Hong Kong, such as Valentine's party in February, Easter party in April, Halloween party in October and Christmas party and New Year's Eve countdown in December. We generally also invite internationally renowned guest DJs to drive further customer traffic to our featured events.
- ***selection of and preliminary discussion with sponsors:*** After we have selected the date and theme of event, we will decide whether to utilise the sponsorships offered by our suppliers. If we decide to do that, we will, depending on the terms of relevant contract we entered into with them, notify the relevant suppliers or conduct preliminary discussion with them on the display of their logo or products, endorsement of their brand names for the events, and other promotion arrangements. Through the preliminary discussion, we understand the expectation and requirements on selection of DJs, multi-media equipment, types of beverages to be served, budget or other specific requirements. We will discuss with the suppliers on whether the environment of our club along with the proposed theme of the event would be suited to their requirements under contracts.

BUSINESS

- ***preparation of a detailed proposal:*** We review and consider the use of suitable guest DJs, multi-media equipment, expertise etc. according to the needs, expectations and requirements of suppliers and the theme of the events, and obtain quotations and confirm availabilities of DJs either directly or through agents. We proceed to prepare a detailed proposal setting out the logistics and run-down of the event, decoration and set-up of stage, budget and other details. We will generally inform our suppliers about the events to be hosted if their beverage brands will be used for promotion purposes.
- ***commencing of preparation work:*** We then commence work according to the proposal. We discuss and finalise the procedures, run-down, safety measures and internal work allocation. In general, our sales and marketing department will take charge and supervise the progress of relevant preparation work from time to time, such as stage set up, audio and visual preparation and decoration as selection of suppliers where appropriate. Confirmation of engagement with guest DJs takes place during this stage.
- ***implementation and execution of the event:*** On the date of event, we set up the DJ booth and conduct rehearsals with DJs if necessary. We issue our invoice to suppliers upon completion of the event.

Beverage products

We offer a variety of beverage products in both of our clubs. Our customers tend to order high priced alcoholic beverages such as Champagne, spirits and cocktails and liqueurs as opposed to wine, beer and soft drinks. For a breakdown of our beverage sales, see “— Our business and revenue model — Our clubbing operations — Beverage sales”.

During the Track Record Period, sales of Champagne was the major source of our beverage sales. Among all the Champagne brands we currently offer, Moët & Chandon was our best-selling brand throughout the Track Record Period. We sourced Moët & Chandon from MHD, our largest supplier, during the Track Record Period. For details, see “— Suppliers — Relationship with MHD”.

To ensure we stay ahead of competition and provide fresh experience to our customers, we from time to time review and update our beverage menu. We are keen to source popular beverage brands for our clubs, introduce current and popular cocktail recipes, offer featured drinks associating with featured events or festivals and custom-made beverages for customers when required. We engage experienced bartenders, and provide on-the-job training for our newly recruited bartenders.

We do not have a kitchen in any of our club premises and do not offer any food items in any of our clubs. Occasionally, upon request of customers, we may order snacks from third-party vendors for our customers who rent our club premises for parties and events.

Prepaid beverage packages

We utilise a prepaid beverage package to market our clubs and generate beverage sales. We launched our prepaid beverage package in July 2013. Our prepaid beverage package is essentially the sale of prepaid beverage packages to our customers to obtain prepayments and, in return, we offer them a “member” status (the “**Members**”) with a membership card containing purchase credits entitling them to discounts and other benefits and privileges, including, free and priority entry to the club, welcome gift, complimentary bottle of Champagne during birthday and priority table booking. To become a Member, our staff will prompt customers to provide personal information and pay a joining fee ranging from HK\$10,800 to HK\$39,900 depending on which club they are joining. Our Directors confirm that the amount of initial joining fee was made with reference to that of our competitors. We make available such joining fee to the Member as purchase credits to be used in settling his/her bill at the respective club, which essentially allows Members to use their membership cards as a debit card or a prepaid card. Our Members can top up their package subsequent to initial purchase.

Our membership database records the origination, utilisation, expiration and change of prepaid amount. For the two years ended 31 May 2016 and the four months ended 30 September 2016, we had 380, 395 and 126 new

BUSINESS

Members, respectively. On average, there was approximately HK\$8,000, HK\$5,000 and HK\$5,000 of remaining credit per Member for the same periods. As at the Latest Practicable Date, we had 1,051 Members.

To become a Member, we require the completion and signing of a standard application form before making the prepayment. The form clearly sets out the terms and conditions of the prepaid beverage package including, among others, the validity period for the use of the prepaid amount, extension and refund policies as well as other restrictions. Customers normally settle our prepaid beverage packages by cash or credit cards in one lump sum. The validity period of each prepaid beverage package is currently three months from the date of purchase. Members are not entitled to a refund of the unused prepaid amount during or after the validity period. We offer our Members the option to transfer the unused amount to a third party by submitting a formal request to us.

During the Track Record Period, not all our Members had fully utilised their prepaid beverage packages. The prepayment utilisation ratio (which is calculated by dividing the amount of prepayment utilised and recognised as revenue by the prepayment received for the respective period) for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately 98.5%, 100.9% and 97.6%, respectively. The prepayment utilisation ratio may exceed 100% if the net revenue recognised during the year includes carried forward prepaid beverage packages from the preceding year, and is more than the actual sales of the prepaid beverage package for the year.

We record prepaid beverage packages as receipts in advance in the consolidated statements of financial position at the point of receipt. Revenue is recognised in the consolidated statements of profit or loss and other comprehensive income based on the effective selling price when relevant beverages are sold to customers, who choose to utilise the prepaid beverage packages, from time to time. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our receipt from prepaid beverage packages was approximately HK\$19.2 million, HK\$21.3 million and HK\$7.3 million, respectively and our revenue from the sales of prepaid beverage package was approximately HK\$18.9 million, HK\$21.5 million and HK\$7.1 million, respectively, representing 28.1%, 24.2% and 23.3% of our total revenue for the same period. We will not forfeit any unused credit balance under the prepaid beverage packages nor recognise them as revenue. In September 2015, we started to stipulate a three-month validity period requirement in our sales contract for prepaid beverage package to encourage customers to use up the credits within the specified period so as to drive repeat business, but we will not forfeit the unused prepaid amounts following such an expiry date as we intend to maintain good relationships with our customers and uphold the reputation of our clubs.

The table below provides a breakdown of deferred revenue as at the dates indicated.

		Year ended 31 May							
		2015				2016			
		Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the year	At the beginning of the year	Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the year	
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Volar		3,569	19,242	(18,957)	3,854	3,854	21,096	(21,348)	3,602
Fly		—	—	—	—	199	216	(164)	251
		Four months ended 30 September							
		2015				2016			
		Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the period	At the beginning of the period	Receipts from sales of prepaid beverage package	Net revenue recognised upon actual sales of beverages	At the end of the period	
		<i>(HK\$'000)</i> <i>(unaudited)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Volar		3,854	6,677	(6,501)	4,030	3,602	7,262	(7,075)	3,789
Fly		—	—	—	—	251	50	(58)	244

BUSINESS

Through our prepaid beverage packages, we are able to realise the following benefits:

Customer retention and repeat business

With unused prepaid amounts, our Members will be inclined to return to our clubs. Further, with the various discounts and complimentary gifts on offer, we believe our prepaid beverage package enhances Members' in-club experience, offer them better value and added convenience. We believe our prepaid beverage package helps create customer loyalty and bring repeat business.

Membership database and spending profile

We maintain a database of our Members and are able to extract information from our membership database to analyse their spending data. This allows us to monitor the frequency of their visits and spending habits, and is crucial in understanding the demands of our customers.

Sales commission for employees

Employees can earn commission by successfully selling the prepaid beverage packages to our customers. This incentivises not only employees to actively promote our clubs, but to also provide a high level of customer service at all times.

During the Track Record Period, for sales commission, we paid (i) our club managers and employees an amount ranging from HK\$150 to HK\$500 (equivalent to approximately 1.4% to 4.6% of the sale price of the lowest priced prepaid beverage package of Fly and 0.7% to 2.4% of the sale price of the lowest priced prepaid beverage package of Volar) for each prepaid beverage package sold to customers; and (ii) our club managers an additional amount equivalent to 1.0% to 1.25% of the sale prices of the relevant prepaid beverage packages sold by any employee (including the club manager himself) in excess of a fixed monthly number of prepaid beverage package.

During the Track Record Period, the amount of sales commission paid to employees for selling the prepaid beverage packages to our Group's customers amounted to approximately HK\$0.8 million, HK\$0.8 million and HK\$0.3 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints in relation to our prepaid beverage packages.

Complimentary beverage package

We offer complimentary beverage packages to certain valued customers. These packages usually include a waiver on the cover charge, and a complimentary quota for such valued customers to spend on beverages within the club. This complimentary quota is reviewed and renewed on a monthly basis by our management. During the two years ended 31 May 2016 and the four months ended 30 September 2016, 38, 48 and 28 valued customers utilised our complimentary packages, respectively. We believe the presence of valued customers at our clubs will boost our profile and customer visits on a given night.

We select these valued customers based on certain criteria, including whether (i) these valued customers would potentially be able to introduce other individuals or corporate customers to our clubs, and hence expand our customer base and enhance our profitability; and (ii) the connections and networks of these valued customers may lead to introduction of potential international level DJs to play in our clubs or local or international celebrities such as actors or singers to visit our clubs, which may enhance the attractiveness of our clubs.

According to the F&S Report, the offer of complimentary beverage packages to valued customers such as celebrities and other high profile customers for strategic marketing purposes in order to boost customer visits to the clubs is a common practice in the clubbing industry.

BUSINESS

For the two years ended 31 May 2016 and the four months ended 30 September 2016, the total values of the complimentary beverage packages granted were approximately HK\$1.0 million, HK\$1.7 million and HK\$0.8 million, of which approximately HK\$0.4 million, HK\$0.8 million and HK\$0.8 million was utilised, respectively. The values of these complimentary beverage packages were not accounted for in our financial statements, except that where the relevant valued customers spent such amounts in the club which exceeded the quota granted under the complimentary beverage packages, such amounts paid by the valued customers would be recorded as revenue in our financial statements upon consumption. When the quota for the complimentary beverage packages are utilised by the valued customers, we record revenue and sales discount simultaneously in our financial statements to offset each other. Any quota for the complimentary beverage packages not utilised by the valued customers at the end of each month will be cancelled, and hence we have no obligation arising from any aforesaid unutilised quota and no liability will be recognised in our financial statements. As at the Latest Practicable Date, our outstanding quota for these complimentary beverage packages was approximately HK\$0.5 million.

Renovation

We plan to upgrade our club facilities, including renovating Fly in or around the second quarter of 2017 and Volar in or around the first quarter of 2018. For details, see “— Business strategies — Upgrade our club facilities”.

Theme and image

We expect our renovation plans to focus on enhancing the image of Fly and Volar. Our Directors expect that our renovation for Fly will include upgrading equipment and changes to fittings and our renovation for Volar will include replacing lighting and sound equipment, updating the interior design and changes to fittings. None of the use of space or physical layout will be changed.

