
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult a licensed securities dealer, or other registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Aberdeen Restaurant Enterprises Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of MIDL, the Offeror or AREL.



**Melco International
Development Limited**
*(Incorporated in Hong Kong
with limited liability)*

Website: www.melco-group.com
(Stock Code: 200)

**Melco Leisure and
Entertainment Group Limited**
*(Incorporated in the British Virgin
Islands with limited liability)*



**珍寶王國
JUMBO KINGDOM™
Aberdeen Restaurant
Enterprises Limited**
*(Incorporated in Hong Kong
with limited liability)*

**PROPOSED PRIVATISATION OF
ABERDEEN RESTAURANT ENTERPRISES LIMITED
BY
MELCO LEISURE AND ENTERTAINMENT GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

Financial Adviser to Melco Leisure and Entertainment Group Limited



Independent Financial Adviser to the Independent Shareholders



Crescendo Capital Limited

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed “Definitions” of this Scheme Document.

A letter from the AREL Board to the AREL Shareholders is set out on pages 7 to 11 of this Scheme Document. A letter from Crescendo Capital, the independent financial adviser to the Independent Shareholders, containing its advice to the Independent Shareholders in relation to the Proposal is set out on pages 12 to 26 of this Scheme Document. An Explanatory Statement regarding the Scheme is set out on pages 27 to 43 of this Scheme Document.

The action to be taken by the Independent Shareholders is set out on page 42 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on the same date of Thursday, 12 September 2019 at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), respectively, are set out on pages 103 to 108 of this Scheme Document. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible but in any event not later than the times and dates as stated under the paragraph headed “Action to be taken by AREL Shareholders” on page 42 of this Scheme Document. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be returned by facsimile at number (852) 3162 3579 (marked for the attention of “the Company Secretary”) up to the time of the Court Meeting or it may be handed to the chairman of the Court Meeting at the Court Meeting, if it is not so lodged.

In the event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

19 August 2019

CONTENTS

	<i>Page</i>
Important Notice	iii
Definitions	1
Expected Timetable	5
Letter from the AREL Board to the AREL Shareholders	7
Letter from Crescendo Capital	12
Explanatory Statement	27
Introduction	27
Summary of the Scheme	27
Conditions of the Proposal	28
Scheme of Arrangement Under Section 673 of the Companies Ordinance and the Court Meeting	30
The Additional Requirements imposed by Rule 2.10 of the Takeovers Code	31
Binding Effect of the Scheme	31
Shareholdings of the Offeror and Persons Acting in Concert with the Offeror	32
Effects of the Scheme	33
Cancellation Price	36
Financial adviser to the Offeror and Confirmation of Financial Resources	36
Information on the Offeror and MIDL	37
Intention of the Offeror with regard to AREL	37
Reasons for and Benefits of the Proposal	37
Share Certificates	38
Registration and Payment	38

CONTENTS

	<i>Page</i>
Overseas Shareholders of AREL	39
Taxation	39
Court Meeting and EGM.	40
Action to be taken by AREL Shareholders	42
Costs of the Scheme	42
Recommendation	43
Additional Information	43
Appendix I – Financial Information of AREL	44
Appendix II – Property Valuation Report	83
Appendix III – General Information	90
Scheme of Arrangement	97
Notice of Court Meeting	103
Notice of EGM.	106

IMPORTANT NOTICE

NOTICE TO US AREL SHAREHOLDERS

The Proposal is being made for the shares of AREL, a company incorporated in Hong Kong, and is proposed to be implemented under a scheme of arrangement provided for under the Companies Ordinance. A transaction effected by means of such a scheme of arrangement is not subject to the proxy solicitation nor the tender offer rules under the United States Securities Exchange Act of 1934. Accordingly, the Proposal will be subject to disclosure requirements and practices in Hong Kong, which are different from the disclosure requirements of the US proxy solicitation rules and tender offer rules. The financial information included in this Scheme Document has been prepared in accordance with accounting standards in Hong Kong and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. In addition, the settlement procedure with respect to the Proposal will comply with the rules of the Takeovers Code and the Companies Ordinance, which differ from US domestic settlement procedures in certain material respects, particularly with regard to the date of payment of consideration.

It may be difficult for US holders of AREL Shares to enforce their rights and any claim arising out of US federal securities laws, since the Offeror and AREL are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of non-US jurisdictions. US holders of AREL Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

DEFINITIONS

In this Scheme Document, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning given in the Takeovers Code
“Announcement”	the announcement dated 5 June 2019 jointly issued by the Offeror, AREL and MIDL in relation to the Proposal
“AREL”	Aberdeen Restaurant Enterprises Limited, a company incorporated in Hong Kong with limited liability
“AREL Board”	the board of directors of AREL
“AREL Director(s)”	the director(s) of AREL
“AREL Shareholders”	holders of AREL Shares
“AREL Shares”	Class A AREL Shares and Class B AREL Shares which rank equally with each other as to dividend, voting and return of capital or otherwise under the Articles, and therefore are treated equally under the Scheme
“Articles”	the articles of association of AREL, as amended, supplemented or otherwise modified from time to time
“Associate(s)”	has the meaning given in the Takeovers Code
“Authorisations”	all necessary notifications, registrations, applications, filings, authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions, no-action relief, exemption relief, orders and approvals, and all appropriate waiting periods (including extensions thereof), in connection with the Proposal
“Business Day”	a day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“Cancellation Price”	a price of HK\$8,895.76 per Scheme Share payable in cash to the Scheme Shareholders pursuant to the Scheme
“Class A AREL Shares”	the Class A Ordinary Shares in the share capital of AREL
“Class B AREL Shares”	the Class B Ordinary Shares in the share capital of AREL

DEFINITIONS

“Crescendo Capital”	Crescendo Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Shareholders on the Proposal
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company Secretary”	the Company Secretary of AREL, being Mr. Leung Hoi Wai, Vincent
“Condition(s)”	the condition(s) of the Proposal, as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 28 to 30 of this Scheme Document
“Court”	the Hong Kong Court of First Instance
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court, at which the Scheme will be voted upon and which will be held at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on Thursday, 12 September 2019 at 2:00 p.m., the notice of which is set out on pages 103 to 105 of this Scheme Document, or any adjournment thereof
“Court Order”	the order of the Court confirming the sanction of the Scheme as required by Section 673 of the Companies Ordinance
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	the extraordinary general meeting of AREL to be held at 2:30 p.m. (or as soon thereafter as the Court Meeting convened for the same date and place shall have been concluded or adjourned) at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on Thursday, 12 September 2019, to approve and give effect to the Scheme including the approval of the reduction of the share capital of AREL, the notice of which is set out on pages 106 to 108 of this Scheme Document, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement set out on pages 27 to 43 of this Scheme Document issued in compliance with Section 671 of the Companies Ordinance
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	AREL Shareholders other than the Offeror, Melco Nominees and Melco Services and any other persons acting in concert with the Offeror
“Latest Practicable Date”	16 August 2019, being the latest practicable date prior to the printing of this Scheme Document for ascertaining certain information contained herein
“Lego”	Lego Corporate Finance Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Offeror in connection with the Proposal
“Long Stop Date”	30 September 2019
“Melco Nominees”	Melco (Nominees) Limited, a company established under the laws of Hong Kong which is a wholly owned subsidiary of MIDL
“Melco Services”	Melco Services Limited, a company established under the laws of the British Virgin Islands which is a wholly owned subsidiary of MIDL
“MIDL”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the Main Board of the Stock Exchange under stock code: 200
“Offeror”	Melco Leisure and Entertainment Group Limited, a company established under the laws of the British Virgin Islands which is a wholly owned subsidiary of MIDL
“Offer Period”	the period from the date of the Announcement until the later of (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
“PRC”	the People’s Republic of China
“Proposal”	the proposal for the privatisation of AREL by the Offeror by way of the Scheme as described in this Scheme Document
“Record Date”	the Business Day immediately preceding the Effective Date, being the record date for the purpose of determining the entitlement of the Scheme Shareholders under the Scheme
“Register”	the register of members of AREL
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions (including the SFC)

DEFINITIONS

“Relevant Period”	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
“Scheme”	a scheme of arrangement under Section 673 of the Companies Ordinance between AREL and the Scheme Shareholders involving the cancellation of all the Scheme Shares as set out in this Scheme Document
“Scheme Document”	this Scheme document, including each of the letters, statements, appendices and notices in it, as may be amended or supplemented from time to time
“Scheme Share(s)”	AREL Share(s) held by the Scheme Shareholder(s) on the Record Date
“Scheme Shareholder(s)”	AREL Shareholders other than the Offeror, Melco Services and Melco Nominees
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	United States of America
“%”	per cent

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

EXPECTED TIMETABLE

The Proposal is being made for AREL Shares. AREL Shareholders should note that the below expected timetable, which is dependent on all the Conditions being fulfilled and/or otherwise waived (as the case may be) and the availability of the dates for the Court to hear the proceedings for the sanction of the Scheme, is subject to change. Further announcement(s) will be made in the event of any change to the expected timetable.

Hong Kong time

Latest time for lodging transfers of AREL Shares
to qualify for attending and voting at
the Court Meeting and the EGM 4:30 p.m. on Wednesday, 4 September 2019

Register of AREL closed for determination of entitlements
of Independent Shareholders to attend and vote
at the Court Meeting and of AREL Shareholders
to attend and vote at the EGM. Thursday, 5 September 2019
to Thursday, 12 September 2019
(both days inclusive)

Latest time for Independent Shareholders to lodge forms of proxy in respect
of the Court Meeting (*Note 1*) 2:00 p.m. on Tuesday, 10 September 2019

Latest time for AREL Shareholders to lodge forms of proxy
in respect of the EGM (*Note 1*) 2:30 p.m. on Tuesday, 10 September 2019

Court Meeting (*Note 1*) 2:00 p.m. on Thursday, 12 September 2019

EGM (*Note 1*) 2:30 p.m. on Thursday, 12 September 2019
(or as soon thereafter as the Court Meeting
shall have been concluded or adjourned)

Announcement of the results of the Court Meeting
and the EGM. no later than 7:00 p.m. on Thursday, 12 September 2019

Latest time for lodging transfers of AREL Shares to qualify
for entitlements under the Scheme. 4:30 p.m. on Wednesday, 18 September 2019

Closure of the Register of AREL for determining the entitlement
of the Scheme Shareholders under the Scheme from Thursday, 19 September 2019 onwards

Court hearing of the petition to sanction the Scheme
(*Note 2 and Note 3*). 10:00 a.m. on Tuesday, 24 September 2019

Announcement of (i) the results of the Court hearing
of the petition to sanction the Scheme,
and (ii) the Effective Date no later than 7:00 p.m. on Tuesday, 24 September 2019

Record Date for determining the entitlement
of the Scheme Shareholders under the Scheme Tuesday, 24 September 2019

EXPECTED TIMETABLE

Effective Date (*Note 4*) Wednesday, 25 September 2019

Cheques for cash entitlements under the Scheme to be
despatched to AREL Shareholders. on or before Tuesday, 8 October 2019

Notes:

1. Forms of proxy should be lodged, by hand or by post, with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, as soon as possible and in any event no later than the times and dates stated above. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be returned by facsimile at number (852) 3162 3579 (marked for the attention of “the Company Secretary”) or it may be handed to the chairman of the Court Meeting at the Court Meeting if it is not so lodged. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the EGM must be lodged not later than the times and dates stated above. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude an AREL Shareholder from attending the relevant meetings and voting in person. In such event, the returned form of proxy will be deemed to have been revoked.
2. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed. AREL Shareholders will be notified of the date, time and venue of the rescheduled meetings in accordance with the Articles and an announcement will be published on the respective websites of the SFC and MIDL.
3. The Court hearing of the petition to sanction the Scheme will be held at the High Court Building, 38 Queensway, Hong Kong.
4. Subject to the Conditions having been fulfilled or otherwise waived (as the case may be), the Scheme shall become effective as soon as an office copy of the order of the Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of AREL provided for by the Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, unless otherwise stated.

The Court Meeting and the EGM will both be held at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on Thursday, 12 September 2019, at 2:00 p.m. and 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) respectively. Please see the notice of the Court Meeting set out on pages 103 to 105 and the notice of the EGM set out on pages 106 to 108 of this Scheme Document for details.

LETTER FROM THE AREL BOARD TO THE AREL SHAREHOLDERS



珍寶王國

JUMBO KINGDOM™

Aberdeen Restaurant Enterprises Limited

(Incorporated in Hong Kong with limited liability)

Directors:

Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Leung Hoi Wai, Vincent

Registered office:

38th Floor, The Centrium,
60 Wyndham Street,
Central, Hong Kong

19 August 2019

To the AREL Shareholders

Dear Sir/Madam,

**PROPOSED PRIVATISATION OF
ABERDEEN RESTAURANT ENTERPRISES LIMITED
BY
MELCO LEISURE AND ENTERTAINMENT GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

INTRODUCTION

This Scheme Document relates to the proposed privatisation of AREL by the Offeror by way of the Scheme under section 673 of the Companies Ordinance. This Scheme Document is addressed to AREL Shareholders. Shareholders of MIDL need not take any actions in relation to this Proposal.

So far as MIDL (a company having its shares listed on the Stock Exchange) is concerned, none of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) in respect of the Proposal exceeds 5%. Therefore, full implementation of the Proposal does not constitute a notifiable transaction for MIDL under Chapter 14 of the Listing Rules.

On 5 June 2019, the boards of directors of the Offeror, AREL and MIDL jointly announced that the Offeror had requested the AREL Board to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of AREL by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and MIDL’s wholly owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

The Offeror has appointed Lego as its financial adviser in connection with the Proposal.

LETTER FROM THE AREL BOARD TO THE AREL SHAREHOLDERS

Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence, being AREL Directors, concurrently serve on the respective boards of the Offeror and its holding company, MIDL. Mr. Leung Hoi Wai, Vincent, also an AREL Director, is a director appointed to the AREL Board by an affiliate of the Offeror and is an executive of MIDL. It is therefore not possible for AREL to form an independent board committee to advise the Independent Shareholders on the Proposal pursuant to Rule 2.1 of the Takeovers Code. Accordingly, under Rule 2.8 of the Takeovers Code, the AREL Board has appointed Crescendo Capital as the independent financial adviser to advise the Independent Shareholders on the Proposal.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to:

- (i) the letter from Crescendo Capital, the independent financial adviser to the Independent Shareholders, set out on pages 12 to 26 of this Scheme Document;
- (ii) the Explanatory Statement set out on pages 27 to 43 of this Scheme Document; and
- (iii) the Scheme set out on pages 97 to 102 of this Scheme Document.

TERMS OF THE PROPOSAL

Cancellation of Scheme Shares

The Scheme provides that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholder of:

for each Scheme Share HK\$8,895.76 in cash

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and MIDL's wholly owned subsidiaries, Melco Nominees and Melco Services, and any other persons acting in concert with the Offeror will not vote at the Court Meeting on the resolution to approve the Scheme.

As at the Latest Practicable Date, the Independent Shareholders were interested in 5,592 AREL Shares, made up of 3,399 Class A AREL Shares and 2,193 Class B AREL Shares (together representing approximately 13.32% of the issued share capital of AREL as at the date of the Latest Practicable Date). As at the Latest Practicable Date, and the Offeror and persons acting in concert with the Offeror were interested in 36,398 AREL Shares, made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date).

Under the Articles, AREL Shareholders holding Class A AREL Shares and Class B AREL shares have the same rights. Accordingly, Class A AREL Shares and Class B AREL Shares will vote as a single class of Scheme Shares at the Court Meeting to be convened to approve the Scheme.

LETTER FROM THE AREL BOARD TO THE AREL SHAREHOLDERS

No Price Increase Statement

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

Terms of the Proposal

The detailed terms of the Proposal are set out in the Explanatory Statement on pages 27 to 43 of this Scheme Document.