Renovation plan and process

- **Planning stage:** To ensure smoothness in meeting time, quality and cost requirements of our renovation, about three to six months before the commencement of the renovation process, we will start to create a master renovation plan which will include details on decoration and equipment required, timing requirements, costs involved, licences required, personnel in charge and vendors such as designers and consultants required. During this early inception stage, we will also source fee quotes from and engage the relevant vendors. We will set up a designated management team which will be responsible for selecting and engaging the relevant vendors, as well as supervising the progress of the implementation of the renovation plan.
- **Renovation stage:** If we undertake a major renovation for Fly, we will close the entire venue temporarily for the duration of renovation. If we undertake a major renovation for Volar, we will close one part of the venue temporarily and the other part will remain open for business for the duration of renovation. Once the renovation for one part is completed, it will reopen and the other part will close temporarily. If we undertake a minor renovation for either club, we will not close the venue and the renovation works will take place during non-operating hours. The designated management team will continue to monitor the renovation progress, control budget and monitor the progress of application for relevant licences if required.
- **Completion of renovation:** The designated management team will work closely with our sales and marketing department to promote our renovated clubs and may launch grand opening events for publicity purpose.

Type of renovation

Our Directors consider that it will normally take about one to two months (where renovation works will take place during non-operating hours) from the finalisation of decoration plan to the completion of a minor

BUSINESS

renovation which may involve repair and maintenance works, replacing and renewing non-durable furnishings without altering the use of space or physical layout, maintenance-related upgrading works and minor changes to fittings, and about one to two months (where part or all of the venue will close temporarily) from the finalisation of decoration plan to the completion of a major renovation which may involve replacing and renewing most furnishings, major changes to fittings, and extensive modifications to the use of space and physical layout, subject to relevant licence approval procedures and other factors such as sufficient supply of manpower and availability of sound, lighting and other equipment we require. The renovation for Fly in or around the second quarter of 2017 and for Volar in or around the first quarter of 2018 will each be a major renovation.

Renovation cycle

We undertake minor renovations for our clubs on an as-needed basis depending on the condition of our equipment and facilities, and generally a major renovation every five to six years, which is within the industry norm of four to eight years.

OUR RESTAURANTS

General information and operating data

We own and operate three Japanese restaurants under our proprietary “Tiger” brand. Our “Tiger” branded restaurants are aimed at mass market customers. Our three sub-brands Tiger Curry, Tiger Curry Jr. and Tiger Curry & Cafe all offer contemporary Japanese cuisine but differ slightly in pricing and food offerings. Tiger Curry and Tiger Curry & Cafe are casual dining restaurants while our Tiger Curry Jr. is a quick service restaurant. All of our restaurants are strategically located in prime areas. As at the Latest Practicable Date, all our restaurants held all necessary licences for their business operations.

The table below sets out the general information of our three restaurants.

Name of restaurant	Address as shown in the general restaurant licence/ food factory licence	Date of commencement of business	Approximate gross floor area <i>(sq. ft.)</i>	Maximum capacity <i>(seats)</i>	Number of staff as at the Latest Practicable Date	Breakeven period ⁽¹⁾ <i>(months)</i>	Investment payback period ⁽²⁾ <i>(months)</i>
Tiger Curry	G/F, 14 Pennington Street, Causeway Bay, Hong Kong	14 April 2014	595	26	15 (including 7 full-time and 8 part-time employees)	2	53 ⁽⁵⁾
Tiger Curry Jr.	Counter B, Shop B110, Basement 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong ⁽³⁾	20 May 2015	324	N/A ⁽⁴⁾	11 (including 3 full-time and 8 part-time employees)	4	18
Tiger Curry & Cafe	Shop 2602, Level 2, Gateway Arcade, Harbour City, Kowloon	30 July 2015	758	28	22 (including 6 full-time and 16 part-time employees)	4	N/A ⁽⁶⁾

Notes:

- The number of month(s) it takes for the restaurant to reach the point at which the monthly revenue is at least equal to the monthly expenses (including but not limited to property rental and related expenses, employee benefit expenses and depreciation of property, plant and equipment) since our operation of the respective restaurant.
- The number of month(s) it takes for the restaurant to reach the point at which the net profit accumulated is at least equal to the costs of opening and operations, including incurred capital expenditures, ongoing cash and non-cash operating expenses and depreciation of property, plant and equipment since our operation of the respective restaurant.
- The premises occupied by Tiger Curry Jr. is a portion of Counter B of the food court where Tiger Curry Jr. is located.

BUSINESS

4. Not applicable to Tiger Curry Jr. as the food court where Tiger Curry Jr. is located provides the seats.
5. As at the Latest Practicable Date, Tiger Curry had not achieved the investment payback point and the expected investment payback period disclosed is based on our estimation. Our Directors consider that the reasons for Tiger Curry having an expected investment payback period longer than the industry average (i.e. 12 to 48 months, according to the F&S Report) are: (i) the opening costs of this restaurant were high at the initial stage due to the additional design and scaffolding costs incurred for the exterior of premises; (ii) the restaurant is located on street level and customer traffic will be affected by weather conditions; (iii) the restaurant has a relatively small number of seats; (iv) four seats are located near the restaurant's toilet facilities and are not preferred by customers, which affects seat turnover rate; (v) the restaurant does not open for breakfast and does not attract high customer traffic for afternoon tea set hours; (vi) it is our first restaurant under our "Tiger" brand and additional time is required for our target customers to familiarise with our brand; and (vii) we take into account of depreciation charge when we calculate the investment payback period while other industry players may not take the same approach as we do.
6. The expected investment payback period is not applicable as Tiger Curry & Cafe was loss making during the Track Record Period. Our Directors believe that it was mainly due to this restaurant's short operating history and it takes time for our target customers to familiarise with it. We will closely monitor the performance of this restaurant. As at the Latest Practicable Date, our Directors are of the view that we can improve the performance of this restaurant on the basis that it has become profit making since October 2016 up to and including January 2017. Despite that Tiger Curry & Cafe achieved breakeven based on our calculation set out in note 1 above, the net profit accumulated was less than the costs of opening and operations since our operation of this restaurant up to September 2016 and hence it remained loss making for the Track Record Period.

For our operating strategies in relation to our restaurants going forward, see "— Business strategies — Continue to expand and diversify our outlet network — Expand our restaurant network under our "Tiger" brand".

The historical breakeven periods and investment payback periods for the restaurants we operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. The time required for achieving breakeven period and investment payback period will be affected by the factors including but not limited to the amount of capital expenditures, scale of restaurants, location, timing of commencement of operation as it will be affected by seasonality factors.

For information about the leases and licences of our restaurants, see "— Properties" and "— Licences and permits".

BUSINESS

The following table sets forth the operating data of each of our restaurants for the periods indicated.

	Year ended 31 May												
	2015					2016							
	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Increase / (decrease) in revenue for the year in percentage (%)
Tiger Curry	43,773	364	119	14,308	4.6	5,208	48,633	365	124	16,559	5.1	6,044	16.1%
Tiger Curry Jr. ⁽⁵⁾	1,349	12	72	8,083	N/A	97	67,978	359	73	13,877	N/A	4,982	5,036.1%
Tiger Curry & Cafe ⁽⁶⁾	—	—	—	—	—	—	56,529	307	88	16,264	6.3	4,993	N/A
	Four months ended 30 September												
	2015					2016							
Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000) (Unaudited)	Approximate number of customer visits ⁽¹⁾	Number of operation days	Average spending per customer per meal ⁽²⁾ (HK\$)	Average daily revenue ⁽³⁾ (HK\$)	Daily seat turnover rate ⁽⁴⁾ (times)	Revenue (HK\$'000)	Increase / (decrease) in revenue for the period in percentage (%)	
Tiger Curry	18,769	122	122	18,808	5.9	2,294	14,329	122	137	16,069	4.5	1,960	-14.6%
Tiger Curry Jr. ⁽⁵⁾	19,940	122	78	12,686	N/A	1,548	27,417	122	73	16,418	N/A	2,003	29.4%
Tiger Curry & Cafe ⁽⁵⁾	10,720	67	90	14,477	5.7	970	27,072	122	89	19,756	7.9	2,410	148.5%

Notes:

1. Includes takeaway services.
2. Average spending per customer per meal is the total revenue of the relevant restaurant divided by the approximate number of customer visits.
3. Average daily revenue is the total revenue of the relevant restaurant divided by the total number of operation days.
4. Daily seat turnover rate is the approximate number of customer visits per operation day of the relevant restaurant divided by the total number of seats in that restaurant. It is not applicable to Tiger Curry Jr. as the food court where Tiger Curry Jr. is located provides the seats.
5. Tiger Curry Jr. and Tiger Curry & Cafe commenced business in May 2015 and July 2015, respectively.

Tiger Curry



Location and restaurant design

Tiger Curry is located in Pennington Street, Causeway Bay, a busy shopping district of Hong Kong and in an area with trendy restaurants and hotels nearby. The restaurant's exterior is a three-floor high wall, the lower portion of which has a striking grey tiger drawing on timber planks on one side and is made up of shiny black bricks on the other side, whereas the top portion features a grey camouflage drawing. The restaurant's interior features a long wood counter, an open kitchen, big black-framed windows, a mix of white bricked, black bricked and grey walls and a large grey tiger drawing. The design of oversized graphics and images throughout the restaurant aims to communicate our brand personality, which is fun and contemporary.

Menu offerings

Our popular Japanese curry sauce is a big theme of the menu. We currently offer around 18 curry dishes on our menu. We also offer a wide variety of snacks and appetisers, including grilled sausages and Japanese-style dumplings. Our signature curry sauce incorporates over various herbs and spices. We believe this combination gives our food a selling point. Furthermore, our customers can choose from a highly customisable menu selection, including spiciness of the curry, main ingredients and add-ons. This enables our customers to enjoy a personalised dining experience.

Operating hours and price per meal

It is open seven days a week (daily from 12:00 noon to 11:00 p.m.), and offers lunch and dinner. The price for a main course ranges from HK\$35 to HK\$133.

Tiger Curry Jr.



Location and restaurant design

Tiger Curry Jr. is located in the food court in City Super, Times Square, Causeway Bay. The restaurant's shop front uses white bricks and our signature tiger logo.

Menu offerings

The menu offers our popular curry dishes at more affordable prices which cater to the needs of working customers seeking for quality food.

Operating hours and price per meal

It is open seven days a week (from 10:00 a.m. to 10:00 p.m. on Sunday to Thursday and to 11:00 p.m. on Friday and Saturday), offering breakfast, lunch and dinner. The price of a main course ranges from HK\$50 to HK\$90.

Tiger Curry & Cafe



Location and restaurant design

Tiger Curry & Cafe is located in Harbour City, Tsim Sha Tsui. The restaurant has a large shop front which has a white bricked wall with a large tiger drawing. The restaurant has a spacious interior and is surrounded by big windows leading to a sea view. It follows the same trendy design of Tiger Curry and adopts a colour theme that confines to a palette of mainly black, white, grey and wood. The use of more white bricks and wood flooring in the interior creates a relaxing ambience for the younger mass population and families.

Menu offerings

The restaurant provides an all-day dining menu with a wide range of menu offerings and more non-curry Japanese-style dishes such as sandwiches in Japanese-style rice ball (known as onigiri in Japanese), Japanese rice bowl dish (known as donburi in Japanese), macaroni and cheese with marinated roe of cod and pollock (known as mentaiko in Japanese) and cinnamon waffles with fresh fruit desserts.

Operating hours and price per meal

It is open seven days a week (daily from 7:30 a.m. to 10:00 p.m.), and offers breakfast, lunch and dinner. The price for a main course ranges from HK\$35 to HK\$133.

Restaurant operations

Site selection procedures

We take into consideration the following factors during our site selection process:

- ***pedestrian traffic and convenience of location***: we target locations with proximity to large shopping malls, tourist attractions and public transportation;
- ***demographics of location***: we consider the spending power, age groups and consumer behaviour of residents, working groups and shoppers in the proposed location;
- ***size and structure of site***: we consider whether the size and structure of the site is suitable for renovations based on our restaurant concept and will satisfy our requirement for seating capacity;
- ***competition***: we consider the existence of actual or potential, direct or indirect competition of the location and the strength of such competitors; and
- ***terms of the lease or licence***: we take into account the rental costs or licence fee, term, operating hours and restrictions as indicated on the lease or the licence.

Our management is involved in the site selection process, including the evaluation, inspection and approval of each restaurant site prior to development. We consider carefully and conservatively with respect to our committed capital expenditure and our estimated return on investment. We choose each site strategically in order to increase our market penetration, attract customers from our competitors while avoiding dilution of customer traffic among our own restaurants.

New restaurant development procedures

The typical lead time from the commencement of the site selection process to the opening of a restaurant is approximately six to 11 months. Key steps in the development process of a new restaurant mainly consist of the following:

- ***Concept development***: our management studies food, restaurant and market trends from time to time and a new brand or restaurant concept may be originated. Our management, together with our food preparation team, will create and experiment food items suitable for the menu, develop a target customer profile, fix pricing initially and visualise a restaurant design to match the concept or the brand. Once the preliminary plans are developed, we will then proceed to identify a suitable restaurant location to match the concept or the brand;
- ***lease negotiation***: upon approval by our management of a target site, and after we complete our feasibility studies on the potential site, we commence lease negotiations with the landlord. We generally require our leases to have a term of approximately not less than two years. Some leases give us a rent-free period ranging from two to six months to allow time for our preparation works, such as renovation and decoration;
- ***renovation***: upon signing a lease and taking possession of the premises, we commence the designing of the restaurant. The design of our restaurants aims to commensurate our branding strategy, depending on the location of the premises and based on the ideas of our management. The design and renovation generally require one to four months. Our management will involve to ensure the premises are designed and renovated in a manner suitable for our restaurant operations;
- ***licensing and permits***: after the signing of the lease, we will start the application for the necessary licences for the operations of a restaurant. It is our policy to engage a third-party licensing consultant

responsible for the relevant applications of certain licences we need for our operations and any subsequent modification of licensing conditions if necessary. It takes approximately two to five months to obtain a provisional general licence to open a restaurant. For more details on the specific licences, see “— Licences and permits” and “Regulatory Overview — Hong Kong regulatory overview — (A) Key licences for business operation”; and

- **staffing and inventory:** we recruit and train new staff and/or relocates staff from our existing sites in preparation of the launch of the new restaurant. We will also start purchasing the necessary food ingredients and equipment for the launch of the restaurant.

Food procurement, preparation, storage and development

Food procurement

For our purchasing procedures, see “— Procurement — Purchasing procedures”.

Preparation of food

In order to ensure all dishes are freshly prepared, each of our restaurants conducts its food preparation functions in its own kitchen. Each restaurant has a food preparation team and the head of team is responsible for the overall operation of the kitchen of that restaurant. Food ingredients are generally delivered to our restaurants daily. The food preparation team focuses on kitchen operations. Each kitchen is divided into different stations for different work, such as cooking of hot food, preparation of cold food, sauce making, chopping, cutting and portioning, beverage making and cleaning. At times of high customer traffic or where new menu items are introduced, the head of food preparation team would allocate different work tasks to other kitchen staff by incorporating work simplification techniques, such as scheduling the preparation and meal service time of each menu items, arranging staff to use tools and equipment that improve productivity and allocate trained and experienced staff to exercise multi-tasking.

Storage

For inventory levels of our perishable and non-perishable items, see “— Procurement — Inventory”. Upon delivery of the food ingredients to our restaurants, we store the food ingredients under appropriate temperature and storage conditions in accordance with our procedures and manuals. We keep fresh fruits separate from meat, poultry or seafood in the refrigerator. In addition, hygiene supervisors are appointed in each of our restaurants to strengthen the food safety supervision in the restaurants. We also check the state of fresh and perishable food and inspect the best-by date and condition of non-perishable food to ensure we do not use stale or expired food.

Development of new dishes

We track and evaluate feedback from sales staff and customers on our dishes. We review our main menu from time to time. Based on our reviews, we continuously refine our dishes and regularly update our menus in response to changing food trends, tastes of our customers, nutritional information, seasonal factors and the feedback from our customers. We take the following steps when developing a new dish:

- **proposals:** our food preparation team suggests and proposes new dishes based on market trends, food costs and feedback from customers;
- **assessment and approval:** our management team then reviews the proposal and we will carry out a cost analysis to determine the cost of the new dish. Our procurement staff follows the suggested cost when purchasing the necessary ingredients for the new dish; and
- **launch of new dish:** after being approved by management, we will negotiate and finalise sourcing arrangements with our suppliers if necessary. We will then update our menus and roll out the new dish to the public. At times, we introduce the new dish through a seasonal promotion to gauge demand.

PROCUREMENT

Purchasing procedures

During the Track Record Period, our purchases mainly included beverages and food ingredients. Our club and restaurant managers are primarily responsible for monitoring the level of food and beverage and making orders. Each of our clubs and restaurants place purchase orders with our procurement staff which then place orders with the relevant suppliers. Our restaurants normally place orders every other day, for the types and quantities of perishable food ingredients and every two to three days for non-perishable food ingredients. Our clubs generally place orders for beverages every week. Our procurement staff generally approve the orders before they can proceed.

Upon delivery of the items to the clubs and restaurants, our staff checks the time of delivery, the brand and type, quantity and quality of deliveries against the delivery notes or invoices and our orders before acceptance. We also inspect the best-by date and condition of the food ingredients, and if they fall below our quality control standards we would return them to our suppliers. Our suppliers' invoices and monthly statements are sent to our procurement staff who checks them against the purchase orders. Our finance and administration department also checks the monthly statements issued by our suppliers and conducts reconciliation against our payment records.

Purchase costs and control

For the two years ended 31 May 2016 and the four months ended 30 September 2016, costs of beverages represented approximately 86.9%, 77.9% and 74.8% of our total costs of inventories sold, respectively. For the same periods, costs of food ingredients accounted for approximately 12.0%, 21.1% and 24.3% of our costs of inventories sold, respectively.

We monitor our overall costs of beverage and food ingredients to ensure such costs generally do not exceed a certain percentage of the total revenue of a particular restaurant or club. We have adopted purchasing procedures (see “— Procurement — Purchasing procedures”) which require orders for beverage products and food ingredients placed by all our clubs and restaurants to be centralised before placing with the suppliers. We have an inventory control system in place (see “— Procurement — Inventory”) and make purchases generally by purchase orders (see “— Suppliers — Purchase orders”). By closely monitoring the inventory level and using purchase orders, we could manage and control our purchase cost more efficiently.

We have taken measures to mitigate any adverse impact of increase in cost of beverage and food ingredients including searching for suppliers which offer beverage and food ingredients with similar quality but at lower price, keeping a minimal level of perishable food ingredients to reduce wastage as well as reviewing and adjusting our menu items from time to time to pass on cost increases to our customers based on our business needs and the general economic conditions.

For the hypothetical sensitivity analysis on the impact of changes in our costs of beverage and food ingredients on our profit for each year during the Track Record Period, see “Financial Information — Sensitivity and breakeven analysis — Sensitivity analysis”. Our Directors confirm that we currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in beverage and food costs.

Inventory

We have implemented an inventory control system based on food and beverage types, consumption levels and prices. We purchase perishable items such as fresh food ingredients and non-perishable items such as frozen food, dried food, beverages, canned food, utensils and other kitchen equipment for our operations. Our fresh ingredients typically have a shelf life of up to several days; frozen food and dried food have a shelf life of approximately several months to several years; non-alcoholic beverages have a shelf life of several days to more than one year; alcoholic beverages have a shelf life of several years; canned food have a shelf life of up to several

BUSINESS

years whilst some alcoholic beverages such as brandy, whisky and vodka do not have stated shelf life. We keep a minimal level of perishable food ingredients to reduce wastage, ensure freshness and quality of food and avoid excessive inventory level. For non-perishable items, we maintain an adequate level based on operational needs and replace such items on an as-required basis.

Our restaurant and club staff, on a daily basis, and normally after business hours, check the availability of materials for the next day's operations and, if any items are insufficient, report to our club and restaurant managers, who are primarily responsible for monitoring the level of food and beverage and making orders and inventory management. We perform stock count on a monthly basis to record and monitor all the purchase and inventory of each type of food ingredients, beverages, equipment and utensils. During the Track Record Period, we had not recorded any obsolete inventory write-off.

Credit and payment terms

We settle our payments to suppliers generally on a monthly basis. Our Directors confirm that all payments to our suppliers were denominated and settled in Hong Kong dollars during the Track Record Period. For monthly settlement, we will not approve payment until we have reconciled our suppliers' invoices and monthly statements. If there is any unreconciled item, our procurement staff will liaise with the suppliers and correct the invoices or monthly statements if necessary. Our suppliers generally grant us credit terms of 30 days.

Quality control

For quality control measures on our beverage and food ingredients, see “— Quality control — Quality control in procurement of beverage products” and “— Quality control — Quality control in procurement and preparation of food”.

SUPPLIERS

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we purchased from 56, 83 and 71 beverage and food ingredient suppliers, respectively. We also engaged external licensing consultant, cleaning and pest control company, security company, ticketing agent and public relations agencies. All of our five largest suppliers for the Track Record Period are Independent Third Parties. We have not entered into any long-term contract with our suppliers, which our Directors consider is in line with market practice, and the terms and conditions set out in our purchase orders placed with different types of suppliers for each order may differ. Generally, our purchase orders specify name and type of products, quantity, price, payment terms and delivery date. As at the Latest Practicable Date, among our five largest suppliers, we entered into purchasing and sponsorship agreements with MHD, details of which are set out in “— Suppliers — Relationship with MHD — Terms of contract”, and with Supplier A, which has a term of one year and sets out the sponsorship fees we are entitled to for conducting the specified promotional activities for designated beverages.

Purchases from our five largest suppliers for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$10.7 million, HK\$12.4 million and HK\$4.3 million, respectively, representing approximately 82.7%, 70.2% and 67.7% of our total purchases, respectively. Purchases from our largest supplier for the two years ended 31 May 2016 and the four months ended 30 September 2016 were approximately HK\$8.4 million, HK\$9.4 million and HK\$3.3 million, respectively, representing approximately 65.0%, 53.4% and 51.5% of our total purchases, respectively. For the risks associated with our purchases from our largest supplier, see “Risk Factors — Risks relating to our business — Our purchases from our largest supplier accounted for a majority of our total purchases throughout the Track Record Period. If our arrangements with our largest supplier is terminated, interrupted, or adversely modified, our business, financial condition and results of operations could be adversely affected.”.

BUSINESS

The following tables set forth the details of our five largest suppliers for the periods indicated.