Dealings in AREL Shares

As the AREL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the AREL Shares quoted on the Stock Exchange or any other stock exchanges.

Except for the sale of 96 Class A AREL Shares and 25 Class B AREL Shares by a then Independent Shareholder to an independent third party for a consideration of HK\$96,000 and HK\$12,500 on 24 June 2019, respectively (as notified to AREL by the transferring Independent Shareholder), no transactions have taken place during the Relevant Period in respect of any AREL Shares.

CONDITIONS OF THE PROPOSAL

The Proposal is conditional upon the fulfilment or waiver, as applicable, of the Conditions set out in the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 28 to 30 of this Scheme Document.

When the Conditions are fulfilled or, where applicable, waived, the Scheme will become effective and binding on the Offeror, AREL and all the Scheme Shareholders. The Scheme will lapse if it does not become effective on or before the Long Stop Date, or such later date as the Offeror and AREL may agree and the Court may allow.

AREL Shareholders and potential investors should be aware that implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not become effective. AREL Shareholders and potential investors are advised to exercise caution when dealing in AREL Shares.

REASONS FOR AND BENEFITS OF THE PROPOSAL

Your attention is drawn to the section headed “Reasons for and Benefits of the Proposal” in the Explanatory Statement on pages 37 to 38 of this Scheme Document.

LETTER FROM THE AREL BOARD TO THE AREL SHAREHOLDERS

INFORMATION ON AREL AND THE OFFEROR

Your attention is drawn to the section headed “Information on AREL” set out in the Explanatory Statement on page 37 of this Scheme Document and the section headed “Information on the Offeror and MIDL” set out in the Explanatory Statement on page 37 of this Scheme Document.

Your attention is also drawn to the “Financial Information of AREL” set out in Appendix I to this Scheme Document.

INTENTION OF THE OFFEROR WITH REGARD TO AREL

Your attention is drawn to the section headed “Intention of the Offeror with regard to AREL” in the Explanatory Statement on page 37 of this Scheme Document.

The AREL Board has noted the intentions of the Offeror in respect of AREL and the employees of AREL, as disclosed in the section headed “Intention of the Offeror with regard to AREL” in the Explanatory Statement on page 37 of this Scheme Document. The AREL Board welcomes the stated intentions of the Offeror in that regard in respect of AREL and its employees.

OVERSEAS SHAREHOLDERS OF AREL

Your attention is drawn to the section headed “Overseas Shareholders of AREL” set out in the Explanatory Statement on page 39 of this Scheme Document.

COURT MEETING AND EGM

In accordance with the direction of the Court, the Court Meeting has been scheduled to be held on Thursday, 12 September 2019, for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). The Scheme is subject to approval by the Independent Shareholders at the Court Meeting in the manner referred to in paragraph (a) of the section headed “Conditions of the Proposal” set out in the Explanatory Statement on pages 28 to 30 of this Scheme Document.

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and MIDL’s wholly owned subsidiaries, Melco Nominees and Melco Services, and any other persons acting in concert with the Offeror will not vote at the Court Meeting on the resolution to approve the Scheme.

Immediately following the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve and give effect to the Scheme including the cancellation of the Scheme Shares and the reduction of the issued share capital of AREL. The special resolution will be passed provided that it is approved by a majority of at least 75% of the votes cast by AREL Shareholders present and voting, in person or by proxy, at the EGM. All AREL Shareholders will be entitled to attend and vote on such special resolution at the EGM.

Notice of the Court Meeting is set out on pages 103 to 105 of this Scheme Document. The Court Meeting will be held at 2:00 p.m. on Thursday, 12 September 2019 at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong.

LETTER FROM THE AREL BOARD TO THE AREL SHAREHOLDERS

Notice of the EGM is set out on pages 106 to 108 of this Scheme Document. The EGM will be held at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) on Thursday, 12 September 2019 at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong.

ACTION TO BE TAKEN BY AREL SHAREHOLDERS

Your attention is drawn to the section headed “Action to be Taken by AREL Shareholders” in the Explanatory Statement set out on page 42 of this Scheme Document. Shareholders of MIDL need not take any actions in relation to the Proposal.

EXPLANATORY STATEMENT

Please refer to the Explanatory Statement set out on pages 27 to 43 of this Scheme Document, for detailed information in relation to the terms of the Proposal and a detailed explanation of the effects of the Proposal.

RECOMMENDATION

The AREL Directors consider that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Crescendo Capital has been appointed as the independent financial adviser to advise the Independent Shareholders in respect of the Proposal and the Scheme in this regard. Your attention is drawn to the letter from Crescendo Capital, the independent financial adviser, on pages 12 to 26 of this Scheme Document which contains its advice to the Independent Shareholders in respect of the Proposal and the Scheme.

FURTHER INFORMATION

You are urged to read carefully:

- (i) the letter from Crescendo Capital, the independent financial adviser to the Independent Shareholders, set out on pages 12 to 26 of this Scheme Document;
- (ii) the Explanatory Statement set out on pages 27 to 43 of this Scheme Document;
- (iii) the Appendices to this Scheme Document, including the Scheme, set out on pages 44 to 96 of this Scheme Document;
- (iv) the notice of the Court Meeting set out on pages 103 to 105 of this Scheme Document; and
- (v) the notice of the EGM set out on pages 106 to 108 of this Scheme Document.

Yours faithfully,
For and on behalf of the board of
Aberdeen Restaurant Enterprises Limited
Evan Andrew Winkler
Director

LETTER FROM CRESCENDO CAPITAL

The following is the text of a letter of advice from Crescendo Capital, the independent financial adviser to the Independent Shareholders regarding its advice on the Proposal prepared for the purpose of incorporation into this Scheme Document.



1506 Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

19 August 2019

Aberdeen Restaurant Enterprises Limited

37/F., The Centrium
60 Wyndham Street
Central, Hong Kong

To the Independent Shareholders

Dear Sirs,

**PROPOSED PRIVATISATION OF
ABERDEEN RESTAURANT ENTERPRISES LIMITED
BY
MELCO LEISURE AND ENTERTAINMENT GROUP LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Shareholders with respect to the Proposal, details of which are set out in the Letter from the AREL Board and the Explanatory Statement contained in the Scheme Document dated 19 August 2019 to the AREL Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Scheme Document unless the context requires otherwise.

LETTER FROM CRESCENDO CAPITAL

On 5 June 2019, the Offeror requested the AREL Board to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of AREL by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and MIDL's wholly-owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

The Court Meeting will be convened at the direction of the Court for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). Insofar as the sanction of the Scheme by the Court is concerned, such resolution will be passed if the Independent Shareholders representing at least 75% of the voting rights of the Independent Shareholders present and voting, either in person or by proxy, at the Court Meeting vote in favour of the Scheme and the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all disinterested shares (as defined in Section 674 of the Companies Ordinance) in AREL. Insofar as the approval of the Scheme under the Takeovers Code is concerned, the Scheme will be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution at the Court Meeting is not more than 10% of all the Scheme Shares held by all of the Independent Shareholders. Based on 5,592 AREL Shares held by the Independent Shareholders as at the Latest Practicable Date, more than 10% of such AREL Shares would be 560 AREL Shares. Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and MIDL's wholly-owned subsidiaries, Melco Nominees and Melco Services, and any other persons acting in concert with the Offeror will not vote at the Court Meeting on the resolution to approve the Scheme.

In addition to the resolution required to sanction the Scheme at the Court Meeting, the Scheme also involves a reduction of issued share capital as one of its terms. Under the Companies Ordinance and the Articles, the reduction of issued share capital is required to be approved by a special resolution of AREL Shareholders. Such special resolution will be proposed at the EGM, which is being convened to be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the reduction of issued share capital of AREL and the cancellation of the Scheme Shares and to approve and give effect to the Scheme. The special resolution will be passed provided that it is approved by a majority of at least 75% of the votes cast by AREL Shareholders present and voting, in person or by proxy, at the EGM. All AREL Shareholders will be entitled to attend and vote at the EGM.

As at the Latest Practicable Date, the AREL Shares were made up of 8,060 Class A AREL Shares and 33,930 Class B AREL Shares. Under the Articles, AREL Shareholders holding Class A AREL Shares and Class B AREL Shares have the same rights. Accordingly, Class A AREL Shares and Class B AREL Shares are treated equally under the Scheme and will vote as a single class of Scheme Shares at the Court Meeting to be convened to approve the Scheme.

As at the Latest Practicable Date, the Independent Shareholders were interested in 5,592 AREL Shares, made up of 3,399 Class A AREL Shares and 2,193 Class B AREL Shares (together representing approximately 13.32% of the issued share capital of AREL as at the Latest Practicable Date), and the Offeror and persons acting in concert with it were interested in 36,398 AREL Shares, made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date).

LETTER FROM CRESCENDO CAPITAL

Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence, being AREL Directors, concurrently serve on the respective boards of the Offeror and its holding company, MIDL. Mr. Leung Hoi Wai, Vincent, also an AREL Director, is a director appointed to the AREL Board by an affiliate of the Offeror and is an executive of MIDL. It is therefore impossible for AREL to form an independent board committee to advise the Independent Shareholders on the Proposal pursuant to Rule 2.1 of the Takeovers Code. We, Crescendo Capital Limited, have been appointed by the AREL Board pursuant to Rule 2.8 of the Takeovers Code as the independent financial adviser to advise the Independent Shareholders as to whether the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Proposal.

We are not associated with AREL, the Offeror or their respective associates and do not have any shareholding in any member of AREL or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of AREL. Save for acting as an independent financial adviser in this appointment and an independent financial adviser of MIDL relating to a possible connected transaction, we have not acted as a financial adviser or an independent financial adviser to AREL and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from AREL, the Offeror or their respective associates. We are not aware of any relationship or interest between us and AREL or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the AREL Directors, management of AREL and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Scheme Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations after the Latest Practicable Date (up to the end of the Offer Period), the AREL Shareholders would be notified of such changes as soon as possible. The AREL Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Offeror and/or MIDL (if any)), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than opinions expressed by the Offeror and/or MIDL (if any)) have been arrived at after due and careful consideration and there are no other facts that are not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading. The directors of the Offeror have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to AREL and/or MIDL (if any)), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than opinions expressed by AREL and/or MIDL (if any)) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading. The directors of MIDL have jointly and severally accepted full responsibility for the accuracy of the information contained in the Scheme Document relating to MIDL and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document by MIDL have been arrived at after due and careful consideration and there are no other facts relating to MIDL not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

LETTER FROM CRESCENDO CAPITAL

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Scheme Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the AREL Directors, management of AREL or the Offeror, or is misleading, untrue or inaccurate, and consider that the information provided to us may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of AREL and the related subject of, and parties to, the Proposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. AREL Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change this opinion and the AREL Shareholders will be notified of any material change as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Proposal as these depend on their individual circumstances. It is emphasized that we will not accept any responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Proposal. Independent Shareholders who are in any doubt as to their tax positions, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Proposal, we have considered the following principal factors and reasons:

1. Background to, and principal terms of, the Proposal

On 5 June 2019, the Offeror requested the AREL Board to put forward the Proposal to the Scheme Shareholders regarding a proposed privatisation of AREL by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and MIDL's wholly-owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

As at the Latest Practicable Date, the Independent Shareholders were interested in 5,592 AREL Shares, made up of 3,399 Class A AREL Shares and 2,193 Class B AREL Shares (together representing approximately 13.32% of the issued share capital of AREL as at the Latest Practicable Date), and the Offeror and persons acting in concert with it were interested in 36,398 AREL Shares, made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date).

LETTER FROM CRESCENDO CAPITAL

The Scheme provides that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholder of:

for each Scheme Share HK\$8,895.76 in cash

The Cancellation Price was determined based on the audited consolidated net asset value per AREL Share of approximately HK\$8,895.76 as at 31 December 2018. Such audited consolidated net asset value per AREL Share was calculated based on AREL's audited consolidated statement of financial position as at 31 December 2018, in which AREL's investment properties are stated at fair value determined in accordance with a valuation carried out by an independent qualified professional valuer not connected with AREL. The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

As at the Latest Practicable Date, there were 41,990 AREL Shares in issue and the Scheme Shareholders are interested in 5,592 AREL Shares, representing approximately 13.32% of the issued share capital of AREL as at the Latest Practicable Date. There were no outstanding options, warrants, derivatives or convertible securities issued by AREL as at the Latest Practicable Date. At the Cancellation Price, the Proposal values the entire issued share capital of AREL at approximately HK\$373,532,962. The maximum amount of cash consideration required to effect the Proposal will be approximately HK\$49,745,089.92.

The Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the Explanatory Statement contained in the Scheme Document. All Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and AREL may agree and the Court may allow), otherwise the Proposal will lapse.

Further details of the terms and conditions of the Proposal, including the procedures for the acceptance, are set out in the Letter from the AREL Board to the AREL Shareholders and Explanatory Statement contained in the Scheme Document.

2. Binding effect of the Scheme

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of Section 674 of the Companies Ordinance and Rule 2.10 of the Takeovers Code, and is sanctioned by the Court under Section 673 of the Companies Ordinance and the other Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will become binding on AREL and all Scheme Shareholders.

If the Scheme becomes effective and binding as aforesaid:

- (i) all the Scheme Shares will be cancelled, whereupon the issued share capital of AREL shall be reduced from HK\$25,075,000 to HK\$20,576,268 and all share certificates representing holdings of those Scheme Shares will cease to have effect as documents of title;

LETTER FROM CRESCENDO CAPITAL

- (ii) the issued share capital of AREL will then be increased by the allotment and issuance to the Offeror of 3,399 new Class A AREL Shares and 2,193 new Class B AREL Shares, which are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled;
- (iii) on the Effective Date, the credit amount of HK\$4,498,732 which will arise in AREL's books of account as a result of the said reduction of issued share capital will be applied in paying up in full the abovementioned 3,399 new Class A AREL Shares and 2,193 Class B AREL Shares (equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled) which will be allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Offeror will pay the Cancellation Price of HK\$8,895.76 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them on the Record Date prior to the cancellation of the Scheme Shares.

As a result, the Offeror and MIDL's wholly-owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

The tables below set out the shareholding structure of AREL (i) as at the Latest Practicable Date; and (ii) immediately following the implementation of the Proposal and after the cancellation of the Scheme Shares:

As at the Latest Practicable Date

AREL Shareholders	Number of	% of	Number of	% of	Number of	% of
	Class A AREL Shares held	Class A AREL Shares held	Class B AREL Shares held	Class B AREL Shares held	Class B AREL Shares and Shares in aggregate)	Class B AREL Shares and Shares in aggregate) (approximate)
Offeror and its concert parties						
Offeror	4,660	57.82%	31,736	93.53%	36,396	86.68%
Melco Nominees	-	-	1	0.01%	1	0.00%
Melco Services	1	0.01%	-	-	1	0.00%
	<u>4,661</u>	<u>57.83%</u>	<u>31,737</u>	<u>93.54%</u>	<u>36,398</u>	<u>86.68%</u>
Scheme Shareholders	3,399	42.17%	2,193	6.46%	5,592	13.32%
	<u>8,060</u>	<u>100.00%</u>	<u>33,930</u>	<u>100.00%</u>	<u>41,990</u>	<u>100.00%</u>

LETTER FROM CRESCENDO CAPITAL

Immediately following the implementation of the Proposal and after the cancellation of the Scheme Shares

	Number of		Number of		Number of	
	Class A	% of Class A	Class B	% of Class B	Class B	% of issued
AREL Shareholders	AREL	AREL	AREL	AREL	AREL	share capital
	Shares held	Shares held	Shares held	Shares held	Shares in aggregate)	(approximate)
Offeror and its concert parties						
Offeror	8,059	99.99%	33,929	100.00%	41,988	100.00%
Melco Nominees	–	–	1	0.00%	1	0.00%
Melco Services	1	0.01%	–	–	1	0.00%
	<u>8,060</u>	<u>100.00%</u>	<u>33,930</u>	<u>100.00%</u>	<u>41,990</u>	<u>100.00%</u>
Scheme Shareholders	–	–	–	–	–	–
	<u>8,060</u>	<u>100.00%</u>	<u>33,930</u>	<u>100.00%</u>	<u>41,990</u>	<u>100.00%</u>

3. Information on AREL

AREL is a public company which was incorporated in Hong Kong with limited liability on 27 October 1970. Its securities are not listed or traded on any securities exchange. AREL and its subsidiaries (collectively, the “AREL Group”) is principally engaged in (i) restaurant business, trading as “Jumbo Kingdom”, in Aberdeen, Hong Kong; and (ii) property investment business.

Set out in the table below is a summary of the audited consolidated financial information of AREL for the two years ended 31 December 2017 and 2018 as extracted from the audited financial statements of AREL as set out in Appendix I to the Scheme Document.

	For the year ended	
	2018	2017
	HK\$'000	HK\$'000
Revenue	82,532	88,508
Gross profit	59,174	63,342
Profit before tax	23,392	72,157
Profit for the year attributable to the owners of AREL	<u>23,380</u>	<u>72,162</u>

LETTER FROM CRESCENDO CAPITAL

	As at 31 December 2018 <i>HK\$'000</i>
Non-current assets	358,418
Current assets	93,775
Current liabilities	(64,310)
Net current assets	29,465
Non-current liabilities	(14,350)
Net assets	373,533
Equity attributable to the owners of AREL	373,289

For the year ended 31 December 2018, the AREL Group recorded a revenue of approximately HK\$82.5 million, of which approximately 93.0% (2017: 93.9%) were derived from the catering services, approximately 0.4% (2017: 0.3%) were derived from the sales from souvenir shop and approximately 6.6% (2017: 5.8%) were derived from the property investment business. On the contrary to an increase of approximately 11.6% in the corporate events banquet sales, the tour group sales declined by approximately 14.3% for the year and resulting in a decrease of approximately 6.8% in the revenue of the AREL Group for the year ended 31 December 2018. Given the decrease in revenue, a commensurate decrease in gross profit of approximately 6.6% was recorded by the AREL Group for the year ended 31 December 2018. Further impacted by a reduction in increase in fair value of investment properties of approximately HK\$48 million for the year ended 31 December 2018, the profit before tax decreased from approximately HK\$72.2 million for the year ended 31 December 2017 to approximately HK\$23.4 million for the year ended 31 December 2018. The profit for the year ended 31 December 2018 attributable to owners of AREL amounted to approximately HK\$23.4 million as compared to approximately HK\$72.2 million for the year ended 31 December 2017. Had the changes in the fair values of the investment properties been excluded, losses before tax of approximately HK\$12.6 million and HK\$11.8 million would be recorded for the years ended 31 December 2018 and 2017 respectively.

LETTER FROM CRESCENDO CAPITAL

As at 31 December 2018, the non-current assets of the AREL Group amounted to approximately HK\$358.4 million, which mainly comprised property, plant and equipment of approximately HK\$6.9 million, investment properties of approximately HK\$310.0 million, loan to ultimate holding company of approximately HK\$14.1 million and loan to immediate holding company of approximately HK\$27.5 million. The current assets of the AREL Group as at 31 December 2018 amounted to approximately HK\$93.8 million, which mainly consisted of inventories of approximately HK\$1.5 million, loan to ultimate holding company of approximately HK\$5.0 million, trade receivables of approximately HK\$1.7 million, prepayments, deposits and other receivables of approximately HK\$4.1 million, bank deposits with original maturity over three months of approximately HK\$40.0 million and cash and bank balances of approximately HK\$39.7 million. The current liabilities of the AREL Group as at 31 December 2018 amounted to approximately HK\$64.3 million, which mainly included trade and other payables of approximately HK\$59.3 million and interest-bearing bank borrowings of approximately HK\$5.0 million. As at 31 December 2018, the non-current liabilities of the AREL Group, being interest-bearing bank borrowings, amounted to approximately HK\$14.4 million. As at 31 December 2018, net current assets and net assets attributable to owners of AREL amounted to approximately HK\$29.5 million and approximately HK\$373.3 million respectively. As at 31 December 2018, the gearing of the AREL Group, as expressed in the ratio of total liabilities to total assets, was approximately 0.17.

4. Reasons for and benefits of the Proposal and future prospect of AREL

As set out in the Explanatory Statement, AREL has not paid any dividend in recent years. The Proposal, if becomes effective, gives the Independent Shareholders the opportunity to realise their investment in a non-publicly traded share at a fixed-price cash consideration.

With reference to “Statistical Digest of the Services Sector 2019 Edition” and “Report on Quarterly Survey of Restaurant Receipts and Purchases 1st Quarter 2019” published in May 2019 by Census and Statistics Department of the Hong Kong Government, the value of total receipts of the restaurants sector in 2018 was HK\$119.6 billion, representing an increase of 6.0% in value and 3.1% in volume compared with 2017, among which the total receipts of Chinese restaurants increased by 4.8% in value and 2.1% in volume. The number of general restaurant licences increased by 5.6% to around 11,200 in 2018. For the first quarter of 2019, the value of total receipts of the restaurants sector was provisionally estimated at HK\$31.5 billion, representing an increase by 3.0% over a year earlier while the provisional estimate of the value of total purchases by restaurants increased by 3.1% to HK\$10.0 billion. On contrary to the general rising trend of the overall restaurant sector, the total receipts of Chinese restaurants for the first quarter of 2019 decreased by 0.6% in value and 2.7% in volume as compared with the first quarter of 2018.

LETTER FROM CRESCENDO CAPITAL

According to the report namely “2018 Manpower Update Report of Catering Industry” published in 2018 by The Hotel, Catering and Tourism Training Board of the Vocational Training Council (the “HOTB”), which is appointed by the Hong Kong Government to be responsible for, among others, determining the manpower situation and training needs on the hospitality industry which encompasses the catering, hotel and tourism sub-sectors, the catering industry is expected to have a positive future in view of the anticipated increase in the number of tourists and business arrivals in Hong Kong, together with the changing lifestyles and eating habits of the locals. However, manpower shortage, especially at the operational level, has always been the most critical issue for the industry. With the statutory minimum wage (the “SMW”) in force, the catering industry lost manpower to other industries such as security services and property management, as jobs in those industries are perceived to be relatively less demanding. Furthermore, there will be cost implications and intensified manpower supply concerns if standard working hours and overtime paid are to be enforced.

According to the Labour Department of the Hong Kong Government, the SMW has come into force since 1 May 2011 and the SMW rate is reviewed at least every two years in accordance with the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong). With effect from 1 May 2019, the SMW rate has raised from \$34.5 per hour to \$37.5 per hour. Given this policy trend, it is expected that the SMW rate would further increase after the next review.

Given a downturn in the total receipts of Chinese restaurants for the first quarter of 2019, the potential increase in the SMW and the problem of labour shortage, which may pose an upward cost pressure to the AREL Group, and keen competition in the catering industry as indicated by the increasing number of general restaurant licences, we are of the view that the business environment of the Chinese restaurant industry will be challenging in the coming years.

Having considered (i) that the profits recorded by the AREL Group for the years ended 31 December 2018 and 2017 were mainly attributable to the recognition of the increase in fair value of investment properties, which were not related to the operating performance of the core business of the AREL Group and the exclusion of which would lead to a loss for the years ended 31 December 2018 and 2017; and (ii) the limitation on significant improvement of the Chinese restaurant business of the AREL Group posed by the rising labour costs, we are uncertain as to whether the AREL Group can sustain its profitability in such a competitive and challenging business environment in future. Therefore, we are of the view that the Scheme may present a good opportunity for the Scheme Shareholders to realise their investments in AREL at the Cancellation Price, having taken into account there is a great uncertainty on when and whether AREL will distribute dividends to its shareholders, not to mention the AREL Shares are non-listed and an open market for sale of such shares is absent.

LETTER FROM CRESCENDO CAPITAL

5. Cancellation Price

The Cancellation Price of HK\$8,895.76 per Scheme Share is equal to the audited consolidated net asset value of the AREL Group per AREL Share as at 31 December 2018, calculated based on AREL's audited consolidated net asset value of approximately HK\$373.5 million as at 31 December 2018 and 41,990 AREL Shares in issue as at the Latest Practicable Date.

To evaluate the fairness and reasonableness of the Cancellation Price, we have considered the commonly adopted comparison approaches in evaluation of a company, namely price-to-earnings approach, net assets approach and dividends approach. However, given that AREL had not declared any dividend to the AREL Shareholders for the five years ended 31 December 2018, we consider that the dividends approach is not applicable for assessing the value of the AREL Group and thus only the price-to-earnings approach and the net assets approach were adopted in assessing the value of the AREL Group.

Based on the audited net profit of the AREL Group attributable to owners of AREL for the year ended 31 December 2018 of approximately HK\$23.4 million and 41,990 AREL Shares in issue as at the Latest Practicable Date, the net profit attributable to owners of AREL per AREL Share amounted to approximately HK\$557. Therefore, the price-to-earnings ratio (the "PER") of the AREL Group implied by the Cancellation Price of HK\$8,895.76 per Scheme Share is approximately 15.97 times. Based on the audited consolidated net asset value of the AREL Group attributable to the owners of AREL as at 31 December 2018 of approximately HK\$373.3 million and 41,990 AREL Shares in issue as at the Latest Practicable Date, the net asset value attributable to owners of AREL per AREL Share amounted to approximately HK\$8,890.21. Accordingly, the price-to-book ratio (the "PBR") of the AREL Group implied by the Cancellation Price of HK\$8,895.76 per Scheme Share is approximately 1.00 times.

We have compared the PER and the PBR of the AREL Group implied by the Cancellation Price with those of other companies, which (a) are currently listed on the Stock Exchange; and (b) have over 50% of their turnover derived from operations of Chinese restaurants in Hong Kong for their respective latest financial year. Based on the abovementioned criteria, we have, on our best effort, identified nine comparable companies (the "Comparables") as valuation benchmarks. We consider such Comparables represent an exhaustive list of relevant comparable companies based on the said criteria, and are fair and representative samples for assessing the fairness and reasonableness of the Cancellation Price as their core business are similar to the business of the AREL Group and their major turnover was mainly derived from the operation of Chinese restaurants in Hong Kong for their respective latest financial year. Set out below is a comparison of the PER and the PBR of the AREL Group as implied by the Cancellation Price and the Comparables as at the Latest Practicable Date.

LETTER FROM CRESCENDO CAPITAL

PERs and PBRs of the Comparables and the AREL Group

Company name (Stock code)	Principal business activities	Market capitalization <i>HK\$ million</i>	PER as at the Latest Practicable Date <i>times</i>	PBR as at the Latest Practicable Date <i>times</i>
Tao Heung Holdings Limited (573)	Food catering services through chain restaurants, operation of bakeries and the sales of foods and other products	1,342	11.53	0.80
G-Vision International (Holdings) Limited (657)	Operation of restaurants	113	N/A	1.41
Fulum Group Holdings Limited (1443)	Owning of trademarks, the trading of kitchen utensils, the production, sales and distribution of food products and the provision of management services through its subsidiaries	507	19.89	0.54
Palace Banquet Holdings Limited (1703)	Provision of Cantonese dining services including the provision of Cantonese food, dim sum and seasonal food and banquet services	240	6.36	0.96
Li Bao Ge Group Limited (1869)	Operation of a chain of Chinese restaurants	244	107.87 <i>(Note)</i>	1.98
LH Group Limited (1978)	Chinese Cuisine segment engaged in the operation of Chinese restaurants and Asian Cuisine Franchised Brands segment engaged in the operation of Asian cuisine restaurants	520	14.77	1.27

LETTER FROM CRESCENDO CAPITAL

Company name (Stock code)	Principal business activities	Market capitalization <i>HK\$ million</i>	PER as at the Latest Practicable Date <i>times</i>	PBR as at the Latest Practicable Date <i>times</i>
Chinese Food and Beverage Group Limited (8272)	Catering services of Chinese restaurants in Hong Kong, operation of a Michelin One Star restaurant and operate Fook Lam Moon restaurant in Macau and a Fook Lam Moon Fine Foods gourmet shop	20	0.23	1.93
Dragon King Group Holdings Limited (8493)	Operation and management of restaurants	96	N/A	2.22
Top Standard Corporation (8510)	Operation and management of restaurants	132	N/A	11.07
Minimum			0.23	0.54
Maximum			19.89	11.07
Average			10.56	2.46
Median			11.53	1.41
the AREL Group	Chinese restaurant business		15.97	1.00

Source: the website of the Stock Exchange

Note: The PER of Li Bao Ge Group Limited was significantly higher than the PERs of other Comparables. Therefore, such PER was considered an outlier and was excluded for comparison purposes.

As shown in the above table, the PERs of the Comparables ranged from approximately 0.23 times to 19.89 times, with an average of approximately 10.56 times and a median of approximately 11.53 times. The implied PER of the AREL Group of approximately 15.97 times falls within the range of the PERs of the Comparables and is higher than the average PER and the median PER of the Comparables. The PBRs of the Comparables ranged from approximately 0.54 times to 11.07 times, with an average of approximately 2.46 times and a median of approximately 1.41 times. The implied PBR of the Group of approximately 1.00 times falls within the range of the PBRs of the Comparables but is lower than the average PBR and the median PBR of the Comparables.

LETTER FROM CRESCENDO CAPITAL

AREL Shareholders should note that each of the Comparables may not be entirely comparable to the AREL Group in terms of market capitalization, geographical spread of activities, scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, composition of their business activities, future prospects and other relevant criteria, in particular, AREL only operates a single restaurant while the Comparables operate multiple restaurants. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Notwithstanding the foregoing, we consider that the analysis on the Comparables can still provide a meaningful reference to the AREL Shareholders as the Comparables are involved in the business comparable to the AREL Group, and therefore can provide a general overview on their market valuation with respect to their corresponding profitability and book value for comparison purpose. Accordingly, we consider the trading statistics of the Comparables can serve as a benchmark for assessing the reasonableness and fairness of the Cancellation Price and provide an appropriate basis in forming our opinion on the Proposal. Meanwhile, we have also considered the results of the above comparison together with all other factors stated in this letter as a whole.

Due to the aforementioned limitation in comparison approach, we have also considered assessing the value of the AREL Group by the income approach. However, given valuations using income approach with discounted cash flows method involve various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is inappropriate to use the income approach to assess the value of the AREL Group.

Based on the above analysis and taking into consideration that (i) the Cancellation Price is the same as the audited consolidated net asset value per AREL Share as at 31 December 2018; (ii) the implied PER and PBR of the Cancellation Price fall within the range of the PERs and the PBRs of the Comparables respectively; (iii) the implied PER of the Cancellation Price is higher than the average PER and the median PER of the Comparables; and (iv) the securities of AREL are not listed or traded on any securities exchange, and thus the Independent Shareholders might not be able to realise their investments in the AREL Group readily, we consider that the Cancellation Price is fair and reasonable so far as the Independent Shareholders are concerned.

6. Information on the Offeror and its intention regarding AREL

As disclosed in the Explanatory Statement, the Offeror is a company incorporated in the British Virgin Islands and is an investment holding company. The Offeror, Melco Nominees and Melco Services are all wholly-owned subsidiaries of MIDL, which has its shares listed on the Stock Exchange. MIDL, through its subsidiaries, is principally engaged in leisure, gaming and entertainment and other investments. The Offeror, Melco Nominees and Melco Services held approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date.