Five largest suppliers for the year ended 31 May 2015

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the year <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	8,376	65.0
Supplier A	Beverage supplier	2013	Beverage products	1,251	9.7
Supplier B	Food supplier	2014	Food ingredients	627	4.9
Supplier C	Food supplier	2014	Food ingredients	203	1.6
Supplier D	Beverage supplier	2013	Beverage products	196	1.5

Five largest suppliers for the year ended 31 May 2016

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the year <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	9,438	53.4
Supplier A	Beverage supplier	2013	Beverage products	1,356	7.7
Supplier E	Food and beverage supplier	2015	Food ingredients and beverage products	691	3.9
Supplier F	Beverage supplier	2014	Beverage products	524	3.0
Supplier G	Food supplier	2013	Food ingredients	389	2.2

Five largest suppliers for the four months ended 30 September 2016

Name of supplier	Principal business	Year of commencement of business relationship with us	Principal products supplied to our Group	Approximate purchase amount for the period <i>(HK\$'000)</i>	Approximate percentage of our total purchase <i>(%)</i>
MHD	Beverage supplier	2013	Beverage products	3,289	51.5
Supplier A	Beverage supplier	2013	Beverage products	480	7.5
Supplier E	Food and beverage supplier	2015	Food ingredients and beverage products	264	4.1
Supplier G	Food supplier	2013	Food ingredients	150	2.3
Supplier H	Food supplier	2015	Food ingredients	148	2.3

None of our Directors, their respective close associates or any Shareholders (who or which to the knowledge of our Directors owns more than 5.0% of our issued share capital) had any interest in any of our five largest suppliers for the Track Record Period.

BUSINESS

Sponsorship income from suppliers

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we generated sponsorship income from certain suppliers (the “**Relevant Suppliers**”), the amount of which was approximately HK\$0.9 million, HK\$1.7 million and HK\$1.1 million, respectively.

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we received beverage products which were offered to us based on our purchase volume in an amount equivalent to approximately HK\$0.6 million, HK\$0.8 million and HK\$0.4 million from our suppliers, respectively, which were not treated as sponsorship income and were recorded on our stock record as normal stock for accounting purpose. During the Track Record Period, we received cash incentive based on our purchase volume from one supplier in an amount equivalent to approximately HK\$20,000, which was not treated as sponsorship income.

Our Directors confirm that, save as disclosed above, we did not receive any other income from any other supplier during the Track Record Period.

The following table sets out the total sponsorship income and total purchases attributable to the Relevant Suppliers for the periods indicated.

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
Sales to the Relevant Suppliers				
Revenue generated from sponsorship income	HK\$0.9 million	HK\$1.7 million	HK\$0.5 million	HK\$1.1 million
Percentage of our total revenue	1.3%	1.9%	2.1%	3.5%
Purchases from the Relevant Suppliers				
Total purchases	HK\$9.6 million	HK\$11.0 million	HK\$3.3 million	HK\$3.8 million
Percentage of our total purchases	74.7%	62.1%	63.6%	59.0%

During the Track Record Period, we did not incur any costs in relation to the sponsorship income generated which is incidental to the sponsorship arrangements we entered into with the Relevant Suppliers. Therefore, data as to gross profit is not applicable.

Our Directors confirm that the sponsorship income and purchases from the Relevant Suppliers were neither inter-connected nor inter-conditional with each other. Our Directors confirm that, during the Track Record Period, the products we purchased from these suppliers were not subsequently sold to these same suppliers.

Our Directors confirm that the sponsorship arrangements under which we generated our sponsorship income were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis.

Our Directors confirm that all of our purchases from the Relevant Suppliers were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant time; (ii) conducted in the ordinary course of business under normal commercial terms and on arm’s length basis; and (iii) at prices that are no less favourable than from other Independent Third Parties.

Our Directors consider that making purchases from the Relevant Suppliers is mutually beneficial to our Group and the Relevant Suppliers as our relationship could strengthen which gives us competitive edge in negotiating for more favourable commercial terms and we will promote the beverage products of the Relevant Suppliers to generate more sales, and such arrangement does not pose any material risk to our business and operations.

Our Directors confirm that, save as disclosed above, we did not enter into similar arrangement with any of our customers or suppliers during the Track Record Period.

BUSINESS

Relationship with MHD

Terms of contract

During the Track Record Period, our largest supplier was MHD. Salient terms of our purchasing and sponsorship agreement with MHD are as follows:

Term:	13 months
Product specification:	A list of MHD's products to be sold in our clubs, covering various Champagnes, wines and spirits.
Price:	Discounted wholesale price of beverage products is provided to us.
Promotion	Serving specified Champagne brands as the most preferred house pouring brand, promoting MHD's champagnes as most preferred champagne, listing and promoting specified Champagne brands, serving certain spirits brands as house pouring sprits, running specified Champagne packages during the entire contract period, listing certain specified spirits brands. MHD also supplements certain events with promotional materials.
Credit terms:	30 days from the date of monthly statements
Incentives:	Beverage products equivalent to certain value and cash incentives if our purchases of specified brands reach a specified volume.
Sponsorship income:	MHD offers us various sponsorships which are associated with specific brands, promotion events and some of which apply to a specific club. The sponsorships come in mainly two forms, either through direct cash sponsorship or beverage products equivalent to a certain value.
Restriction against display and use of competitive products:	While we have the right to sell competitive products outside of the contract's product list, our contracts with MHD includes certain terms restricting the display and use of competitive products, such as our clubs shall serve Moët & Chandon products as the most preferred house pouring Champagne brand.
Termination ^(Note) :	Either party has the right to terminate the agreement forthwith by written notice to the other party if the other party commits a material breach of the agreement. Either party has the right to terminate the agreement, upon written notice forthwith, if the other party is wound up, dissolved, becomes insolvent or goes into liquidation. MHD has the right to terminate the agreement forthwith by written notice to us if our clubs commits any act that is materially injurious to MHD's intellectual property or reputation.

Note: No fixed notice period for terminating the agreement is stated.

Our purchasing and sponsorship agreement with MHD does not impose supply or purchase obligations, nor specify any specific or minimum amount of products to be provided to us, nor impose obligations on us to purchase any minimum amount, nor subject us to fixed retail price, nor specify any suggested retail price.

Reasons for reliance

Our Directors are of the view that the reliance on MHD is mainly due to the following reasons:

Market domination by MHD, a sole distributor of certain premium Champagne brands

According to the F&S Report, MHD is one of the leading Champagne distributors in the industry and it is generally the supplier of the majority of market players. The top two best-selling Champagne brands in Hong Kong were Moët & Chandon and Veuve Clicquot which accounted for a total of 48.2% of the entire Hong Kong

BUSINESS

Champagne market in 2015. MHD distributes premium brands such as Moët & Chandon and Veuve Clicquot in Hong Kong as the sole distributor, which has exclusive right over such Champagne brands. We source Moët & Chandon and Veuve Clicquot from MHD.

Over the years our clubs, namely Volar and Fly, have consistently promoted Moët & Chandon and Veuve Clicquot, which are perceived as premium and some of the most recognised Champagne brands in the market. We believe that offering premium Champagne brands to our customers helps enhance our clubs' reputation and high-end image.

Our Directors believe, taking into account the nature of the alcoholic beverage distribution industry, such degree of reliance would not be uncommon.

Wholesale prices and sponsorship income

We believe the two largest benefits from our relationship with MHD would be namely (i) the discounted wholesale prices offered to us for each of their alcoholic beverages; and (ii) the sponsorship income we have generated from MHD as a result of promoting their alcoholic beverage products. It is stated in our contract that designated MHD's products should be the preferred alcoholic beverages in our club premises. As a result, in order to enjoy the MHD's wholesale prices and sponsorship income, we have adopted the strategy that we would primarily promote MHD's products in our clubs.

Strong relationship and stable supply

We have established a strong and well-established business relationship with MHD since our establishment which we believe would enable us to better understand the requirements of MHD and gives us a competitive advantage when we negotiate prices with MHD or require large quantities at a particular point in time. Our Directors confirm that we did not experience any material shortage or delay of supply of products from MHD during the Track Record Period.

We will continue to treat MHD as a preferred beverage supplier given its size, market reputation and the brands it carries. Our Directors also consider that it is commercially beneficial to our operations to build up close and long-term business relationship with our key suppliers.

Sustainability of our business in view of our reliance on MHD

Our Directors are of the view that the following factors should contribute to the sustainability of our business in view of the reliance on MHD:

Mutual benefits between our Group and MHD

As confirmed by MHD, we were one of its top five customers among its categorisation of "on premise" channel customers for the two years ended 31 May 2016. For MHD's classification of its customers in Hong Kong, see "— Competitive strengths — Established relationships with our major suppliers". Accordingly, our Directors are of the view that the business relationship with MHD would be beneficial to each other. Our success will increase MHD's product sales and thus has a positive impact to the result of operations and business performance of MHD. During the Track Record Period, we organised a total of 25 featured events sponsored by MHD, which we believe has demonstrated MHD's reliance on us to a certain extent as promoter of its brands. Hence, our Directors are of the view that the reliance is mutual which enables us to have a bargaining power to negotiate for renewal upon expiry of the contract.

Flexibility in sourcing other beverage products or Champagne brands

While there are contractual terms under our agreement with MHD which states that MHD's alcoholic beverage products will be promoted as "most preferred" and "house pouring brands" in our clubs, we are free to

BUSINESS

make purchases from other suppliers. Therefore, we maintain flexibility in supplier selection in case our relationship with MHD ceases. If we are no longer able to sell Moët & Chandon or other Champagne or alcoholic brands upon cessation of business relationship with MHD or MHD refuses to sell such brands to us for any reason, we believe that we could leverage on our reputation, resources, network, knowledge and experience in club operations and event organisation in sourcing and promoting other Champagne or alcoholic brands and switch our product offerings readily.

Measures to mitigate the reliance

- We have established business relationships with beverage products suppliers other than MHD and have made purchases of beverage products including Champagne brands from these suppliers. During the two years ended 31 May 2016 and the four months ended 30 September 2016, we purchased from 41, 52 and 43 suppliers for beverage products other than MHD, and the purchases from these suppliers accounted for approximately 26.0%, 31.4% and 31.3% of our total purchases, respectively.
- While we endeavour to maintain our relationship with MHD, we will continue to expand our beverage supplier network and consider to foster relationships with potential beverage suppliers with beverage brands that match our club concept and business needs. We believe our strong reputation in the industry enable us to attract beverage suppliers. We will monitor industry trends and participate in beverage exhibitions to source suitable beverage brands for our business.

Our Directors' view

Given that (i) we enjoy discounted wholesale prices and generate sponsorship income from MHD; (ii) we are free to purchase beverage products and other Champagne brands from other suppliers and distributors; (iii) MHD is one of the leading Champagne distributors in the industry and it is generally the supplier of the majority of market players; (iv) we have not experienced any material shortage or delay or quality issues in the supply from MHD during the Track Record Period; and (v) we have taken measures to mitigate the reliance as mentioned above, our Directors are of the view that we will be able to control the risk of reliance on MHD and capture growth opportunities in the markets by taking the measures described above. Accordingly, our Directors are of the view that our reliance on MHD would not impact our suitability for the Listing.

Selection criteria

We select our major suppliers based on a set of criteria which includes product and service quality, cost, reputation, service, agility, delivery efficiency, past performance and relationship with us. Such supplier selection criteria ensures that we can secure continual supply of ingredients of consistent quality, identify the source of supply promptly, maintain flexibility in stock levels. Generally, we would not procure from the suppliers unless they pass our selection criteria. We may request for samples before placing orders with suppliers.

Our Directors confirm that they do not foresee any material difficulties in finding substitute suppliers should the need arise.

Purchase orders

We do not have any long-term contract with our suppliers. We make purchases by one-off purchase orders which generally include terms such as name and type of products, quantity, price, payment terms and delivery date, which our Directors consider is in line with market practice. Our Directors also consider that it allows us the flexibility to negotiate the purchase price with our suppliers with reference to the prevailing market price.

Our Directors confirm that we had no kick back arrangement with any suppliers and, to the best of their knowledge, none of our Directors or our employees were involved in any bribery or kickback arrangement with our suppliers during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Our Directors confirm that there has been no material change in our procurement strategy and that we did not experience any material delay, shortage or interruption or quality issues or substantial difficulties in our procurement process and we did not have any material dispute with our major suppliers during the Track Record Period and up to the Latest Practicable Date. Our Directors also do not foresee any material difficulties to source the necessary materials we require for our operations in the future.

SALES AND MARKETING

Customers

Due to the nature of our business, our customers are mainly retail customers from the general public. As such, our Directors consider that it is not practicable to identify five largest customers or the largest customer for the Track Record Period and we did not rely on any single customer during the Track Record Period. Therefore, our largest customer and five largest customers accounted for less than 5.0% and 30% of our revenue for the Track Record Period. In line with the industry practice, during the Track Record Period and up to the Latest Practicable Date, we had not entered into any long-term contract with our customers. Our Directors confirm that we had no material dispute with our customers during the Track Record Period and up to the Latest Practicable Date.

Pricing

In deciding beverage price, we in general charge a premium on a cost-plus basis with reference to the procurement price, after considering factors such as types of beverage sold, the market trend, prices quoted by competitors and the spending power of target customers. Our suppliers in general do not impose any restriction as to our pricing of beverage products to our customers. We review our beverage menu from time to time.

In deciding price of food items offered at our restaurants, we take into account various factors, including the cost of food ingredients, target profit margin, other operating costs, such as rent or licence fee, labour costs and utility expenses, competitors' pricing, market trends and spending patterns of customers. For example, due to the general lower price level expected by food court customers as opposed to customers of standalone restaurants, we price our menu items at Tiger Curry Jr. generally lower to cater to food court customers.

In deciding entrance fee, we adjust the price with reference to factors such as seasonality, whether it is weekday or weekend or holiday, event promotional effort made and costs of engaging guest DJs and costs of operating featured events. We may waive the cover charge for our Members, customers who make a booking for a table and other valued customers. We may also offer group benefit to big groups of customers by waiving the cover charge for a few individuals. Generally, higher prices will be charged on Fridays, Saturdays, the day before a public holiday, during festival weeks in Hong Kong and during featured events, in particular when internationally renowned DJs perform in the event.

We charge a standard service fee of 10% on the bills across all our clubs and restaurants (except for takeaway orders and Tiger Curry Jr. which does not offer table service).

Seasonality

We experience seasonality in sales. For our clubbing operations, we generally experience a higher level of revenue from December to January. Our Directors consider that there are more holiday gatherings and celebration activities from November to January with more festival days such as Christmas and New Year's Eve in these periods. For our restaurant operations, we generally experience a higher level of revenue from December to January and July to August. Our Directors consider that we are able to capture more expenditure from students during their school holidays. For both our clubbing and restaurant operations, we generally experience a lower level of revenue in February. Our Directors consider that our target customers become less keen about night entertainment and dining out with friends after the holidays in December and January and the Chinese New Year, which usually falls in the month of February, is a busy travel period.

Marketing and promotion

Volar targets customers with strong spending power. Fly aims to appeal to the younger white collar professionals and university students and graduates. Our “Tiger” branded restaurants are aimed at mass market customers. We recognise the importance of brand recognition and awareness in respect of attracting potential customers to visit our clubs and restaurants, which we believe is one of the keys to success of our business. Our sales and marketing department, currently comprised three staff members, regularly reviews our marketing efforts and feedbacks and formulates strategies with a view to delivering a positive image of our brand while increasing the brand awareness. In addition, we utilise external resources and engage third-party public relations agencies to leverage the profile and image of Tiger Curry within the industry as well as establishing and implementing online and mobile promotion strategies.

We pursue the following marketing and promotion strategies for our clubs and restaurants:

Social media marketing and other online marketing

We have identified social media marketing as an integral part of our business as it can be used as our public relations and direct marketing tools and also communication channels. By joining social media sites such as Facebook, we are able to establish our desired social media culture to deliver our brand and message across, promote our products and events more effectively, interact with customers and build relationships and communities online and monitor market trends by reviewing the links or sites “followed”, “shared” or “liked” by our target customers. Our marketing staff actively manage, monitor and engage in our social media platforms by (i) proactive posting of new content and conversations, as well as the sharing of content and information from others; and (ii) conducting reactive conversations with social media users responding to those who reach out to our social media profiles through commenting or messaging. As at Latest Practicable Date, we had more than 27,000 subscribers to our Facebook accounts. The large pool of subscribers and audience represents a strong base of potential customers to our club and recognition of our reputation and publicity towards potential customers. We are also frequently covered by online food and beverage related magazines, blogs, content communities and forums where individuals share their reviews and recommendations of our and our competitors’ brands, products, and services. These are also useful sources of market information for us to analyse customer behaviour.

Advertisements and collaboration with a sector

We place advertisements on magazines selectively and develop advertisements to appeal to a specific readership. We may also target a specific sector for the potential reach to our target customers. For instance, we collaborate with hotels and credit card companies in Hong Kong and offer special discount or complimentary drinks to their patrons.

Special menus

We offer special food and beverage menus during festivals and based on seasonal changes. These menus may carry new food and beverage items or may be offered at a discounted rate, which are aimed to draw more customer traffic.

In addition, we adopt the following marketing and promotion strategies for our clubs:

Hosting of featured events

We consider our featured events an effective way to promote our brand image and awareness, particularly when internationally renowned DJs are engaged to headline major clubbing nights. For details, see “— Our clubs — Our key offerings — Featured events”.

Other in-club events for trendy and internationally renowned brands

During the Track Record Period, we held in-club events for customers such as a bulge bracket investment bank and a global premium fashion brand.

BUSINESS

Prepaid beverage package

We sell prepaid beverage packages for our two clubs. These packages aim to increase the number of repeat customers and also introduce us to new customers and in turn to boost beverage sales. For more details, see “— Our clubs — Our key offerings — Prepaid beverage packages”.

CASH MANAGEMENT AND SETTLEMENT

We require our customers to pay for merchandise at the time of purchase and we do not grant any credit terms to our customers. All payments to us are non-refundable. We only accept HKD. Our restaurant customers generally settle their bills by cash or credit cards/debit cards and our club customers generally settle their bills by credit cards. The table below sets forth the settlement method for the periods indicated.

	Year ended 31 May				Four months ended 30 September	
	2015		2016		2016	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Credit card ⁽¹⁾	48,555	73.5	56,134	64.3	18,868	61.7
Cash	16,569	25.1	24,298	27.8	9,068	29.6
Others ⁽²⁾	968	1.4	6,866	7.9	2,656	8.7
Total	66,092	100.0	87,298	100.0	30,592	100

Notes:

1. Includes debit cards.
2. Includes bank remittances, Octopus cards and cheques.

Credit cards

We accept credit cards from most major credit card issuers for settlements of bills. We normally receive remittances from the relevant credit card issuers, net of service charges, within seven days after the credit card transaction is approved. During the Track Record Period, service charge imposed by the credit card issuers generally ranged from approximately 1.3% to 3.0%. To ensure that no stolen credit cards are used in the payment, we train our staff to take precautionary measures, such as ensuring that the signature of the signing party matches with the signature at the back of the credit card. During the Track Record Period, we had not experienced any material fraudulent use by customers of stolen credit cards.

Cash

We handle cash on a daily basis. To prevent misappropriation and illegal uses of cash, we have adopted the following cash management and settlement procedures at our clubs and standalone restaurants:

- for our club operation, we generally deposit cash received into our bank account on the next day daily basis from business on Tuesday and Thursday. For Volar, we engage a third-party security company who collects and deposits cash every Sunday for cash inflow from business on Friday, Saturday and days with featured events for us. The security company conducts cash count upon receipt and reports to us after delivery;
- we have installed a computerised POS system for each of our club and restaurant operations to record the ordering and invoicing at and provides training on our staff on the user manual which illustrates in detail procedures with respect to collection of payment;
- we have implemented cash handling and management procedures. There is a clear segregation of duties between frontline service staff (who are not allowed to use the cash registers), cashier

BUSINESS

operators (who must keep all cash receipts and input sales data and records accurately) and managers (who are in generally responsible for the overall cash management procedures and be responsible for investigating any discrepancy in reconciliation), and this will also establish accountability. We require our staff to conduct reconciliation of cash receipts and cash sales records against cash physically kept at cash register at our outlets on a daily basis. Any discrepancies will be reported to our finance and administration department. We require our accounts staff to keep all records of our sales. We keep our cash, whether for general daily operations or pending delivery to banks, in a locked safe in our outlets; and

- we have installed CCTVs in each of our clubs and standalone restaurants to monitor cash handling.

For Tiger Curry Jr., which is a food court restaurant, our customers settle directly with the food court in the shopping mall and we do not receive any cash. The food court will settle the outstanding amount by bank remittance every month.

To prevent fraud, theft, bribery or other misconduct involving our employees, we state in our staff handbook that no staff is allowed to receive illegitimate rebates from suppliers or accept gifts from customers or suppliers without management's approval.

Our Directors confirm that we did not experience any cash misappropriation or embezzlement by its employees, customers or other relevant third parties that had a material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

OPERATIONAL MANAGEMENT

Headquarters management

Our headquarters is responsible for our overall business operations including business strategies and development, financial management, staffing, leasing management, sales and marketing, licensing and compliance.

Club management

Each club is managed by a club manager who is responsible for the day-to-day operations of the club, staffing matters, inventory ordering and control, quality control, safety, clubbing environment, lighting and music equipment and customer service and customer complaint handling. Our club managers report to our headquarters directly.

Restaurant management

Each restaurant is managed by (i) a restaurant manager who is responsible for the day-to-day operations of the restaurant, staffing matters, inventory ordering and control, quality control, dining environment and customer service and customer complaint handling; and (ii) head of the food preparation team who is responsible for food preparation, storage and food safety matters. Our restaurant managers report to our headquarters directly.

Finance and administration

Our finance and administration department oversees finance and accounting, general administration, employee recruitment, training and procurement. For details, see “— Employees” and “— Procurement”.

Sales and marketing

Our sales and marketing department formulates and implements our marketing strategies. For details, see “— Sales and marketing — Marketing and promotion”.

QUALITY CONTROL

Safe and hygienic environment for staff and customers

We have engaged a third-party security company for our clubs which will provide a team of 25 security staff, working under the supervision of our club managers. The roles of the security team cover performing patrolling, attending the scene and liaising with customers to stop any potential fights in case of arguments or any fights or other suspicious circumstances, and reporting fights, drug use, theft and harassments to the police when necessary. We have established safety and anti-crime manual, which is implemented strictly by the security team. Our club managers are responsible coordinating with our security team.

We implement headcounts and identity checking procedures at the entrance of the premises of our clubs to monitor the number of guests inside the premises and whether the customers are above 18 years old when entering into our clubs.

In order to spot potential illegal activities such as fights, drug abuse or theft at an early stage, over 20 CCTVs are installed inside our club premises. Our security team will attend the scene investigate immediately if any suspicious circumstance arises or stop any potential fight inside the premises once identified.

For the two years ended 31 May 2016 and the four months ended 30 September 2016, 14, 38 and eight checks were conducted by the Hong Kong Police Force, respectively. No material non-compliance incident was identified during such visits. Our Directors consider that routine checks on clubs in Hong Kong by the police are commonplace. The liquor licence holder of Volar was found to have contravened a condition of the liquor licence by exceeding the allowed number of persons on the premises on 28 June 2015 and 2 August 2015 and was fined for HK\$8,000 for each contravention. The fines were duly paid. Save as the aforesaid, during the Track Record Period and up to the Latest Practicable Date, no illegal activities were spotted by the Hong Kong Police Force and the Fire Service Department during their inspections or reported by our clubs' staff on the spot.