With reference to the Explanatory Statement, it is the intention of the Offeror for AREL to maintain its existing business upon the successful privatisation of AREL. The Offeror has no plan to introduce any material changes to the business and/or assets of AREL, to redeploy its fixed assets or to discontinue the employment of employees of AREL as a result of the Proposal.

LETTER FROM CRESCENDO CAPITAL

Given that the Offeror (i) intends to continue the existing business of AREL upon the successful privatization of AREL; and (ii) had no plans to introduce any material changes to the business and/or assets of AREL, to redeploy its fixed assets or to discontinue the employment of employees of AREL as a result of the Proposal, we do not expect that there would be any material change in AREL's business as a result of the Proposal.

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the AREL Group would have recorded net losses for the years ended 31 December 2018 and 2017 had the increases in fair value of the investment properties been excluded; (ii) the future prospects of the AREL Group remain uncertain in view of the historical performance of the AREL Group and the challenging business environment of the Chinese restaurants industry in Hong Kong; (iii) the implied PER and PBR of the Cancellation Price fall within the range of the PERs and the PBRs of the Comparables respectively and the implied PER of the Cancellation Price is higher than the average PER and the median PER of the Comparables; and (iv) the Proposal provides a viable exit opportunity for the Independent Shareholders to realise their investments in the non-publicly traded AREL Shares, we are of the view that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we recommend the Independent Shareholders to vote in favour of the Scheme at the Court Meeting and the EGM.

Those Independent Shareholders who, having regard to their own circumstances, wish to retain some or all of their investments in the AREL Shares and/or are confident in the future prospects of the AREL Group or otherwise are reminded to closely monitor the development of AREL and any announcement of AREL in this regard.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we recommend any Independent Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a solicitor, professional accountant, tax adviser or another professional adviser. Independent Shareholders are also strongly recommended to read carefully the terms and the procedures for acceptance of the Proposal as set out in the Scheme Document and its appendices.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Director

Notes:

- (i) Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 15 years of experience in corporate finance.
- (ii) Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 11 years of experience in corporate finance.

EXPLANATORY STATEMENT

This Explanatory Statement addressed to AREL Shareholders constitutes the statement required under Section 671 of the Companies Ordinance.

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES IN CONSIDERATION FOR THE OFFEROR AGREEING TO PAY THE CANCELLATION PRICE OF HK\$8,895.76 FOR EACH SCHEME SHARE

INTRODUCTION

On 5 June 2019, the boards of directors of the Offeror, AREL and MIDL jointly announced that the Offeror had requested the AREL Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of AREL by way of the Scheme involving the cancellation of all the Scheme Shares, as a result of which it is intended that the Offeror and MIDL's wholly owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme and to provide the Scheme Shareholders with other relevant information in relation to the Scheme, and in particular, to state any material interests of the AREL Directors, whether as AREL Directors or as members or creditors of AREL or otherwise, and the effect thereon of the Scheme, insofar as it is different from the effect on the like interests of other persons.

Particular attention of the AREL Shareholders is drawn to the following sections of this Scheme Document:

- (i) a letter from the AREL Board to the AREL Shareholders set out on pages 7 to 11 of this Scheme Document;
- (ii) a letter from Crescendo Capital set out on pages 12 to 26 of this Scheme Document; and
- (iii) the Scheme set out on pages 97 to 102 of this Scheme Document.

SUMMARY OF THE SCHEME

The Scheme

The Scheme is to be implemented by way of a scheme of arrangement under Section 673 of the Companies Ordinance. The Scheme provides that the Scheme Shares be cancelled in exchange for the payment to each Scheme Shareholder of HK\$8,895.76 in cash for each Scheme Share.

As at the Latest Practicable Date, the AREL Shares are made up of 8,060 Class A AREL Shares and 33,930 Class B AREL shares.

EXPLANATORY STATEMENT

Under the Articles, shareholders holding Class A AREL Shares and Class B AREL shares have the same rights. Accordingly, the Class A AREL Shares and Class B AREL Shares are treated equally under the Scheme and will vote as a single class of Scheme Shares at the Court Meeting to be convened to approve the Scheme.

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. The Offeror and MIDL's wholly owned subsidiaries, Melco Nominees and Melco Services, and any other persons acting in concert with the Offeror will not vote at the Court Meeting on the resolution to approve the Scheme.

As at the Latest Practicable Date, the Independent Shareholders were interested in 5,592 AREL Shares, comprising 3,399 Class A AREL Shares and 2,193 Class B AREL Shares (together representing approximately 13.32% of the issued share capital of AREL as at the Latest Practicable Date), and the Offeror and persons acting in concert with the Offeror were interested in 36,398 AREL Shares, comprising 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date).

The number of Scheme Shares in issue as at the Latest Practicable Date, which would be cancelled if the Scheme becomes effective, was 5,592 AREL Shares, representing approximately 13.32% of the issued share capital of AREL. At the Cancellation Price, the Proposal values the entire issued share capital of AREL at approximately HK\$373,532,962.

CONDITIONS OF THE PROPOSAL

The Proposal will become effective and binding on AREL and all Scheme Shareholders subject to the fulfillment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by Independent Shareholders present and voting, either in person or by proxy, at the Court Meeting by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast, either in person or by proxy, at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Scheme Shares held by the Independent Shareholders;
- (b) the passing of a special resolution by a majority of at least 75% of the votes cast by AREL Shareholders present and voting, in person or by proxy, at the EGM, to approve and give effect to the Scheme including the approval of the reduction of the issued share capital of AREL by cancelling and extinguishing the Scheme Shares and, immediately thereafter, the application of the credit amount arising in the books of AREL as a result of the aforesaid reduction of the issued share capital of AREL to pay up in full such numbers of new Class A AREL Shares and Class B AREL Shares as are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled, to be issued to the Offeror;
- (c) the Court's sanction of the Scheme (with or without modifications) and the delivery to the Companies Registry of a copy of the order of the Court for registration;

EXPLANATORY STATEMENT

- (d) compliance with the procedural requirements of the Companies Ordinance in relation to the Scheme and the reduction of the issued share capital of AREL respectively;
- (e) all Authorisations (if any) in connection with the Proposal from or with (as the case may be) the Relevant Authorities in Hong Kong and/or any other relevant jurisdictions having been obtained and, if applicable, any waiting periods having expired or terminated (in each case where such Authorisation is material in the context of AREL and in the context of the Proposal);
- (f) all Authorisations (if any) remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective (in each case where such Authorisation is material in the context of AREL and in the context of the Proposal);
- (g) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme); and
- (h) no litigation, arbitration proceedings, prosecution or other legal proceedings being instituted against AREL after the date of the Announcement and no such proceedings being threatened in writing against it (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of AREL and in the context of the Proposal.

The Offeror reserves the right to waive all or any of the above Conditions, either in whole or in respect of any particular matter, except for Conditions (a) to (d).

AREL shall use its reasonable endeavours to ensure that Condition (h) is fulfilled.

The Offeror may not invoke Conditions (e) or (f) unless any of the Authorisations referred to in those Conditions are either not obtained or are obtained subject to conditions imposed by the Relevant Authorities and any of those conditions cannot reasonably be satisfied by the Offeror or is otherwise unduly burdensome or onerous to the Offeror or any person acting in concert with the Offeror. In respect of Conditions (e) and (f), the Offeror is not aware of any Authorisations or consents which are required, save for the Court's sanction of the Scheme already set out above as separate Condition (c).

EXPLANATORY STATEMENT

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such other date as the Offeror and AREL may agree and the Court may allow), otherwise the Proposal will lapse.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective before 30 September 2019. A further announcement would be made in the event of a material change to the expected Effective Date of the Scheme.

An announcement would be made by the Offeror and AREL if the Scheme were to lapse.

AREL Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus may or may not become effective. AREL Shareholders and potential investors are advised to exercise caution when dealing in AREL Shares.

SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all disinterested shares (as defined in section 674 of the Companies Ordinance) in the company or of the class in the company, as the case may be.

EXPLANATORY STATEMENT

THE ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (i) the Scheme is approved by at least 75% of the votes attaching to the disinterested AREL Shares (namely, the AREL Shares held by the Independent Shareholders) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested AREL Shares (namely, the Independent Shareholders); and
- (ii) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all disinterested AREL Shares (namely, all the AREL Shares held by the Independent Shareholders).

BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of Section 674 of the Companies Ordinance and Rule 2.10 of the Takeovers Code, as described above, and is sanctioned by the Court under section 673 of the Companies Ordinance and the other Conditions are either fulfilled or (to the extent permitted) waived, the Scheme will become binding on AREL and all Scheme Shareholders.

If the Scheme becomes effective and binding as aforesaid:

- (i) all the Scheme Shares will be cancelled, whereupon the issued share capital of AREL shall be reduced from HK\$25,075,000 to HK\$20,576,268 and all share certificates representing holdings of those Scheme Shares will cease to have effect as documents of title;
- (ii) the issued share capital of AREL will then be increased by the allotment and issuance to the Offeror of 3,399 new Class A AREL Shares and 2,193 new Class B AREL Shares, which are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled;
- (iii) on the Effective Date, the credit amount of HK\$4,498,732 which will arise in AREL's books of account as a result of the said reduction of issued share capital will be applied in paying up in full the above-mentioned 3,399 new Class A AREL Shares and 2,193 Class B AREL Shares (equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled) which will be allotted and issued, credited as fully paid, to the Offeror; and
- (iv) the Offeror will pay the Cancellation Price of HK\$8,895.76 per Scheme Share to the Scheme Shareholders for each Scheme Share held by them on the Record Date prior to the cancellation of the Scheme Shares.

As a result, the Offeror and MIDL's wholly owned subsidiaries, Melco Nominees and Melco Services, will hold 100% of the issued share capital of AREL.

EXPLANATORY STATEMENT

The Offeror has agreed to appear by counsel on the hearing of the petition to sanction the Scheme and to undertake to the Court to be bound thereby and to execute and do, and procure to be executed and done, all such documents, acts and things as may be necessary or desirable to be executed or done by the Offeror for the purpose of giving effect to the Scheme.

SHAREHOLDINGS OF THE OFFEROR AND PERSONS ACTING IN CONCERT WITH THE OFFEROR

As at the Latest Practicable Date, the Offeror and persons acting in concert with the Offeror were interested in 36,398 AREL Shares, made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL as at the Latest Practicable Date). Among those AREL Shares, Melco Nominees, a wholly owned subsidiary of MIDL, was interested in 1 Class B AREL Share (representing approximately 0.0024% of the issued share capital of AREL as at the Latest Practicable Date); and Melco Services, a wholly owned subsidiary of MIDL, was interested in 1 Class A AREL Share (representing approximately 0.0024% of the issued share capital of AREL as at the Latest Practicable Date).

The Offeror, Melco Nominees and Melco Services are parties acting in concert in relation to AREL for the purposes of the Takeovers Code. The AREL Shares held by the Offeror, Melco Nominees and Melco Services are not Scheme Shares and will not be cancelled under the Scheme.

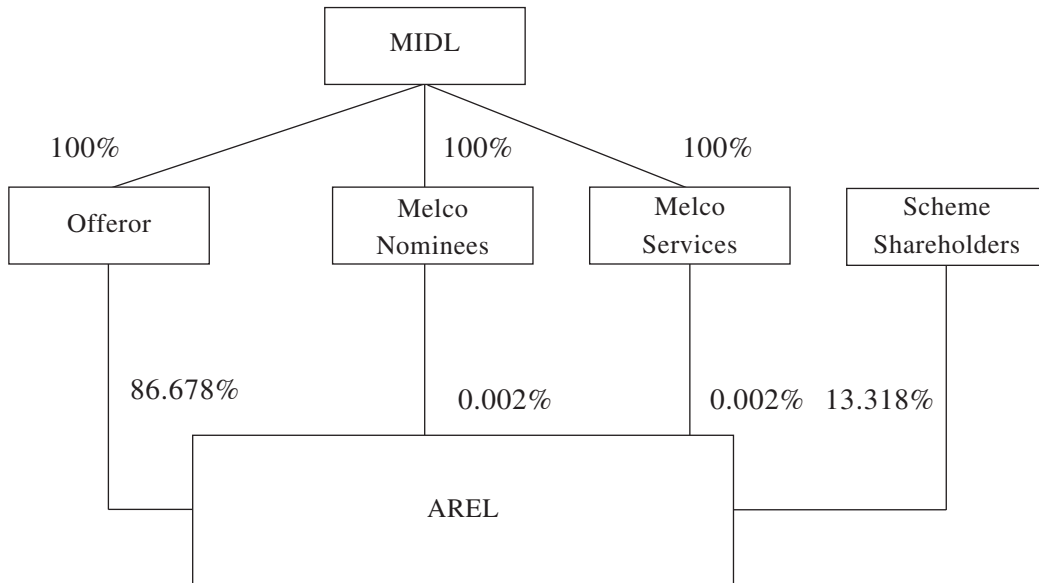
EXPLANATORY STATEMENT

EFFECTS OF THE SCHEME

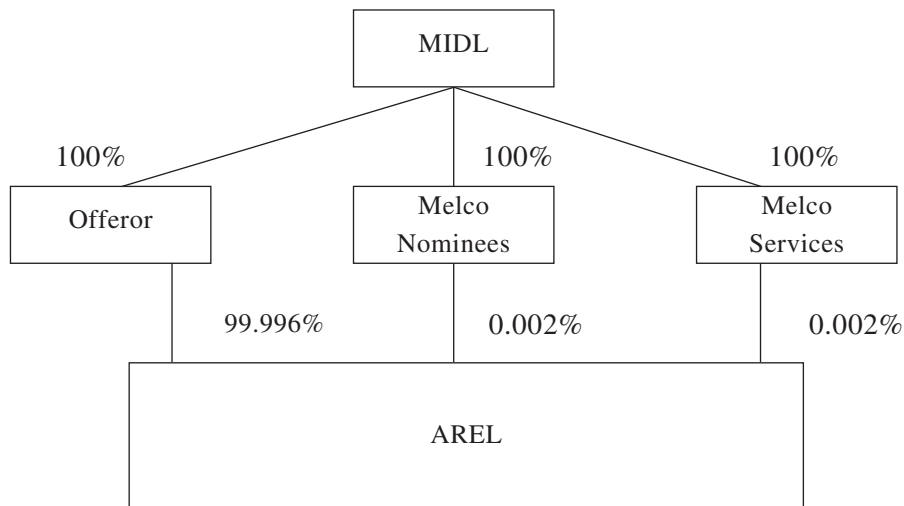
Shareholding structure

The charts below show the simplified shareholding structure of AREL as at the Latest Practicable Date and immediately following implementation of the Proposal:

As at the Latest Practicable Date



Immediately following implementation of the Proposal



EXPLANATORY STATEMENT

The table below sets out the shareholding structure of AREL as at the Latest Practicable Date:

AREL Shareholders	Number of Class A AREL Shares held	% of Class A AREL Shares held ⁽¹⁾	Number of Class B AREL Shares held	% of Class B AREL Shares held ⁽¹⁾	Number of AREL Shares held (Class A AREL Shares and Class B AREL Shares in aggregate)	% of issued share capital (approximate) ⁽¹⁾
<i>Offeror and its concert parties</i>						
Offeror	4,660	57.82%	31,736	93.53%	36,396	86.68%
Melco Nominees	–	–	1	0.01%	1	0.00%
Melco Services	1	0.01%	–	–	1	0.00%
Subtotal:	4,661	57.83%	31,737	93.54%	36,398	86.68%
<i>Scheme Shareholders</i>	3,399	42.17%	2,193	6.46%	5,592	13.32%
Total:	<u>8,060</u>	<u>100%</u>	<u>33,930</u>	<u>100%</u>	<u>41,990</u>	<u>100%</u>

Note:

(1) Rounded to 2 decimal places.