We have engaged a third-party cleaning and pest control company to perform cleaning in each of our outlets on a daily basis. Our club and restaurant managers monitor the premises before commencement of operations on a daily basis and provide immediate feedback to our administration staff during operations.

Service quality and customers' complaints handling procedures

We provide training and guidelines to its staff on service-related areas such as beverage and food handling and personal hygiene to enhance the quality of services provided to the customers. All front-line service staff are trained to be courteous, competent and responsive and to provide cordial hospitality to customers. Our club and restaurant staff are required to be professionally uniformed during all working hours. Our club and restaurant managers hold daily briefing sessions with all front-line service staffs on the daily operations of clubs and restaurants. In these briefing sessions, the managers would review staff performance and reflect the customers' feedbacks. Such daily performance reviews assist the front-line service staff in maintaining and improving service levels. We strive to promote customer satisfaction through responding to their comments and feedbacks. Our front-line service staff are required to treat customer requests, enquiries or complaints promptly and seriously. In case of any customer complaint in relation to beverage or food or quality of services, the relevant club or restaurant managers would take initiatives to investigate and resolve the matter and attend to the customers promptly.

If any staff receives a complaint from a customer, he shall report to his supervisor, usually the restaurant or club manager, who would review and understand the matter with the relevant customer and offer remedial proposals to the customer. If the complaint cannot be resolved on site or if a complaint has been received through emails, the club or restaurant managers will investigate the incident and file a report to the management with solutions to improve or avoid similar incidents in the future. An explanation will be sent to the relevant customer to ensure the matter would be resolved and to maintain good customer relationship. Our management will review the complaints and arrange necessary training to our staff to consistently improve the operation of our clubs and restaurants.

BUSINESS

Our Directors confirm that we are not aware of material complaints from customers or any investigation by any government authorities in relation to any complaint that could have a material adverse impact on our business, results of operation and financial position during the Track Record Period and up to the Latest Practicable Date.

Quality control in procurement of beverage products

To ensure our beverage product quality, our raw material procurement policy is to select only those suppliers who have passed selection procedures. This would include conducting background checks and enquiries on the potential supplier. We will also inspect incoming beverage products by each lot, and make sure the description matches our order. If the product does not match our original order, we will return it to the supplier for replacement.

Quality control in procurement and preparation of food

Source of food ingredients and beverage

Our procurement staff is responsible for monitoring the source of food ingredients and beverage. We select food ingredients and beverage carefully. For food ingredients, we consider their origin, nutritional value, freshness, chemical content and consumption safety. Our restaurants' signature curry sauce is selected for its taste and recipe. For beverage, we consider their origin, freshness and consumption safety. Our best-selling Champagne brand, Met & Chandon, is selected for its taste consistency, among others.

Inspection procedures

Upon delivery of the items to the clubs and restaurants, our kitchen staff weighs the incoming food ingredients with an electronic scale, checks the time of delivery, checks the type, quantity and quality of deliveries against the delivery notes and our orders before acceptance. We also inspect the best-by date and condition of the food ingredients, and if they fall below our quality control standards we would return them to our suppliers for replacement.

Preparation procedures

In addition to using fresh and quality ingredients, cooking techniques are just as important to us. Each technique for each dish is chosen carefully. In order to highlight qualities of food ingredients on top of flavour, aroma, colour and texture, we keep abreast of cooking methods and recipes and serve our dishes at the most desired time and temperature. Our food preparation team handles and prepares food dishes in accordance with established standards, including conforming to the specifications reflected in photographs of menu items, maintaining the desirable characteristics of a given standard, preparing consistent and appropriate serving sizes and developing cooking methods to reduce food waste.

Storage procedures

All food ingredients once delivered to the restaurants are stored in respective designated areas in the kitchen and refrigerating facilities as some of them are perishable in nature. To avoid contamination, all food ingredients are required to be kept in areas with appropriate temperature and humidity, depending on their nature.

INFORMATION TECHNOLOGY

To assist our Directors and senior management to fully understand and analyse our performance, we have installed POS systems at all of our clubs and standalone restaurants that captures extensive consumer spending data, including time and date of meal, location of guest's seat, quantities of each menu item sold, drinks consumption, individual order breakdown, types of payment and maintain a membership database at our clubs that records the origination, utilisation, expiration and change of prepaid amount. The information collected through the POS systems and membership database are accessible and can be analysed by our Directors and senior management to allow them to make adjustments to, among other things, menu items and pricing.

BUSINESS

EMPLOYEES

Number of staff

During the two years ended 31 May 2016 and the four months ended 30 September 2016, we had a total of 36, 52 and 61 full-time employees, respectively. As at the Latest Practicable Date, we had a total staff size of 104. The following table below sets forth a breakdown of our staff by function as at the Latest Practicable Date.

<u>Function</u>	<u>Number of employees</u>
Club operations	46
Restaurant operations	48
Finance and administration	7
Sales and marketing	3
Total	104

Training and recruitment policies

We provide training regularly to our staff to enhance their knowledge, skill level and quality. For our bartenders and cooks, we encourage them to take courses to further enhance their technical skills. Our senior management also gives regular training to our staff in relation to customer service skills.

With regard to our recruitment policy, we believe we offer competitive salaries and benefits and can attract the best available employees. We also believe the commission scheme for our prepaid beverage packages is attractive to prospective jobseekers.

Labour unions and any labour disputes

We have no workers' union. Our Directors confirm that we did not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labour disputes during the Track Record Period. We consider we have maintained satisfactory relations with our employees.

Staff remuneration and benefits

We will review the performance of our staff periodically and consider the results of such review for staff's annual salary review and promotion appraisal. We seek to motivate our store staff by performance-based bonus in addition to their basic salary and sales commission.

In Hong Kong, we have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All requisite contributions had been paid by us in accordance with the aforesaid law as at the Latest Practicable Date.

Health and work safety

We follow safety manuals issued by the Occupational Safety of Health Council which set out work safety measures to prevent common accidents which could happen in our clubs and restaurants. We actively promote occupational health and safety measures and to ensure compliance with the applicable laws and regulations.

Our Directors confirm that there were no material accidents, health injuries or any non-compliance incidents with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

KEY RECOGNITIONS

Set forth below is a summary of our key awards/recognitions.

<u>Award/recognition</u>	<u>Awarding body</u>	<u>Year of award or recognition</u>
Asia's Best Club — Volar	The Asian Club & Bar Association	2016
The Country's Best Club — Volar	The Asian Club & Bar Association	2016
10 Best Dance Clubs in Hong Kong — Volar	USA Today	2016
10 Best Nightclubs in Hong Kong 2016 — Volar and Fly (ranked first and seventh, respectively)	Hotels.com	2016
Quality Bar Label Award — Volar and Fly	Hong Kong Bar & Club Association	2016

MARKET COMPETITION

There were a total of 47 clubs in Hong Kong in 2015, with 21 located in the Central, according to the F&S Report. According to the F&S Report, although a high percentage of the clubs are geographically concentrated in Central, the clubbing market in Hong Kong is fragmented with a number of smaller clubs present. Primarily, the premium clubs are located in prime districts in Hong Kong such as Lan Kwai Fong in Central. The market is now well-established and the players in the market are eager to sustain their market share and to eliminate weaker and poor performing players.

As at 31 December 2015, there were approximately 5,500 and 4,000 casual dining and quick service restaurants, respectively, according to the F&S Report. Majority of restaurants are set up by individual operators while some catering service group are operating chains and different brands of restaurants, especially in quick service and casual dining sectors.

Our competitive strengths are primarily our (i) leading position with strong brand recognition; (ii) established relationship with our major suppliers and (iii) experienced management team with industry knowledge. We intend to maintain our competitiveness over other competitors through strengthening and developing our competitive strengths. For details of our competitive strengths, see “— Competitive strengths”.

We believe the entry barriers to the clubbing and restaurant markets are high, particularly (i) the high initial capital requirements and operating costs; and (ii) the stringent licensing system. For further details on the competitive landscape and market entry barriers of the industry in which we operate in, see “Industry Overview”.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations promulgated by the HK Government. We devote operating and financial resources to environmental compliance as required by Hong Kong laws and regulations in the future. During the Track Record Period, we complied with all applicable laws and regulations relating to the environment in material respects, in particular the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong).

During the Track Record Period, we recorded insignificant amounts of expenses in order to comply with applicable rules and regulations for environmental matters, including applying for water pollution control licences. For the two years ended 31 May 2016 and the four months ended 30 September 2016, the cost of compliance with such rules and regulations was approximately HK\$1,000, HK\$4,000 and nil, respectively.

INSURANCE

We maintain (i) public liability insurance for claims of illness, injuries, death or losses or damages to personal property of customers; (ii) property all risks insurance for business furniture, fixtures, utensils and

BUSINESS

fittings and landlord's improvement and stock and loss and damages attributable to fire and fire extinguishing activities; (iii) business interruption insurance; (iv) money all risks insurance for loss of money kept in locked safe, drawer or cash register at business premises and for loss of money in transit; (v) office insurance for office equipment, furnitures and all trade contents; and (vi) insurance for employees' compensation for injuries, illness or death in the course of the employment. We do not maintain insurance policies against all risks associated with our business. For the associate risks, 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 adequate and customary for business of our size and type and in line with the standard industry practice in Hong Kong.

PROPERTIES

We currently do not own any property. As at the Latest Practicable Date, we entered into tenancy or licence agreements for a total of seven properties in Hong Kong. We consider the leasing and licensing arrangement advantageous to our overall business plan as it helps us reduce our initial capital outlay and allows us to concentrate our capital resources on renovation and improvement of our clubs and restaurants. For the two years ended 31 May 2016 and the four months ended 30 September 2016, our property rentals and related expenses accounted for approximately 23.8%, 23.5% and 25.3% of our total revenue, respectively.

Our Directors and senior management are responsible for negotiating with the landlords/licensor in relation to the renewal of the existing tenancy or licence agreements before their respective expiry dates. When renewing the existing tenancy or licence agreements, we consider various factors, including the customer flow, the revenue performance of the clubs and restaurants and the amount of increase in rent or licence fee. As at the Latest Practicable Date, we intended to renew all the existing tenancy or licence agreements upon expiry. Our Directors confirm that they did not receive any indication from the landlords/licensors that any of the tenancy or licence agreements may not be renewed upon expiry as at the Latest Practicable Date.

The table below sets forth a summary of the properties leased or licensed by us as at the Latest Practicable Date. Save as otherwise disclosed below, all our landlords/licensors are Independent Third Parties.