EXPLANATORY STATEMENT

The table below sets out the shareholding structure of AREL immediately following implementation of the Proposal and after cancellation of the Scheme Shares:

AREL Shareholders	Number of Class A AREL Shares held	% of Class A AREL Shares held ⁽¹⁾	Number of Class B AREL Shares held	% of Class B AREL Shares held ⁽¹⁾	Number of AREL Shares held (Class A AREL Shares and Class B AREL Shares in aggregate)	% of issued share capital (approximate) ⁽¹⁾
<i>Offeror and its concert parties</i>						
Offeror	8,059	99.99%	33,929	100.00%	41,988	100.00%
Melco Nominees	–	–	1	0.00%	1	0.00%
Melco Services	1	0.01%	–	–	1	0.00%
Subtotal:	8,060	100%	33,930	100%	41,990	100%
<i>Scheme Shareholders</i>	<i>0</i>	<i>0%</i>	<i>0</i>	<i>0%</i>	<i>0</i>	<i>0%</i>
Total:	8,060	100%	33,930	100%	41,990	100%

Note:

(1) Rounded to 2 decimal places.

Material interests of AREL Directors and effects of the Scheme on such interests

As at the Latest Practicable Date, Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence and Mr. Leung Hoi Wai, Vincent, all being AREL Directors, are respectively interested in shares representing approximately 0.36%, 0.23% and 0.006% of the total issued shares of MIDL (which wholly-owns the Offeror, Melco Nominees and Melco Services). In addition, Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence and Mr. Leung Hoi Wai, Vincent have also been granted share options and share awards entitling them to acquire shares respectively representing approximately 0.46%, 0.22% and 0.029% of the total issued shares of MIDL as at the Latest Practicable Date, upon exercise of the options in full or vesting of the share awards (as the case may be).

Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence also concurrently serve on the respective boards of the Offeror and its holding company, MIDL. Mr. Leung Hoi Wai, Vincent, also an AREL Director, is a director appointed to the AREL Board by an affiliate of the Offeror and is an executive of MIDL. It is therefore not possible for AREL to form an independent board committee to advise the Independent Shareholders on the Proposal pursuant to Rule 2.1 of the Takeovers Code. Accordingly, under Rule 2.8 of the Takeovers Code, the AREL Board has appointed Crescendo Capital as the independent financial adviser to advise the Independent Shareholders on the Proposal.

Notwithstanding the above, as at the Latest Practicable Date, none of the AREL Directors held any interests in any AREL Shares. Accordingly, the Scheme will not have any direct effect on any interests of the AREL Directors in any AREL Shares.

EXPLANATORY STATEMENT

Dealings in AREL Shares

As the AREL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the AREL Shares quoted on the Stock Exchange or any other stock exchanges.

Except for the sale of 96 Class A AREL Shares and 25 Class B AREL Shares by a then Independent Shareholder to an independent third party for a consideration of HK\$96,000 and HK\$12,500 on 24 June 2019, respectively (as notified to AREL by the transferring Independent Shareholder), no transactions have taken place during the Relevant Period in respect of any AREL Shares.

CANCELLATION PRICE

The Cancellation Price was determined based on the audited consolidated net asset value attributable to AREL Shareholders per AREL Share of approximately HK\$8,895.76 as at 31 December 2018.

Such audited consolidated net asset value per AREL Share was calculated using AREL's audited consolidated statement of financial position as at 31 December 2018, in which AREL's investment properties are stated at fair value determined in accordance with a valuation carried out by an independent qualified professional valuer not connected with AREL. AREL's audited consolidated financial statements in respect of the year ended 31 December 2018 and a valuation report of AREL's investment properties conducted by an independent valuer and complying with the requirements of Rule 11 of the Takeovers Code are included in Appendix II to this Scheme Document.

At the Cancellation Price, the Proposal values the entire issued share capital of AREL at approximately HK\$373,532,962.

FINANCIAL ADVISER TO THE OFFEROR AND CONFIRMATION OF FINANCIAL RESOURCES

Lego has been appointed as the financial adviser to the Offeror in connection with the Proposal.

Lego, as financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror for the full implementation of the Proposal in accordance with its terms.

The Offeror will fund the payment of the cash consideration under Scheme by using its internal cash resources.

EXPLANATORY STATEMENT

Information on AREL

AREL is a public company incorporated in Hong Kong on 27 October 1970. Its securities are not listed or traded on any securities exchange. It is principally engaged in a restaurant business, trading as “Jumbo Kingdom”, in Aberdeen, Hong Kong.

A summary of the audited consolidated financial results of AREL for each of the two years ended 31 December 2018 and 31 December 2017, is set out below:

	For the year ended	
	31 December 2018	31 December 2017
	HK\$	HK\$
Revenue	82,531,881	88,508,078
Profit before taxation	23,391,789	72,157,162
Profit after taxation	23,391,789	72,157,162
Profit attributable to equity holders of AREL	23,380,313	72,161,915

The audited consolidated net assets attributable to AREL Shareholders as at 31 December 2018 and 31 December 2017 were approximately HK\$373,532,782 and HK\$350,140,993, respectively.

Your attention is also drawn to Appendix I to this Scheme Document which sets out the “Financial Information of AREL”.

INFORMATION ON THE OFFEROR AND MIDL

The Offeror is a company incorporated in the British Virgin Islands and is an investment holding company. The Offeror, Melco Nominees and Melco Services are all wholly owned subsidiaries of MIDL, which has its shares listed on the Stock Exchange under stock code: 200. MIDL, through its subsidiaries, is principally engaged in leisure, gaming and entertainment and other investments. As at the Latest Practicable Date, the Offeror, Melco Nominees and Melco Services hold approximately 86.68% of the issued share capital of AREL.

INTENTION OF THE OFFEROR WITH REGARD TO AREL

It is the intention of the Offeror for AREL to maintain its existing business upon the successful privatisation of AREL. The Offeror has no plan to introduce any material changes to the business and/or assets of AREL, to redeploy its fixed assets or to discontinue the employment of employees of AREL as a result of the Proposal.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Offeror has long considered that there are advantages from a management point of view in privatising AREL.

EXPLANATORY STATEMENT

AREL has not paid dividends in recent years. The Proposal, if it becomes effective, gives the Independent Shareholders the opportunity to realise their investment in a non-publically traded share at a fixed-price cash consideration. On the other hand, the privatisation of AREL would also allow the Offeror to further consolidate its interests in AREL to better support and better facilitate AREL's future business plans.

SHARE CERTIFICATES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled. Share certificates for the AREL Shares held by the Scheme Shareholders will thereafter cease to have effect as documents of, or evidence of, title. The Scheme Shareholders will be notified by way of an announcement of the exact date on which the Scheme will become effective. The Scheme will lapse if it does not become effective on or before the Long Stop Date (or such later date as the Offeror and AREL may agree and the Court may allow).

REGISTRATION AND PAYMENT

Upon the Scheme becoming effective, payment of the consideration of the Scheme Shares will be made to the Scheme Shareholders whose names appear on the Register on the Record Date. On the basis that the Scheme becomes effective on or about Wednesday, 25 September 2019, cheques for payment of the consideration payable under the Scheme are expected to be despatched as soon as possible but in any event within seven business days (as defined in the Takeovers Code) from the date when the Scheme becomes effective. In the absence of any specific instructions to the contrary received in writing by the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, cheques will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding. All such cheques will be sent at the risk of the person(s) entitled thereto and none of AREL, the Offeror or their respective financial advisers will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in AREL's name with a licensed bank in Hong Kong selected by AREL.

AREL shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments thereof of the sums, together with any interest earned thereon, to persons who satisfy AREL that they are respectively entitled thereto and that the cheques of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and AREL shall thereafter transfer to the Offeror the balance (if any) of the sums then standing to the credit of the deposit account in its name, including any interest accrued thereon subject, if applicable, to the deduction of any interest or withholding or other tax or any other deduction required by law and subject to the deduction of any expenses.

EXPLANATORY STATEMENT

The latest time for lodging transfers of AREL Shares to qualify for entitlements under the Scheme is 4:30 p.m. on Wednesday, 18 September 2019. The Scheme Shareholders should ensure that their Shares are registered or lodged for registration in their names or in the name(s) of their nominees with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong before that time.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date.

Settlement of the cash entitlements to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror or AREL may otherwise be, or claim to be, entitled against such Scheme Shareholder.

OVERSEAS SHAREHOLDERS OF AREL

This Scheme Document has been prepared for the purpose of complying with the laws of Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdiction.

This Scheme Document does not constitute an offer or invitation to sell, purchase, subscribe for or issue any securities or the solicitation of an offer to buy or subscribe for securities pursuant to this Scheme Document or otherwise in any jurisdiction in which such offer, invitation or solicitation is unlawful.

The distribution of this Scheme Document, and the making of the Proposal, to Scheme Shareholders not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such Scheme Shareholders should inform themselves about and observe any applicable legal and regulatory requirements. It is the responsibility of any overseas Scheme Shareholders of AREL wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the Scheme and in particular, whether receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation in Hong Kong or in other jurisdictions.

EXPLANATORY STATEMENT

It is emphasised that none of AREL, the Offeror, Lego, Crescendo Capital, their respective officers or advisers and any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

COURT MEETING AND EGM

In accordance with the direction of the Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing an appropriate resolution to approve the Scheme (with or without modifications). Insofar as the sanction of the Scheme by the Court is concerned, such a resolution will be passed if the Independent Shareholders representing at least 75% of the voting rights of the Independent Shareholders present and voting, either in person or by proxy, at the Court Meeting vote in favour of the Scheme and the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all disinterested shares (as defined in section 674 of the Companies Ordinance) in AREL. Insofar as the approval of the Scheme under the Takeovers Code is concerned, the Scheme will be considered to have been approved under the Takeovers Code if (i) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares of the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and (ii) the number of votes cast (by way of poll) against the resolution at the Court Meeting is not more than 10% of all the Scheme Shares held by all of the Independent Shareholders. Based on 5,592 AREL Shares held by the Independent Shareholders as at the Latest Practicable Date, more than 10% of such AREL Shares would be 560 AREL Shares.

In addition to the resolution required to sanction the Scheme at the Court Meeting, the Scheme also involves a reduction of issued share capital as one of its terms. Under the Companies Ordinance and the Articles, the reduction of issued share capital is required to be approved by a special resolution of AREL Shareholders. Such special resolution will be proposed at the EGM, which is being convened to be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve the reduction of issued share capital of AREL and the cancellation of the Scheme Shares and to approve and give effect to the Scheme. The special resolution will be passed provided that it is approved by a majority of at least 75% of the votes cast by AREL Shareholders present and voting, in person or by proxy, at the EGM. All AREL Shareholders will be entitled to attend and vote at the EGM.

As at the Latest Practicable Date, the Independent Shareholders were interested in 5,592 AREL Shares, made up of 3,399 Class A AREL Shares and 2,193 Class B AREL Shares (together representing approximately 13.32% of the issued share capital of AREL), and the Offeror and persons acting in concert with the Offeror were interested in 36,398 AREL Shares, made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares (together representing approximately 86.68% of the issued share capital of AREL).

Only Independent Shareholders may vote at the Court Meeting on the resolution to approve the Scheme. AREL Shares owned by the Offeror and MIDL's wholly owned subsidiaries, Melco Nominees and Melco Services, and any other persons acting in concert with the Offeror will not vote at the Court Meeting on the resolution to approve the Scheme.

EXPLANATORY STATEMENT

AREL Shareholders are urged to have their names entered in the Register as soon as possible for, among others, the following reasons:

- (i) to enable such of the AREL Shareholders (who are Independent Shareholders) to attend the Court Meeting in the capacity as Independent Shareholders or to be represented by proxies to be appointed by them;
- (ii) to enable AREL to properly classify members of AREL for the purposes of Section 674 of the Companies Ordinance; and
- (iii) to enable AREL and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective. All deliveries of cheques required for making payment in respect of the Scheme Shares as aforesaid shall be effected by duly posting the same in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses as appearing in the Register at the close of business on the Record Date.

No person shall be recognised by AREL as holding any AREL Shares upon any trust. Any beneficial owner of AREL Shares (the “**Beneficial Owner**”) whose AREL Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party (the “**Registered Owner**”) should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the AREL Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the EGM. A Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally should contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and for such purpose the Registered Owner may appoint the Beneficial Owner as its proxy. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the Articles. In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and before the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

Notice of the Court Meeting is set out on pages 103 to 105 of this Scheme Document. The Court Meeting will be held at 2:00 p.m. on Thursday, 12 September 2019 at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong.

Notice of the EGM is set out on pages 106 to 108 of this Scheme Document. The EGM will be held at 2:30 p.m. (or as soon thereafter as the Court Meeting shall have been concluded or adjourned) on Thursday, 12 September 2019 at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong.

EXPLANATORY STATEMENT

ACTION TO BE TAKEN BY AREL SHAREHOLDERS

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 2:00 p.m. on Tuesday, 10 September 2019 and the **white** form of proxy for use at the EGM should be lodged not later than 2:30 p.m. on Tuesday, 10 September 2019. In the case of the **pink** form of proxy in respect of the Court Meeting, it may alternatively be returned by facsimile at number (852) 3162 3579 (marked for the attention of “the Company Secretary”) up to the time of the Court Meeting or it may be handed to the chairman of the Court Meeting at the Court Meeting, if it is not so lodged. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

An announcement will be made by AREL in relation to the results of the Court Meeting and the EGM. In addition, an announcement will be made of the results of the hearing of the petition to sanction the Scheme by the Court and, if the Scheme is sanctioned, the Record Date and the Effective Date.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting, you will still be bound by the outcome of such Court Meeting. You are therefore strongly urged to attend and vote at the Court Meeting in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Takeovers Code.

For the purpose of determining the entitlements of AREL Shareholders to attend and vote at the Court Meeting and the EGM, the Register will be closed from Thursday, 5 September 2019 to Thursday, 12 September 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not later than 4:30 p.m. on Wednesday, 4 September 2019.

COSTS OF THE SCHEME

The costs of the Scheme will be borne by the Offeror. The costs of the Scheme and of its implementation are expected to amount to approximately HK\$4 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

EXPLANATORY STATEMENT

RECOMMENDATION

Your attention is drawn to the following:

- (i) the paragraph headed “Recommendation” in the “Letter from the AREL Board to the AREL Shareholders” set out on page 43 of this Scheme Document; and
- (ii) a letter from Crescendo Capital set out on pages 12 to 26 of this Scheme Document.

ADDITIONAL INFORMATION

Additional information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the financial information of AREL for each of the three years ended 31 December 2016, 2017 and 2018, which are extracted from the audited consolidated financial statements of AREL for the years then ended. The financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The auditor's reports in respect of AREL's audited consolidated financial statements for each of the three years ended 31 December 2016, 2017 and 2018 did not contain any qualifications.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	2018 <i>HK\$</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Revenue	82,531,881	88,508,078	85,151,410
Cost of sales	<u>(23,357,503)</u>	<u>(25,165,956)</u>	<u>(23,653,777)</u>
Gross profit	59,174,378	63,342,122	61,497,633
Other income and gains, net	2,228,336	1,727,521	1,557,949
Administrative expenses	(73,386,436)	(76,367,479)	(73,163,772)
Increase in fair value of investment properties	36,000,000	84,000,000	11,695,320
Finance costs	<u>(624,489)</u>	<u>(545,002)</u>	<u>(566,928)</u>
PROFIT BEFORE TAX	23,391,789	72,157,162	1,020,202
Income tax	<u>–</u>	<u>–</u>	<u>–</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>23,391,789</u>	<u>72,157,162</u>	<u>10,020,202</u>
Profit and total comprehensive income attributable to:			
Owner of the Company	23,380,313	72,161,915	1,007,644
Non-controlling interests	<u>11,476</u>	<u>(4,753)</u>	<u>12,558</u>
	<u>23,391,789</u>	<u>72,157,162</u>	<u>1,020,202</u>
Earnings per share attributable to the Company	HK\$557	HK\$1,718	HK\$24

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION

Set out below is the full text of the audited consolidated financial statements of AREL for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
REVENUE	4	82,531,881	88,508,078
Cost of sales		<u>(23,357,503)</u>	<u>(25,165,956)</u>
Gross profit		59,174,378	63,342,122
Other income and gains, net	4	2,228,336	1,727,521
Administrative expenses		(73,386,436)	(76,367,479)
Increase in fair value of investment properties	10	36,000,000	84,000,000
Finance costs	5	<u>(624,489)</u>	<u>(545,002)</u>
PROFIT BEFORE TAX	6	23,391,789	72,157,162
Income tax	7	<u>—</u>	<u>—</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>23,391,789</u></u>	<u><u>72,157,162</u></u>
Profit and total comprehensive income attributable to:			
Owner of the Company		23,380,313	72,161,915
Non-controlling interests		<u>11,476</u>	<u>(4,753)</u>
		<u><u>23,391,789</u></u>	<u><u>72,157,162</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	6,863,232	7,906,790
Investment properties	10	310,000,000	274,000,000
Loan to ultimate holding company	14	14,055,000	19,035,000
Loan to immediate holding company	16	27,500,000	27,500,000
		<u>358,418,232</u>	<u>328,441,790</u>
Total non-current assets			
CURRENT ASSETS			
Inventories	12	1,458,706	1,716,671
Loan to ultimate holding company	14	4,980,000	4,980,000
Due from ultimate holding company	15	177,994	138,003
Due from immediate holding company	15	687,958	7,007
Due from fellow subsidiaries	15	–	417,553
Trade receivables	13	1,693,706	2,283,202
Prepayments, deposits and other receivables		4,139,197	4,065,293
Restricted cash		947,000	947,000
Bank deposits with original maturity over three months	17	40,000,000	78,641,556
Cash and bank balances	17	39,690,005	13,183,133
		<u>93,774,566</u>	<u>106,379,418</u>
Total current assets			
CURRENT LIABILITIES			
Trade and other payables	18	59,292,516	60,075,115
Receipts on accounts		–	285,000
Due to fellow subsidiaries	15	37,500	10,100
Interest-bearing bank borrowings	19	4,980,000	4,980,000
		<u>64,310,016</u>	<u>65,350,215</u>
Total current liabilities			
NET CURRENT ASSETS		<u>29,464,550</u>	<u>41,029,203</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>387,882,782</u>	<u>369,470,993</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	14,350,000	19,330,000
		<u>14,350,000</u>	<u>19,330,000</u>
Net assets		<u>373,532,782</u>	<u>350,140,993</u>

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
EQUITY			
Equity attributed to owners of the Company			
Issued capital	20	25,075,000	25,075,000
Reserves		<u>348,213,783</u>	<u>324,833,470</u>
		373,288,783	349,908,470
Non-controlling interests		<u>243,999</u>	<u>232,523</u>
Total equity		<u><u>373,532,782</u></u>	<u><u>350,140,993</u></u>

Evan Andrew Winkler
Director

Chung Yuk Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributed to the owners of the Company				Non- controlling interests HK\$	Total HK\$
	Share capital HK\$	Revaluation reserves HK\$	Retained profits HK\$	Total HK\$		
	At 1 January 2017	25,075,000	17,731,619	234,939,936		
Profit for the year and total comprehensive income for the year	—	—	72,161,915	72,161,915	(4,753)	72,157,162
At 31 December 2017 and 1 January 2018	25,075,000	17,731,619*	307,101,851*	349,908,470	232,523	350,140,993
Profit for the year and total comprehensive income for the year	—	—	23,380,313	23,380,313	11,476	23,391,789
At 31 December 2018	<u>25,075,000</u>	<u>17,731,619*</u>	<u>330,482,164*</u>	<u>373,288,783</u>	<u>243,999</u>	<u>373,532,782</u>

* These reserve accounts comprise the consolidated reserves of HK\$348,213,783 (2017: HK\$324,833,470) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS*Year ended 31 December 2018*

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		23,391,789	72,157,162
Adjustments for:			
Bank interest income	4	(1,086,884)	(609,608)
Other interest income	4	(805,901)	(752,903)
Loss on disposal of items of property, plant and equipment, net	6	19,776	21,058
Increase in fair value of investment properties	10	(36,000,000)	(84,000,000)
Depreciation of items of property, plant and equipment	6	1,365,006	1,561,401
Finance costs	5	624,489	545,002
		<u>(12,491,725)</u>	<u>(11,077,888)</u>
Decrease in inventories		257,965	222,469
Decrease/(increase) in amounts due from fellow subsidiaries		417,553	(4,855)
Decrease/(increase) in trade receivables		589,496	(754,838)
(Increase)/decrease in prepayments, deposits and other receivables		(73,904)	1,221,202
Increase/(decrease) in amounts due to fellow subsidiaries		27,400	(348,428)
(Decrease)/increase in trade and other payables		<u>(782,599)</u>	<u>1,034,794</u>
Net cash flows used in operating activities		<u>(12,055,814)</u>	<u>(9,707,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of bank deposits with original maturity over three months		261,192,889	121,448,745
Repayment from ultimate holding company		4,940,009	5,016,779
Increase in amount due from immediate holding company		(680,951)	–
Receipt of deposit from disposal of investment properties		–	50,000,000
Interest received		1,892,785	1,362,511
Placement of bank deposits with original maturity over three months		(222,551,333)	(149,668,421)
Purchases of property, plant and equipment		<u>(341,224)</u>	<u>(4,736,911)</u>
Net cash flows from investing activities		<u>44,452,175</u>	<u>23,422,703</u>

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
CASH FLOWS FROM			
FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		(4,980,000)	(4,980,000)
Repayment to debenture holders		(285,000)	(575,000)
Interest paid		(624,489)	(545,002)
		<u>(5,889,489)</u>	<u>(6,100,002)</u>
Net cash flows used in financing activities		<u>(5,889,489)</u>	<u>(6,100,002)</u>
NET INCREASE IN CASH AND			
CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		26,506,872	7,615,157
		<u>13,183,133</u>	<u>5,567,976</u>
CASH AND CASH EQUIVALENTS			
AT END OF YEAR			
		<u>39,690,005</u>	<u>13,183,133</u>
ANALYSIS OF BALANCES OF			
CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	<u>39,690,005</u>	<u>13,183,133</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Aberdeen Restaurant Enterprises Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong and the principal place of business of the Company is located at Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong. In the opinion of directors, its immediate holding company is Melco Leisure and Entertainment Group Limited, a private limited company incorporated in the British Virgin Islands. Its ultimate holding company is Melco International Development Limited (“Melco International”), a company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the operations of Jumbo Floating Restaurant, souvenir shop and property investment.

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name of subsidiary	Place of registration and operations	Paid up and registered capital	Percentage of equity attributable to the Company	Principal activities
Tai Pak Sea-Food Restaurant Limited	Hong Kong	HK\$1,350,000	97.78%	Lease out a floating restaurant to the Company
Sea Palace, Limited	Hong Kong	HK\$1,950,000	99.74%	Dormant
Jumbo Catering Management Limited	Hong Kong	HK\$1,100,000	100%	Provision of management services

During the year ended 31 December 2018, the Group disposed of its wholly-owned subsidiary, J Kitchen Catering Management Limited, to a fellow subsidiary of the Group, further details are disclosed in note 11 to the consolidated financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollar (“HK\$”), which is also the Company’s functional currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of its subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers*, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has adopted HKFRS 9 from 1 January 2018 and did not restate comparative information in accordance with the transitional provisions in HKFRS 9. The impacts from adopting HKFRS 9 relate to the impairment model is summarized as follows:

Changes to the impairment model

HKFRS 9 requires an impairment of financial assets based on an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses (“ECLs”) and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition. Upon adoption of HKFRS 9, the Group has applied the simplified approach to recognize lifetime ECLs for its trade receivables. The Group has determined that the adoption of HKFRS 9 did not have a significant impact on the provision for impairment on its trade receivables and hence did not result in an adjustment of the opening retained profits at 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under HKFRS 15, revenues are recognized at amounts that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The principles in the HKFRS 15 provide a more structured approach to measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the consolidated financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the consolidated financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Although the application of HKFRS 15 has impacted on the classification of certain items in the financial statements, it has had no impact on the financial performance of the Group. Hence, no cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group’s operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

For the year ended 31 December 2018				
Amounts prepared under				
		Previous	Increase/	
	HKFRS 15	HKFRSs	(decrease)	
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade and other payables	(a)	59,292,516	59,292,516	–

(a) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables included in trade and other payables. Under HKFRS 15, the amount is classified as contract liabilities which are also included in trade and other payables.

The application of HKFRS 15 has had no impact on the financial position or performance of the Group, except for the reclassification of consideration received from customers in advance as other payables to contract liabilities.

Accordingly, upon the adoption of HKFRS 15, the Group reclassified HK\$501,283 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, had the Group not applied HKFRS 15, contract liabilities of HK\$376,286 in relation to the consideration received from customers in advance for the provision of catering services would have been included as other payables.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to the following standards: – HKFRS 3 <i>Business Combinations</i> ¹ – HKFRS 11 <i>Joint Arrangements</i> ¹ – HKAS 12 <i>Income Taxes</i> ¹ – HKAS 23 <i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the consolidated statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed an assessment on the impact of adoption of HKFRS 16. As disclosed in note 23(b) to the consolidated financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$126,800. Upon adoption of HKFRS 16, certain amounts included therein will be recognized as new right-of-use assets and lease liabilities. Further analysis will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, as at the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group’s consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, inventories, income tax recoverable, financial assets and non-current assets and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has controls or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value, if any, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Restaurant vessels, ferries and pontoons	5% to 10%
Operating equipment	10%
Properties	2.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefit are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Lease premiums for land under operating leases are stated at cost less any accumulated impairment losses and amortised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investment and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other operating expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in other operating expenses in profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to a related company and directors, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices for inventories less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 January 2018)

On 1 January 2018, the Group adopted HKFRS 15, Revenue from Contracts with Customers, using the modified retrospective method.

The Group's revenues from contracts with customers consist of sales of goods and provision of catering services.

Sales of goods and provision of catering services

The transaction prices of goods and catering services are the net amounts collected from customers for such goods and services and are recorded as revenues when the goods are provided, services are performed. Service taxes and other applicable taxes collected by the Group are excluded from revenues. Revenues from contracts with multiple goods or services provided by the Group are allocated to each good or services based on its relative standalone selling price.

Revenue from other sources

- (a) Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (b) rental income is recognized on a time proportion basis over the lease terms.

Revenue recognition (applicable before 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and is reduced from estimated customers returns, rebates and other similar allowances. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sales of goods is recognised when the goods are delivered and titles have passed;
- (b) from the provision of catering services and other services are recognized when the services are provided;
- (c) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset; and
- (d) rental income, on a time proportion basis over the lease terms.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Employee benefits***Employment Ordinance long service payments***

Under the Employment Ordinance, certain of the Group's employees will be eligible for long service payments upon completion of the required number of years of service to the Group. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the end of the reporting period, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs are recognised as expenses in profit or loss in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in customers that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of trade receivables

The Group applies HKFRS 9 simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The information about the ECLs on the Group's trade receivables is disclosed in note 13 to the consolidated financial statements.

(b) Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment annually or, where appropriate, when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the consolidated financial statements. The recoverable amount is calculated as the higher of an asset's or cash generating unit's fair value less costs of disposal and value in use, and calculations involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2018 HK\$	2017 HK\$
Revenue		
Revenue from contracts with customers	77,079,837	–
Catering services	–	83,133,240
Sales from souvenir shop	–	271,182
Rental income	5,452,044	5,103,656
	<u>82,531,881</u>	<u>88,508,078</u>

(a) Disaggregated revenue information for revenue from contracts with customers

	2018 <i>HK\$</i>
Type of goods or services	
Catering services	76,783,817
Sales from souvenir shop	<u>296,020</u>
Total revenue from contracts with customers	<u><u>77,079,837</u></u>

The following table shows the amounts of revenue recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period:

	2018 <i>HK\$</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Catering services	<u><u>362,934</u></u>

An analysis of other income and gains, net, is as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Other income		
Bank interest income	1,086,884	609,608
Other interest income	805,901	752,903
Sundry income	<u>335,551</u>	<u>365,010</u>
	<u><u>2,228,336</u></u>	<u><u>1,727,521</u></u>

5. FINANCE COSTS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Interest on interest-bearing bank borrowings	<u><u>624,489</u></u>	<u><u>545,002</u></u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Note</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Rental income		(5,452,044)	(5,103,656)
Less: outgoings		<u>295,971</u>	<u>287,722</u>
		<u>(5,156,073)</u>	<u>(4,815,934)</u>
Auditor's remuneration		115,000	115,000
Depreciation of items of property, plant and equipment	9	1,365,006	1,561,401
Loss on disposal of property, plant and equipment		19,776	21,058
Directors' remuneration:			
Fees		137,500	330,000
Pension scheme contributions		11,642	27,018
Other emoluments		<u>461,063</u>	<u>1,274,940</u>
		<u>610,205</u>	<u>1,631,958</u>
Other employee benefits expense (excluding directors' remuneration):			
Wages and salaries		47,275,646	48,892,124
Pension scheme contributions		<u>2,040,982</u>	<u>2,150,482</u>
		<u>49,316,628</u>	<u>51,042,606</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

A reconciliation of the tax applicable to profit before tax at the Hong Kong statutory tax rate to the tax amount at the Group's effective tax rate is as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Profit before tax	<u>23,391,789</u>	<u>72,157,162</u>
Tax at the Hong Kong statutory tax rate of 16.5%	3,859,645	11,905,932
Income not subject to tax	(6,141,232)	(13,960,565)
Expenses not deductible for tax	206,318	-
Utilisation of deductible temporary differences previously not recognised	(330,131)	(304,512)
Tax losses not recognised	<u>2,405,400</u>	<u>2,359,145</u>
Tax charge at the effective rate	<u>-</u>	<u>-</u>

As at 31 December 2018, the Group has unused tax losses of approximately HK\$110,724,000 (2017: HK\$96,236,000) available for offset against future profits. No deferred tax assets has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$19,613,000 (31 December 2017: HK\$21,614,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year (2017: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Restaurant vessels, ferries and pontoons HK\$	Operating equipment HK\$	Properties HK\$	Total HK\$
Cost:				
At 1 January 2017	76,326,690	54,759,428	140,182	131,226,300
Additions	4,408,842	328,069	–	4,736,911
Disposal/written off	(100,000)	(258,425)	–	(358,425)
At 31 December 2017	80,635,532	54,829,072	140,182	135,604,786
Additions	–	341,224	–	341,224
Disposal/written off	(43,800)	(116,036)	–	(159,836)
At 31 December 2018	<u>80,591,732</u>	<u>55,054,260</u>	<u>140,182</u>	<u>135,786,174</u>
Accumulated depreciation and impairment:				
At 1 January 2017	74,023,240	52,367,304	83,418	126,473,962
Charge for the year	1,024,328	534,472	2,601	1,561,401
Disposal/written off	(100,000)	(237,367)	–	(337,367)
At 31 December 2017	74,947,568	52,664,409	86,019	127,697,996
Charge for the year	867,161	495,244	2,601	1,365,006
Disposal/written off	(43,800)	(96,260)	–	(140,060)
At 31 December 2018	<u>75,770,929</u>	<u>53,063,393</u>	<u>88,620</u>	<u>128,922,942</u>
Net book value at 31 December 2018	<u>4,820,803</u>	<u>1,990,867</u>	<u>51,562</u>	<u>6,863,232</u>
Net book value at 31 December 2017	<u>5,687,964</u>	<u>2,164,663</u>	<u>54,163</u>	<u>7,906,790</u>

10. INVESTMENT PROPERTIES

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Carrying amount at the beginning of the year	274,000,000	190,000,000
Net increase in fair value recognized in profit or loss	<u>36,000,000</u>	<u>84,000,000</u>
Carrying amount at the end of the year	<u><u>310,000,000</u></u>	<u><u>274,000,000</u></u>

All of the Group's investment properties are rented out under operating leases to earn rentals or for capital appreciation purposes, measured using the fair value model and are classified and accounted for as investment properties. All of the Group's investment properties have been pledged to secure against the Group's interest-bearing borrowings.