Tenancy agreements

Address as shown in the tenancy agreement	Our use of property	Tenant	Term	Rental type
Portion of 24/F of Wyndham Place, No. 44 Wyndham Street, Hong Kong	Head office	Buzz Concepts Management	Two years commencing on 28 April 2016 and expiring on 27 April 2018	Basic rent
Shops A, B & C on G/F and Shops A, B & C on Cockloft of No. 14 Pennington Street, Causeway Bay, Hong Kong ^(Note 1)	Tiger Curry and its storage space	City Silver	Three years commencing on 1 February 2017 and expiring on 31 January 2020	Basic rent
Shop 2602, Level 2, Gateway Arcade, Harbour City, Hong Kong	Tiger Curry & Cafe	Crown Grand	Three years commencing on 25 May 2015 and expiring on 24 May 2018	An aggregate of basic rent and turnover rent
Ground Floor of Shun Ho Tower, Nos. 24-30 Ice House Street, Central, Hong Kong	Fly	Grand Diamond	Three years commencing on 1 March 2015 and expiring on 28 February 2018 (with an option to renew for three years)	Basic rent

BUSINESS

Address as shown in the tenancy agreement	Our use of property	Tenant	Term	Rental type
Basement, Ho Lee Commercial Building, No. 38-44 D' Aguilar Street, Central, Hong Kong together with the flat roof on 4 th Floor adjoining lavatories thereto	Volar	Group Best (HK)	Three years commencing on 1 April 2016 and expiring on 31 March 2019 (with an option to renew for two years) ^(Note 2)	Basic rent

Notes:

- The landlords are connected persons of our Company. For details, see “Connected Transactions — Non-exempt continuing connected transactions — Leasing of properties to our Group”.
- We may not be able to renew the lease on terms commercially acceptable to us given the continuing rising rents in the past 11 years in respect of the premises where Volar has been operating. The rentals during the period from August 2004 to August 2008 were lower, which we believe were due to the effect of SARS in 2003 which generally caused difficulties for landlords in entering into or renewing leases in the property market in Hong Kong. During the period from August 2008 to August 2011, the rental was significantly higher, with an increase of approximately 326.9%, as the lease agreement was entered into during a period of active economic activities and before the financial crisis in October 2008. During the period from August 2011 to March 2013, the rental remained at a similar level, with an increase of approximately 34.2%, which we believed reflected the picking up of the economy and the then market rate. During the period from April 2013 to March 2016, the rental remained at a similar level, with an increase of approximately 20.4%, which we believed reflected the then market rate. The rental for the period from April 2016 to March 2019 remains unchanged. For the associated risk, see “Risk Factors — Risks relating to our business — We lease or license all the properties on which our outlets operate. Any failure to secure renewal of leases or licences on commercially acceptable terms or at all could adversely affect our growth prospects and business condition. We are also exposed to the commercial real estate rental market, including unpredictable and potentially high rental costs and competition for prime locations.”

Licence agreement

Address as shown in the licence agreement	Our use of property	Licensee	Term	Licence fee type
Portion of Counter B2, Shop B110, Basement 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	Tiger Curry Jr.	Joint Ace	Approximately two years commencing on 20 May 2015 and expiring on 30 April 2017 (with an option to renew for one further year) ^(Note)	Licence fee or sales turnover, whichever is greater

Note: We have an option to extend one more year subject to the terms agreed by both parties. Based on the existing circumstances as at the Latest Practicable Date, we will exercise the option to renew the current licence upon expiry.

In addition, we executed a letter of offer to lease on 6 September 2016 with the proposed landlord confirming the major terms for the lease of a property in Tsing Yi for opening a standalone restaurant in 2017. Under such letter, the lettable area is approximately 1,070 sq.ft. and the leased term is three years commencing tentatively in June 2017 with an option to renew for another two years and the monthly rent is an aggregate of basic rent and turnover rent. We have utilised a portion of the proceeds from the Pre-IPO Investment for the payment of three months’ deposit under such letter.

LICENCES AND PERMITS

Our Hong Kong legal advisers have advised that we had obtained all requisite licences, approvals and permits from the relevant government authorities that are material for our business operations and such licences, approvals and permits remain valid as at the Latest Practicable Date.

Details of the licences we currently hold⁽¹⁾ are as follows:

Name of the outlet	General restaurant licence			Light refreshment restaurant licence			Liquor licence			Water pollution control licence		
	Holder	Licence number	Validity period	Holder	Licence number	Validity period	Holder ⁽⁴⁾	Licence number	Validity period	Holder	Licence number	Validity period
Volar	N/A	N/A	N/A	Group Best (HK)	3118800027	3 June 2016 to 2 June 2017	Mr. Gurung, Bhojendra (general manager)	5213004410	23 July 2016 to 22 April 2017 ⁽²⁾	Group Best (HK)	WT00023701-2016	1 March 2016 to 31 March 2021
Fly	N/A	N/A	N/A	Grand Diamond	3118802759	3 February 2017 to 2 February 2018	Ms. Rai, Sarita (assistant manager)	5218803201	11 February 2017 to 10 February 2019	Grand Diamond	WT00024519-2016	18 May 2016 to 31 May 2021
Tiger Curry	City Silver	2212810408	17 November 2016 to 16 November 2017	N/A	N/A	N/A	Ms. Tsui Fung-han (assistant restaurant manager)	5212826334	1 April 2016 to 31 March 2017 ⁽³⁾	City Silver	WT00021013-2015	19 March 2015 to 31 March 2020
Tiger Curry & Cafe	Crown Grand	2261812916	19 January 2017 to 18 January 2018	N/A	N/A	N/A	Ms. Ng, Suk Yee (assistant restaurant manager)	5261828727	18 August 2016 to 17 August 2017	Crown Grand	WT00024024-2016	7 April 2016 to 30 April 2021

Notes:

- As at the Latest Practicable Date, we licensed the premises on which Tiger Curry Jr. operated, and the licensor was the holder of the relevant food factory licence (valid from 22 April 2016 to 21 April 2017).
 - We submitted an application for renewal of the licence in December 2016. As at the Latest Practicable Date, the liquor licensing board had agreed to issue a renewed licence from 23 April 2017 to 22 January 2018.
 - As at the Latest Practicable Date, we had obtained a renewed licence for the period from 1 April 2017 to 31 March 2019.
 - We did not assign members of senior management to hold the liquor licence for Fly, Tiger Curry and Tiger Curry & Cafe as (i) in respect of Fly, the current liquor licence holder had joined us before our current general manager of Fly did and has been such holder since our acquisition of Fly; (ii) in respect of Tiger Curry and Tiger Curry & Cafe, our Directors consider that it is more appropriate to arrange for the current holders to hold our liquor licence as they are involved in the day to day operations of the relevant restaurant despite none of them belongs to our senior management.
- During the Track Record Period and up to the Latest Practicable Date, there was no change in the liquor licence holder in respect of Volar and Fly. In November 2014, the liquor licence holder in respect of Tiger Curry changed from the former holder to the then area manager, changed again in August 2016 to the under chef due to the resignation of the said area manager, and changed again in November 2016 to the current holder due to our Directors' consideration that it is more appropriate to arrange for the current holder to hold our liquor licence as she is involved in the day to day operations of Tiger Curry. Regarding the change of liquor licence holder from the then area manager to the under chef, an application for such change was lodged in May 2016 prior to the resignation of the then area manager in June 2016. However, our application was not approved until August 2016. Our Directors confirm that the then area manager did not revoke the liquor licence after his resignation. In January 2016, the liquor licence holder in respect of Tiger Curry & Cafe changed from the former holder to the then operation manager and changed again in August 2016 to the current holder due to resignation of the said operation manager as our employee.
- The liquor licence holder of Volar was found to have contravened a condition of the liquor licence when the number of persons allowed on the premises was exceeded on 28 June 2015 and 2 August 2015 and was fined for HK\$8,000 for each contravention. The fines were duly paid. Our Directors confirm that none of our liquor licence holders for the Track Record Period committed any material non-compliance in relation to our liquor licences. Our Directors confirm that none of our liquor licence holders was suspended or materially penalised during the Track Record Period.

BUSINESS

In addition, the following table sets forth licences in relation to the usage of music at our clubs and restaurants that are material to our operations:

	Public performance licence of sound recordings, music videos and/or karaoke videos from HKRIA			Phonographic performance licence from PPSEAL			Copyright music performance Licence-contract from CASH		
	Holder	Licence number	Validity period	Holder	Licence number	Validity period	Holder	Licence number	Validity period
Volar	Group Best (HK)	40691-ADIS-001-0638	1 February 2017 to 31 January 2018	Group Best (HK)	L864247 ⁽¹⁾	20 December 2016 to 19 December 2017	Group Best (HK)	R36560	1 January 2017 to 31 December 2017
				Group Best (HK)	L864248 ⁽¹⁾	1 January 2017 to 31 December 2017			
Fly	Grand Diamond	40692-ADIS-001-1244	1 February 2017 to 31 January 2018	Grand Diamond	L864246 ⁽²⁾	1 November 2016 to 31 October 2017	Grand Diamond	R52192	1 September 2016 to 31 August 2017
				Grand Diamond	L864245 ⁽²⁾	1 November 2016 to 31 October 2017			
Tiger Curry	City Silver	40650-RET-005-3624	1 December 2016 to 30 November 2017	City Silver	L863046	30 June 2016 to 29 June 2017	City Silver	R60381	1 September 2016 to 31 August 2017
Tiger Curry & Cafe	Crown Grand	40651-RET-005-3634	1 December 2016 to 30 November 2017	Crown Grand	L863123	1 August 2016 to 31 July 2017	Crown Grand	R60382	1 September 2016 to 31 August 2017

Notes:

1. The two licences are for the use of sound recordings as background music in bars and lounges type of premises, and for the discotheques type of premises of which the maximum capacity is over 200 persons, respectively.
2. The two licences are for the use of sound recordings as background music in bars and lounges type of premises, and for the discotheques type of premises of which the maximum capacity is from 51 to 100 persons, respectively.

We currently do not hold any music related licence in respect of Tiger Curry Jr.. As at the Latest Practicable Date, we did not receive any notice from HKRIA, PPSEAL or CASH in respect of broadcasting unlicensed music at any of our outlets.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have six registered trademarks in Hong Kong and four registered trademarks in Macau and 11 domain names, which are material to our business. For details of our intellectual property rights, see “Further information about the business of our Group — 10. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors confirm that as at the Latest Practicable Date, we were not aware of any pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third parties.

LITIGATION AND COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition. Our Directors confirm that we had not been involved in any non-compliance incidents which had or may have a material adverse effect on our results of operations or financial condition during the Track Record Period and up to the Latest Practicable Date, save for the incidents set out below.

No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
1.	City Silver continued to operate Tiger Curry without obtaining the full general restaurant licence for the period from 14 October 2014 to 16 November 2014 in breach of section 31 of the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) (the "FBR") when the provisional restaurant licence had expired on 13 October 2014.	The non-compliance was attributed to the inadequate knowledge and impression of the responsible staff at the restaurant, who believed that the grant of the full general restaurant licence was affected by only a small number of outstanding immaterial matters (including the completion of the inspection of certain documentation by the relevant authorities which was considered as the main reason causing the delay), and that most of the other relevant requirements had been satisfied when the provisional restaurant licence was first granted and as such the full general restaurant licence would soon be granted.	According to section 35 of the FBR, the maximum penalty for failing to obtain a general restaurant licence under section 31 of the FBR is a fine of HK\$50,000 and HK\$900 for each day of default and an imprisonment for six months.	The full general restaurant licence of Tiger Curry was successfully granted with effect from 17 November 2014 (about one month after the expiry date).	Mr. Leung, Richard W.K., a barrister-at-law in Hong Kong ("Counsel"), having considered the relevant circumstances including (i) the period involved is very short, in terms of only about one month and (ii) City Silver has no previous record of conviction, is of the view that such non-compliance is not that serious and a small fine would be appropriate, and if there is prosecution against a Director it is unlikely that a custodial sentence would be imposed. There is no mention of civil liability under the FBR in respect of such non-compliance.	Since June 2016, our Group has designated Ms. Lau Sze Yuen ^(note) , our compliance officer, to monitor the application and/or renewal process of all requisite licences, including without limitation the general restaurant licences, for our operations by overseeing the pending expiry dates and coordinating the timely preparation and submission of renewal applications of all such licences.
					From the operational perspective, Counsel is of the view that such non-compliance would not impact on the relevant current licence.	In August 2016, we also notified the relevant senior management and staff who are responsible for licensing that the restaurants and clubs operated by our Group must not operate its business without valid licences.
					No provision has been made in the audited accounts of our Group in respect of its	After Listing, Ms. Lau Sze Yuen will check the expiry date of our licences monthly and our Group will also engage additional external licensing consultants to