In estimating the fair value of investment properties, the Group engages third party qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation technique and inputs. The valuation technique is determined based on the availability and validity of the assumptions and inputs when performing the valuation and applying professional judgement. The fair value as at 31 December 2018 was determined based on the direct comparison method (2017: income capitalization method).

The direct comparison method makes reference to market transactions of similar properties in similar locations to arrive at the fair value as at the date of valuation and discounted by the bulk discount rate of 35%. The bulk discount rate is derived from analyzing the sales transactions of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. Also, the bulk discount rate has being taken into account the restriction on the terms that the car parking spaces have to be disposed as a whole lot rather than on an individual unit basis.

Income capitalization method is by making reference to the rental income of the subject property and discounted by the market yield expected by the investors for this type of properties. The market yield is derived from analyzing the sales transactions and rental of similar properties in the vicinity and adjusted to take into account the market expectation from property investors to reflect factors specific to the investment properties. The bulk discount rate of 30% reflects the fact that the car parking spaces have to be disposed of in the market as a whole lot rather than on an individual unit basis.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation technique and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 3 fair value measurement

Description	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Fair value	
				2018 HK\$'000	2017 HK\$'000
Car parking spaces	Direct comparison method			310,000	N/A
	(1) Unit sale rate	Unit sale rate, taking into account the time, location, nature of the car parking spaces between the comparable and the property, of sales amount ranging from HK\$460,000 to HK\$2,000,000 per car parking space.	An increase in the unit sale rate used would result in an increase in fair value, and vice versa		
	(2) Bulk discount rate	Bulk discount rate at 35% of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		
	Income capitalization method			N/A	274,000
	(1) Monthly rental income	Monthly rental income, taking into account the average monthly rental of HK\$566,000.	An increase in the monthly rental income used would result in an increase in fair value, and vice versa		
	(2) Bulk discount rate	Bulk discount rate at 30% of the fair value of the car parking spaces has been used for valuation.	An increase in the discount rate used would result in a decrease in fair value, and vice versa.		

11. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2018, the Group disposed of a wholly-owned subsidiary, J Kitchen Catering Management Limited, to a fellow subsidiary of the Group for a consideration of HK\$1. The subsidiary was dormant during the year and up to the date of disposal. The disposed subsidiary did not have any asset or liability as at the date of disposal. A gain on disposal of a subsidiary amounted to HK\$1 was recognized by the Group.

12. INVENTORIES

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Food and beverages	1,095,352	1,206,106
Souvenirs	89,341	105,959
Fuel	59,595	172,817
Other consumables	214,418	231,789
	<u>1,458,706</u>	<u>1,716,671</u>

13. TRADE RECEIVABLES

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	<u>1,693,706</u>	<u>2,283,202</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk.

Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing. They are stated net of loss allowance.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	1,154,250	1,654,147
31 – 90 days	171,599	626,055
Over 90 days	367,857	3,000
	<u>1,693,706</u>	<u>2,283,202</u>

Impairment of trade receivables under HKFRS 9 for the year ended 31 December 2018

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As at 31 December 2018, all the trade receivables are not yet past due. The expected credit losses have also incorporated forward looking information. The expected credit loss as at 31 December 2018 is considered to be minimal.

Impairment of trade receivables under HKAS 39 for the year ended 31 December 2017

Based on past experience, the directors of the Group were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of the trade receivables balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

14. LOAN TO ULTIMATE HOLDING COMPANY

As at 31 December 2018, loan to ultimate holding company includes HK\$19,035,000 (2017: HK\$24,015,000) which is unsecured, interest bearing at Hong Kong Interbank Offered Rate (“HIBOR”) plus 2% (2017: HIBOR plus 2%) per annum, in which HK\$4,980,000 (2017: HK\$4,980,000) is repayable within one year and the remaining portion is repayable after one year.

15. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES, IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The balances are unsecured, non-interest bearing and repayable on demand.

16. LOAN TO IMMEDIATE HOLDING COMPANY

As at 31 December 2018, loan to immediate holding company of HK\$27,500,000 (2017: HK\$27,500,000) is unsecured, interest bearing at the deposit rate offered by the Hong Kong and Shanghai Banking Corporation for a deposit of similar amount and term, and not repayable within one year.

17. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits, with original maturities of three months or less, carry prevailing deposit interest rate.

18. TRADE AND OTHER PAYABLES

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trade payables	2,203,991	2,673,950
Other payables and accruals	56,712,239	57,401,165
Contract liabilities (<i>Note</i>)	376,286	–
	<u>59,292,516</u>	<u>60,075,115</u>

The trade payables are non-interest bearing and are normally settled on terms of 30 to 90 days.

As of 31 December 2018, the amount of other payables and accruals included a deposit of HK\$50,000,000 received from a third party buyer who had failed to complete the sale and purchase agreement to purchase the investment properties as further disclosed in note 10 during the year 2017 (the “Disposal Transaction”). As of the date of approval of these financial statements, the Disposal Transaction is subject to court and legal proceedings between the Group and the third party buyer. Management will only recognize this amount as revenue of the Group when there is a more definitive outcome from the ongoing legal proceedings.

Note:

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 <i>HK\$</i>	1 January 2018 <i>HK\$</i>
Short-term advances received from customers in relation to the provision of catering services	<u>376,286</u>	<u>501,283</u>

19. INTEREST-BEARING BANK BORROWINGS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Interest-bearing bank borrowings, secured	19,330,000	24,310,000
Analyzed into:		
Interest-bearing bank borrowings repayable:		
Within one year	4,980,000	4,980,000
More than one year, but not exceeding two years	9,960,000	9,960,000
More than two years, but not exceeding five years	4,390,000	9,370,000
	<u>19,330,000</u>	<u>24,310,000</u>

All the bank borrowings are denominated in HK\$, the functional currency of relevant group entities, with interest rates of HIBOR plus 1.5% (2017: HIBOR plus 1.5%) per annum.

For the year ended 31 December 2018, the effective interest rate on the borrowings was 2.9% (2017: 2.02%) per annum.

20. SHARE CAPITAL

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Class A shares		
Issued and fully paid:		
8,060 ordinary shares of with no par value	8,060,000	8,060,000
Class B shares		
Issued and fully paid:		
33,930 ordinary shares of with no par value	17,015,000	17,015,000

Class A shares and Class B shares rank equally with each other as to the right to dividend, voting and participation in surplus assets on a winding up and in all other respects according to the number of such shares respectively and not according to the nominal value thereof nor to the amount paid up thereon.

21. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 10 of the consolidated financial statements.

22. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings <i>HK\$</i>	Receipt on accounts <i>HK\$</i>
At 1 January 2018	24,310,000	285,000
Changes from financing cash flows	(5,604,489)	(285,000)
Interest expenses	624,489	–
	<u>19,330,000</u>	<u>–</u>
At 31 December 2018	<u>19,330,000</u>	<u>–</u>

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting period, the Group has entered into lease arrangements with certain tenants for its investment properties and have committed tenants for the next year. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases. During the year ended 31 December 2018, the Group earned contingent rentals of HK\$369,444 (2017: HK\$199,256).

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within one year	4,992,350	4,778,600
In the second to fifth years, inclusive	3,625,650	8,293,800
	<u>8,618,000</u>	<u>13,072,400</u>

(b) As lessee

Minimum lease payments paid under operating leases during the year in respect of office premises were HK\$507,200 (2017: HK\$504,160). Lease for office premises are negotiated for terms of three years and can be terminated by a three-month notice.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Within one year	126,800	126,800

24. CAPITAL COMMITMENTS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	515,000	515,000

25. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with the related parties during the year:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Directors		
Catering income	143,214	461,514
Fellow subsidiaries		
Catering income	244,351	321,563
Website service fees paid	(270,000)	(270,000)
Directors' associate companies		
Catering income	68,805	332,445
Insurance premium paid	(480,630)	(1,530,855)
Ultimate holding company		
Interest income	722,708	670,403
Immediate holding company		
Interest income	83,193	82,500

The transactions were conducted at rates or prices mutually agreed between both parties.

(b) Other transactions and balances with related parties

- (i) Details of the Group's balances with related companies are disclosed in notes 14, 15 and 16 to the consolidated financial statements.
- (ii) Key management personnel represented directors of the Company. Further details of directors' emoluments are included in note 6 to the consolidated financial statements.
- (iii) Details of the disposal of a subsidiary to a fellow subsidiary of the Group are disclosed in note 11 to the consolidated financial statements.

26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values and, accordingly, no disclosure of the fair values of these financial instruments is made.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances and interest-bearing bank borrowings, which are held for the purpose of financing the Group's operations. The Group has various other financial instruments such as trade receivables, deposits and other receivables, trade payables, other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the directors analyse and formulate measures periodically to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The directors review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to interest rate risk relates principally to bank deposits and bank deposits with original maturity over three months. The Group is also exposed to interest rate risk in relation to loans to ultimate holding company and immediate holding company, interest-bearing bank borrowings which are based on the Hong Kong Interbank Offered Rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 December 2018, if the interest rates had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have been increased/decreased by HK\$539,000 (2017: increased/decreased by HK\$600,000) as a result of higher/lower interest expenses on the Group's cash balance net of interest-bearing bank borrowings bore interest at variable rate.

Credit risk***Maximum exposure as at 31 December 2018***

The carrying amounts of cash and bank balances, trade receivables and other receivables (except for prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to loss allowance is not significant. The Group applies the general approach for impairment of these financial assets. For the year ended 31 December 2018, the credit risks for these financial assets have not increased significantly since initial recognition and for which the loss allowances are measured at an amount equal to 12-month ECLs. The directors consider that the Group does not have a significant concentration of credit risk.

Maximum exposure as at 31 December 2017

The carrying amounts of cash and bank balances, trade receivables and other receivables (except for prepayments), represent the Group's maximum exposure to credit risk in relation to financial assets. Most of the Group's cash and cash equivalents are held in major financial institutions located in Hong Kong, which management believes are of high credit quality. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to loss allowance is not significant. The directors considered that the Group did not have a significant concentration of credit risk.

Liquidity risk

The Group's exposure to liquidity risk is minimal as the Group will maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet their liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2018	On	Less than	3 to	1 to 5	Over	Total
	demand	3 months	less than 12 months	years	5 years	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Trade and other payables	2,286,400	–	–	–	–	2,286,400
Interest-bearing bank borrowings	–	1,372,358	4,519,317	15,730,074	–	21,621,749
Due to fellow subsidiaries	37,500	–	–	–	–	37,500
	<u>2,323,900</u>	<u>1,372,358</u>	<u>4,519,317</u>	<u>15,730,074</u>	<u>–</u>	<u>23,945,649</u>
2017	On	Less than	3 to	1 to 5	Over	Total
	demand	3 months	less than 12 months	years	5 years	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Trade and other payables	2,951,532	–	–	–	–	2,951,532
Receipts on accounts	285,000	–	–	–	–	285,000
Interest-bearing bank borrowings	–	1,360,094	4,079,443	20,125,376	–	25,564,913
Due to fellow subsidiaries	10,100	–	–	–	–	10,100
	<u>3,246,632</u>	<u>1,360,094</u>	<u>4,079,443</u>	<u>20,125,376</u>	<u>–</u>	<u>28,811,545</u>

All financial assets and liabilities of the Group as at 31 December 2018 were stated at amortised cost (2017: financial assets stated at loans and receivables, and financial liabilities stated at amortised cost).

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
NON-CURRENT ASSETS		
Property, plant and equipment	6,408,810	7,375,243
Investment properties	310,000,000	274,000,000
Investments in and advances to subsidiaries	3,841,195	3,841,196
Loan to ultimate holding company	14,055,000	19,035,000
Loan to immediate holding company	27,500,000	27,500,000
	<hr/>	<hr/>
Total non-current assets	361,805,005	331,751,439
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	1,458,706	1,716,671
Loan to ultimate holding company	4,980,000	4,980,000
Due from ultimate holding company	177,994	138,003
Due from immediate holding company	687,958	7,007
Due from fellow subsidiaries	–	417,553
Trade receivables	1,693,706	2,283,202
Prepayments, deposits and other receivables	3,666,174	3,636,946
Restricted cash	947,000	947,000
Bank deposits with original maturity over three months	40,000,000	78,641,556
Cash and bank balances	39,489,549	12,836,371
	<hr/>	<hr/>
	93,101,087	105,604,309
	<hr/>	<hr/>
CURRENT LIABILITIES		
Trade and other payables	59,245,276	60,045,615
Due to subsidiaries	31,297,393	30,801,410
Due to fellow subsidiaries	37,500	10,100
Interest-bearing bank borrowings	4,980,000	4,980,000
Receipts on accounts	–	285,000
	<hr/>	<hr/>
	95,560,169	96,122,125
	<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS	(2,459,082)	9,482,184
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	359,345,923	341,233,623
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	14,350,000	19,330,000
	<hr/>	<hr/>
	14,350,000	19,330,000
	<hr/>	<hr/>
Net assets	344,995,923	321,903,623
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	25,075,000	25,075,000
Reserves (<i>note</i>)	319,920,923	296,828,623
	<hr/>	<hr/>
	344,995,923	321,903,623
	<hr/> <hr/>	<hr/> <hr/>

Evan Andrew Winkler
Director

Chung Yuk Man
Director

Note:

A summary of the Company's reserves is as follows:

	Capital reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2017	15,459,703	208,597,673	224,057,376
Profit for the year and total comprehensive income for the year	–	72,771,247	72,771,247
At 31 December 2017 and 1 January 2018	15,459,703	281,368,920	296,828,623
Profit for the year and total comprehensive income for the year	–	23,092,300	23,092,300
At 31 December 2018	<u>15,459,703</u>	<u>304,461,220</u>	<u>319,920,923</u>

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, AREL had the following indebtedness:

- (i) An interest-bearing borrowing of HK\$17,255,000 which is secured by:
 - the investment properties of AREL; and
 - a corporate guarantee of HK\$60,000,000 given by MIDL.
- (ii) A bank deposit of HK\$947,000 is pledged to a bank for a bank guarantee to a supplier of AREL.

Save as aforesaid and the consolidated financial statements of AREL for the year ended 31 December 2018 and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, AREL did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, material obligations under hire purchase contract, guarantees or other material contingent liabilities as at the close of business on 31 May 2019.

4. MATERIAL CHANGES

As of the Latest Practicable Date, there are no material changes in the financial or trading position or outlook of AREL since 31 December 2018, the day to which the latest audited consolidated financial statements of AREL were prepared.

The following is the text of a valuation report prepared by RHL Appraisal Limited, an independent valuer, in connection with its valuation of the Property as at 31 May 2019. The valuation report is prepared for the purpose of the proposed privatization of Aberdeen Restaurant Enterprises Limited by Melco Leisure and Entertainment Group Limited by way of a scheme of arrangement and will be published in the Scheme Documents in relation thereto.