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(c)	from 1 July 2013 to 29 February 2016 for Volar; and	WPCO, and under the impression that the external licensing consultant engaged by our Group would ensure that all relevant licences were obtained. By a letter dated 28 November 2014, the Environmental Protection Department (the “EPD”) required City Silver to apply for the water pollution control licence and provide detailed supporting information including recent water bills and layout and drainage plans. After gathering such supporting information, the application was made on 23 December 2014.	poisonous or noxious matter into a communal sewer or communal drain, the maximum penalty as stipulated in section 11 of the WPCO is (i) for a first offence, a fine of HK\$400,000 and imprisonment for 1 year; and (ii) for a second or subsequent offence, a fine of HK\$1,000,000 and imprisonment for 2 years, and in addition, if the offence is a continuing offence, a fine of HK\$40,000 for each day of default.	(c) for Volar: applied on 10 November 2015 and successfully granted on 1 March 2016; and	impact on the relevant current licences.	professional advice on the regulatory requirements relating to the opening of new restaurants to ensure its compliance with relevant statutory requirements in the future.
(d)	from 1 November 2015 to 17 May 2016 for Fly.			(d) for Fly: applied on 10 November 2015 and successfully granted on 18 May 2016.	No provision has been made in the audited accounts of our Group in respect of its liabilities, if any, arising from its failure to obtain all requisite licences as, according to the advice of Counsel, the breaches are minor in terms of gravity such as failing to get a licence in time for a short period of time and a valid licence has been obtained afterwards. Our Directors, having considered the opinion of Counsel, are of the view that such non-compliances would not have any material financial impact on our Group.	
		For the non-compliances of (c)(iii) and (iv), specifically, the directors of Group Best (HK) and Grand Diamond were less alert to the relevance of the water pollution control licence since the relevant premises were clubs but not restaurants, and hence the volume of water discharge was much less.				

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3.	<p>Our Group failed to file Form IR56E (notification by an employer of an employee who commences to be employed) for a total of 394 employees with the Inland Revenue Department (“the IRD”) in time since the commencement of business of our operating subsidiaries until 11 August 2016 contravening sections 52(4) and (5) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “IRO”).</p>	<p>The defaults were attributable to the inadvertent oversight of the responsible administrative staff at the relevant time, while other relevant employment filings in relation to the employment affairs of our operating subsidiaries such as Forms BIR56A and IR56B (employer’s return of remuneration and pensions and list of employees) have been duly submitted.</p>	<p>According to section 80(1)(c) of the IRO, the maximum penalty for failing to comply with the requirements of sections 52(4) and (5) of the IRO is a fine of HK\$10,000 for each offence.</p> <p>There is no provision to impose custodial sentence for offences under section 80(1)(c) of the IRO.</p>	<p>Forms IR56E have been submitted for all current employees (full-time and part-time) of our Group as of the Latest Practicable Date.</p>	<p>As advised by Counsel, concerning the possible criminal liability of the Directors and/or officers, it is not the usual or invariable practices of the IRD to proceed with prosecution against the Director and/or officer of our Group who is found to be in breach in complying with the relevant provisions of the IRO especially where (i) our Group is still in existence and can pay the penalties involved and (ii) our Group is cooperative.</p> <p>According to Counsel, even if prosecutions were being laid against the concerned subsidiaries, the actual fines would be much lower than the maximum fine stipulated. In Counsel’s experience, the IRD does not often proceed with criminal prosecution automatically.</p> <p>Our Directors, having considered the opinion of Counsel, are of the view that such non-compliances would not have any material financial impact on our Group.</p>	<p>A new internal control practice has been implemented on 1 August 2016 requiring Forms IR56E be submitted timely for all new employees of our Group.</p> <p>Since June 2016, our Group has designated Ms. Lau Sze Yuen^(Note), our compliance officer, to monitor our compliance in this regard. She will keep records of the commencement and other information of employment of all our employees and ensure that all related notices will be filed to the IRD when appropriate. She will also check and review the records monthly to ensure no material misconduct will occur.</p>

No.	Particulars of non-compliance	Reasons for non-compliance	Legal consequences and potential maximum penalties	Remedial actions and status	Any operational and/or financial impact on our Group	Enhanced internal control measures to prevent re-occurrence of non-compliance
4.	We contravened a condition of the liquor licence held by Mr. Gurung Bhojendra, the general manager of Volar, under regulations 17(1) of the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) (the “ DCLR ”), namely not more than 293 persons shall be permitted on the premises of Volar at any one time, and committing an offence under section 46(1) of the Dutiable Commodity Ordinance (Chapter 109 of the Laws of Hong Kong) (the “ DCO ”) when a total of 611 and 649 persons were found inside the said premises on 28 June 2015 and 2 August 2015 respectively.	The non-compliances were attributable to the inadvertence of the responsible licensee.	According to section 46(3) of the DCO, the maximum penalty imposed on each contravention of section 46(1) of the DCO is a fine of HK\$100,000 and an imprisonment for one year.	By summons dated 23 July 2015 and 1 September 2015 respectively, Mr. Gurung Bhojendra was charged with the offences contrary to regulations 17(1) and 21 of the DCLR and sections 46(1) and 46(3) of the DCO. He pleaded guilty on 24 August 2015 and 29 September 2015 respectively and was fined HK\$8,000 in respect of each contravention.	As advised by Counsel, the fact that the Court has imposed a fine that is far below the maximum fine for each of the offences is an indication that the Court does not consider the circumstances to be a serious case of non-compliance with the DCO. The offences have been dealt with and there will not be any further penalty under the DCO.	Since October 2015, the security personnel of Volar has implemented a strict headcount check by increasing the number of security guards at the entrance of the premises to ensure that no excessive number of customers will be admitted. These security personnel will directly report to Mr. Gurung Bhojendra, the general manager of Volar, who will in turn report to Ms. Lau Sze Yuen ^(Note) , our compliance officer, regularly to facilitate her in monitoring our compliance in this regard.
				Payment of HK\$8,000 for each contravention had been made by our Group on 31 August 2015 and 6 October 2015 respectively.	Our Directors consider that there is no material financial impact on the Group due to the insignificant sum of the penalties.	

Note: Ms. Lau Sze Yuen, our compliance officer, was an administrative and office manager of a casual dining restaurant and bar located in Central from July 2010 to June 2016. Her principal responsibilities included application and renewal of all necessary licences and human resources management such as submission of all required forms to the IRD, and arrangement of payroll and compensation to all employees. She has over five years of experience in handling IRD forms submission and licences application and renewal for food and beverage business.

Views of our Directors and the Sponsor

As set out in “— Litigation and compliance”, our Group has laid down and implemented the following enhanced internal control measures to monitor ongoing compliance with the relevant laws and regulations to prevent the recurrence of non-compliance incidents in the future:

- we will engage additional external licensing consultants upon Listing to advise on regulatory and licensing requirements and compliance matters applicable to restaurants and clubs. We will require these external licensing consultants to keep Ms. Lau Sze Yuen, our compliance officer, informed of any changes and updates on licensing requirements, and to provide on-going training to our Directors from time to time on licensing compliance issues. We will consult these licensing consultants on the licensing requirements and procedures when planning the opening of new restaurants and bars to ensure all relevant licences and permits are obtained before commencing the operation of new restaurants and bars;
- regarding the non-compliance of licensing requirements and conditions, we have taken steps to enhance the internal control measures by implementing a set of internal compliance guidelines in relation to the licensing requirements involved in the opening of restaurants and bars. For example, we have designated Ms. Lau Sze Yuen to monitor the application and/or renewal process of all requisite licences for our operations by overseeing the pending expiry dates and coordinating the timely preparation and submission of renewal applications of all such licences. More security guards are stationed at the entrance of the relevant premises to control the number of customers admitted and reporting procedures are in place to facilitate the monitoring of our compliance; and
- regarding the non-compliance with the IRO, we will keep records of the commencement and other information of employment of all our employees and ensure that all related forms and/or notices will be filed to the IRD when appropriate.

Our Directors believe that the internal control measures will effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sponsor concurs, that these internal control measures adopted by our Company are adequate and effective under the GEM Listing Rules to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sponsor concurs, that as (i) we had immediately carried out remedial actions and adopted rectification measures to prevent the occurrence of such non-compliance incidents; and (ii) the past non-compliance incidents did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence, such non-compliance incidents (i) do not affect our Directors’ suitability to act as directors a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (ii) do not affect our Company’s suitability for listing under Rule 11.06 of the GEM Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review of our internal control system including the areas of financial, operation, compliance and risk management. Based on the Internal Control Consultant’s review and recommendations, we have modified and adopted certain new internal control procedures to refine our internal control system. After the modification and adoption of the new internal control procedures have been taken place, the Internal Control Consultant has performed a follow-up review and confirmed that our Group has implemented the measures recommended by the Internal Control Consultant to rectify all the previous findings identified. As our business continues to expand, we will modify and enhance our internal control systems to respond to our changing business needs as appropriate to ensure our business operations are in compliance with the applicable laws, rules and regulations in Hong Kong. In this regard, our Directors will monitor and review our internal control system on a quarterly basis and report the review results to our Audit Committee accordingly.

BUSINESS

For details of the enhanced internal control measures adopted by us to prevent re-occurrence of the abovementioned non-compliances and ensure ongoing compliances, see “— Litigation and compliance”.

To enhance the quality of our corporate governance, we have adopted the following measures:

- our Directors (apart from Mr. Kan Sze Man and Mr. Wong Sui Chi) attended a training session conducted by our Hong Kong legal advisers on 19 August 2016 and 24 August 2016 regarding the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO and the GEM Listing Rules;
- we have appointed Mr. Wong Chi Wai (黃志威) as our company secretary. Mr. Wong will act as the principal channel of communication between our Company and other members of our Group in relation to our legal, regulatory and financial reporting compliance matters. Upon receipt of queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendations from professional advisers and report to relevant members of our Group and/or our Board. Details of Mr. Wong’s qualifications and experience are set out in “Directors and Senior Management”;
- we have appointed Ms. Lau Sze Yuen (劉思婉), our executive Director, as compliance officer. The role of the compliance officer includes the following:
 - to advise, with the assistance of our company secretary, on the implementation of procedures to ensure that our Group complies with the GEM Listing Rules and other relevant laws and regulations applicable to our Group;
 - to carry out the day-to-day implementation and monitoring of our internal control system with the assistance of our company secretary; and
 - to respond promptly and efficiently to all enquiries directed at her by the Stock Exchange.
- we have appointed Lego Corporate Finance as our compliance adviser to advise our Group on compliance matters upon Listing in accordance with Rule 6A.19 of the GEM Listing Rules; and
- we have established an audit committee with written terms of reference in accordance with Appendix 15 to the GEM Listing Rules to review the internal control system and procedures for compliance with the requirements of the GEM Listing Rules, the Companies Ordinance and other applicable laws, rules and regulations.

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process to identify the material risks associated with our business operations. The key procedures that we have established and implemented are summarised as follows:

- our risk management process is managed by our Board;
- the objectives of risk management are to identify potential risks in relation to our business operations. Our Board will formulate action plan to address and to mitigate the identified risks; and
- our Board will hold monthly meetings with the heads of different departments to further identify potential risks which may create impediments to our business operations.