永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

19 August 2019

The Board of Directors**Melco Leisure and Entertainment Group Limited**

37/F,
The Centrium
60 Wyndham Street,
Central,
Hong Kong

Dear Sir/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interest (“the Property”) owned by Aberdeen Restaurant Enterprises Limited (the “Company”) located in Hong Kong. The valuation and the related valuation report is prepared for the purpose of the proposed privatization of the Company by Melco Leisure and Entertainment Group Limited by way of a scheme of arrangement and the valuation report will be published in the Scheme Documents in relation thereto. We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2019 (the “Valuation Date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“Market Value”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Property interest by using the Direct Comparison Approach by making reference to the comparable market transactions/asking cases as available. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with the requirements set out in Rule 11 of the Codes on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission, and the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors..

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property in the market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amount owing on any Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Unless otherwise stated, we have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all Ordinances. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificated, and authorizations have been obtained.

We have not carried out detailed on-site measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents and/or official plans are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Other special assumptions of the Property, if any, have been stated in the footnote of the Property Particulars and Opinion of Value.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the Property and have caused searches to be made at the Hong Kong Land Registry and made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. All documents have been used for reference only.

We have not been provided with any legal opinion regarding to the titles to the property interests.

POTENTIAL TAX LIABILITIES

According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, except for applicable stamp duties, the potential gain arising from disposal of the Property in Hong Kong shall be capital in nature and not subject to any taxation.

The likelihood of such potential tax liability (which would arise upon a future disposal of the Property) being crystallised is remote, as the Company has no current intention or plan to dispose of its interests in the Property pending the outcome of the legal proceedings relating to the deposit previously paid by a third party buyer which failed to complete its agreement to purchase the Property. The court hearing in respect of those legal proceedings is expected to take place in mid to late 2020. Further information relating to such legal proceedings is set forth in Note 18 (Trade and Other Payables) to AREL's audited consolidated financial statements set forth in Appendix I to the Scheme Document, and on page 93 in the paragraph headed "6. Litigation" in Appendix III to the Scheme Document.

LIMITING CONDITIONS

We have conducted on-site inspections to the Property on 28th November 2018 and 27th May 2019 by our staff Mr. Dennis Wong (BSc in Real Estate).

None of the services have been tested by us and we are, therefore, unable to report on their present conditions. We have no duty to verify that no deleterious or hazardous materials or techniques have been used in the construction of or making addition or alteration to the Property. We have assumed that utility services, such as electricity, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the Property. Our valuation is prepared on the assumptions that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighboring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have not carried out an on-site land survey and we are therefore unable to report on the exact site area and boundaries of the Property. All these information in this valuation report are in approximation and we have relied on the information provided by Land Registry and Lands Department.

Our valuation has been made on the basis that there is no substantial change in the physical conditions of the Property between the Valuation Date and the date of our inspection.

We have relied very considerable extent on the information provided by the Company and have accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, site plan, lot index plan, outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Company. Neither have we verified the correctness of any information supplied to us concerning the Property.

For the purpose of compliance with Rule 11.5(c) of the Code on Takeovers and Mergers, we have given and not withdrawn its written consent to the publication of valuation report.

DECLARATION

We hereby certify, to the best of our knowledge and belief, that:

We are external valuer, independent from the Company and the property owners, their subsidiaries and their jointly controlled entities (collectively, the “Group”) and their respective directors and controlling shareholder and that we do not have any direct or indirect material interests in the securities or assets of the Group, its connected persons, or any associate of the Group and we have no bias with respect to the parties involved.

REMARKS

We have valued the property interest in Hong Kong Dollars (HKD).

We enclose herewith the “Property Particulars and Opinion of Value”.

Yours faithfully

For and on behalf of

RHL Appraisal Limited

Sr Serena S. W. Lau JP

FHKIS, AAPI, MCIREA, MRICS, RPS(GP), MBA(HKU)

Managing Director

Sr Jessie X. Chen

MRICS, MSc (Real Estate), BEcon

Senior Associate Director

PROPERTY PARTICULARS AND OPINION OF VALUE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 May 2019 HKD
Car Parking Space Nos. 1-74 on Lower Basement, Nos. 1-74 on Basement, Nos. 1-9 on Ground Floor, Nos. 1-65 on 1st Floor, Nos. 1-71 on 2nd Floor, Nos. 1-71 on 3rd Floor, Nos. 1-71 on 4th Floor & Nos. 1-74 on 5th Floor, Jumbo Court, No. 3 Welfare Road, Hong Kong	The subject building, Jumbo Court, is a 22-storey composite building comprising an 8-level car park podium (including two basement floors) and a shop on the ground floor upon which a 14-storey residential building was erected in about 1979.	As advised by the Company, all car parking spaces under the property are subject to tenancy as at the Valuation Date.	310,000,000 (Hong Kong Dollars Three Hundred and Ten Million Only)
509/2200 share of and in the Remaining Portion of Aberdeen Inland Lot No. 368	The Property comprises a total of 509 car parking spaces on the lower basement, basement, ground to fifth floors of an 8-level car park podiums.		

According to the approved building plans, the number of the parking spaces of each floor are as follows:

Floors	No. of Car Parking Spaces
Lower Basement Floor	74
Basement Floor	74
Ground Floor	9
1 st Floor	65
2 nd Floor	71
3 rd Floor	71
4 th Floor	71
5 th Floor	74
Total	509

The property is held under a Condition of Sale No. 10813 for a term of 75 years renewable for 75 years commencing from 17th October 1975.

Notes:

1. The registered owner of the Property is Aberdeen Restaurant Enterprises Limited vide Condition of Sale No. 10813 dated 17th October 1975.
2. According to the information from the Land Registry, the Property is subject to the followings:
 - i. Memorandum together with amended Carport Layout Plan vide memorial no. UB1573102 dated 29th August 1978.
 - ii. Deed of Mutual Covenant vide memorial no. UB1848374 dated 15th February 1980.
 - iii. Mortgage in favour of DAH SING BANK, LIMITED vide memorial no. 10112403090091 dated 25th October 2010.
 - iv. Rental Assignment in favour of Dah Sing Bank, Limited vide memorial no. 10112403090104 dated 25th October 2010.
 - v. Deeds Pending Registration - Certified Copy Defence and Counterclaim in favour of Aberdeen Restaurant Enterprises Limited (Plaintiff), Gain Premium Holdings Limited (Defendant) vide memorial no. 17103000170011 dated 18th October 2017. (Registration Withheld)
3. According to the Conditions of Sale No. 10813 of Aberdeen Inland Lot No. 368, it stipulated that:
 - i. *Special Condition (10)(a)... shall not erect or cause or permit or suffer to be erected ... other than a multi-storey car parking...which shall contain a ground floor designed and used for the purpose specified in Special Condition No.(11)(b)... and adequate space for the parking of not less than 500 motor vehicles...*
 - ii. *Special Condition (11)(a)... multi-storey car parking shall not be used for any purpose other than for the parking of not less than 500 motor vehicles... Not less than 80% of the total number of parking spaces ... shall be available for in use at all times for the parking of private cars or goods vehicles not exceeding an unladen weight of 40 hundredweight...*
 - iii. *Special Condition (11)(b)... Except with the prior written consent of the Director of Public Works, the ground floor of the said multi-storey car park shall not be used for any purpose other than for the parking of minibuses...*
 - iv. *Special Condition (13) ... may set aside one floor in the building.... exclusively for the parking of motor vehicles belonging to the residents...*
 - v. *Special Condition (15) ... shall not assign, mortgage, charge, demise, or otherwise dispose of any of the parking spaces required by Special Condition No. (10)(a) hereof except as a whole without having obtained the prior written consent of the Director of Public Works.*
4. The subject building, Jumbo Court, is situated on the northern side of Welfare Road near the junction with Nam Long Shan Road in Wong Chuk Hang of Hong Kong Island. Development in the vicinity comprises private residential developments and industrial buildings built between the 1960s and 1990s intermingled with Government, Institution and Community (“GIC”), recreational and amenities facilities, namely TWGHs Jockey Club Rehabilitation Complex and Pao Tue Kong Swimming Pool Complex. Basic shopping facilities and local community are available in the vicinity while comprehensive shopping and entertainment facilities are conveniently available in the hub area of Aberdeen within a short driving distance from the Property.
5. According to the Approved Aberdeen & Ap Lei Chau Outline Zoning Plan No. S/H15/33 dated 21st August 2018, the Property is designated as “Residential (Group A)”.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme and AREL.

The AREL Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and MIDL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Offeror and MIDL) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to AREL and MIDL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by AREL and MIDL) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The directors of MIDL jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL

The issued share capital of AREL as at the Latest Practicable Date was as follows:

		<i>HK\$</i>
<i>Issued and fully paid up:</i>		
Class A	8,060 AREL Shares	8,060,000
Class B	33,930 AREL Shares	17,015,000
Total:	41,990 AREL Shares	25,075,000

Under the Articles, shareholders holding Class A AREL Shares and Class B AREL Shares have the same rights. All of the AREL Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No Shares have been issued since 31 December 2018 (being the end of the last financial year of AREL) up to the Latest Practicable Date.

None of the securities of AREL are listed or dealt in on any stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities issued by AREL.

As at the Latest Practicable Date, there were no outstanding derivatives in respect of securities in AREL entered into by the Offeror or any person acting in concert with it.

3. MARKET PRICES

As the AREL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the AREL Shares quoted on the Stock Exchange or any other stock exchanges.

Except for the sale of 96 Class A AREL Shares and 25 Class B AREL Shares by a then Independent Shareholder to an independent third party for a consideration of HK\$96,000 and HK\$12,500 on 24 June 2019, respectively (as notified to AREL by the transferring Independent Shareholder), no transaction of the AREL Shares has taken place during the Relevant Period.

4. DISCLOSURE OF INTERESTS UNDER THE TAKEOVERS CODE

(i) Interests discloseable under Schedule I to the Takeovers Code

- (a) As at the Latest Practicable Date, save as disclosed in the section of the Explanatory Statement headed “Effects of the Scheme” set out on pages 33 to 36 of this Scheme Document, the Offeror did not hold any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.
- (b) As at the Latest Practicable Date, Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence, all being directors of the Offeror, are respectively interested in shares representing approximately 55.55%, 0.36% and 0.23% of the total issued shares of MIDL, which wholly-owns the Offeror, Melco Nominees and Melco Services. In addition, Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence have also been granted share options and share awards entitling them to acquire shares respectively representing approximately 0.34%, 0.46% and 0.22% of the total issued shares of MIDL as at the Latest Practicable Date, upon exercise of the options in full or vesting of the share awards (as the case may be). The Offeror, Melco Nominees and Melco Services, hold in aggregate 86.68% of the issued share capital of AREL. Save for the aforementioned, no director of the Offeror was interested in any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.

- (c) As at the Latest Practicable Date, save as disclosed in the section of the Explanatory Statement headed “Effects of the Scheme”, set out on pages 33 to 36 of this Scheme Document, no party acting in concert with the Offeror owned or controlled any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.
 - (d) As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had received any irrevocable commitment to vote in favour of or against the Scheme.
 - (e) As at the Latest Practicable Date, no person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any person acting in concert with the Offeror owned or controlled any AREL Shares, convertible securities, warrants, options or derivatives of AREL.
 - (f) As at the Latest Practicable Date, none of the Offeror or any person acting in concert with the Offeror had borrowed or lent any AREL Shares, convertible securities, warrants, options or derivatives of AREL.
- (ii) Interests discloseable under Schedule II to the Takeovers Code**
- (a) As at the Latest Practicable Date, AREL had no holdings of shares, convertible securities, warrants, options or derivatives of the Offeror.
 - (b) As at the Latest Practicable Date, Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence and Mr. Leung Hoi Wai, Vincent, all being AREL Directors, are respectively interested in shares representing approximately 0.36%, 0.23% and 0.006% of the total issued shares of MIDL, which wholly-owns the Offeror, Melco Nominees and Melco Services. In addition, Mr. Evan Andrew Winkler, Mr. Chung Yuk Man, Clarence and Mr. Leung Hoi Wai, Vincent have also been granted share options and share awards entitling them to acquire shares respectively representing approximately 0.46%, 0.22% and 0.029% of the total issued shares of MIDL as at the Latest Practicable Date, upon exercise of the options in full or vesting of the share awards (as the case may be). The Offeror, Melco Nominees and Melco Services, hold in aggregate 86.68% of the issued share capital of AREL. Save for the aforementioned, no AREL Director was interested in any AREL Shares, or convertible securities, warrants, options or derivatives of AREL or in any shares, or convertible securities, warrants, options or derivatives of the Offeror.
 - (c) As at the Latest Practicable Date, no subsidiary of AREL, nor any pension fund of AREL or any of its subsidiaries owned or controlled any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.
 - (d) As at the Latest Practicable Date, no adviser to AREL as specified in class (2) of the definition of Associate under the Takeovers Code (excluding exempt principal traders) owned or controlled any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.
 - (e) As at the Latest Practicable Date, no person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with AREL or with any

person who is an Associate of AREL by virtue of classes (1), (2), (3) or (4) of the definition of Associate under the Takeovers Code owned or controlled any AREL Shares, or convertible securities, warrants, options or derivatives of AREL.

- (f) As at the Latest Practicable Date, there were no AREL Shares, or convertible securities, warrants, options or derivatives of AREL, managed on a discretionary basis by fund managers (other than exempt fund managers) connected with AREL.
- (g) As at the Latest Practicable Date, none of AREL nor any AREL Directors had borrowed or lent any AREL Shares, convertible securities, warrants, options or derivatives of AREL.

5. DEALINGS IN AREL SHARES

- (i) None of the Offeror, nor any director of the Offeror, nor any party acting in concert with the Offeror, has dealt for value in the AREL Shares during the Relevant Period.
- (ii) No person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any person acting in concert with the Offeror has dealt for value in the AREL Shares during the Relevant Period.
- (iii) None of AREL nor any subsidiary of AREL, nor any pension fund of AREL or any of its subsidiaries has dealt for value in the AREL Shares during the Relevant Period.
- (iv) No adviser to AREL as specified in class (2) of the definition of Associate under the Takeovers Code (excluding exempt principal traders) has dealt for value in the AREL Shares during the Relevant Period.
- (v) No person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with AREL or with any person who is an Associate of AREL by virtue of classes (1), (2), (3) or (4) of the definition of Associate under the Takeovers Code has dealt for value in the AREL Shares during the Relevant Period.
- (vi) No fund manager (other than an exempt fund manager) connected with AREL who manages funds on a discretionary basis for AREL has dealt for value in the AREL Shares during the Relevant Period.
- (vii) No AREL Director has dealt for value in the AREL Shares, or in the shares of the Offeror, in each case, during the Relevant Period.

6. LITIGATION

As at the Latest Practicable Date, AREL is engaged, as plaintiff, in legal proceedings between AREL and a third party buyer relating to a deposit of HK\$50,000,000.00 received by AREL from such third party buyer who failed to complete an agreement, constituted in March 2017 pursuant to a public tender process, to purchase AREL's investment properties (referred to in Note 10 ("Investment Properties")) in AREL's audited consolidated financial statements set forth in Appendix I to this Scheme Document) for a price of HK\$500,000,000. Additional information relating to the deposit is set forth in Note 18 (Trade and Other Payables) to AREL's audited consolidated financial statements set forth in Appendix I to this Scheme Document. Save as aforesaid, as at the Latest Practicable Date, AREL was not engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the AREL Directors to be pending or threatened by or against AREL.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, AREL had not entered into any material contract, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by AREL, after the date two years preceding the date of the Announcement.

8. EXPERTS

The following are the qualifications of each of the experts who have been named in this Scheme Document or given their opinion or advice which are contained in this Scheme Document:

Name	Qualification
Lego	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
Crescendo Capital	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
RHL Appraisal Limited	Independent property valuer

9. CONSENTS

The experts referred to in “8. Experts” above have each given and have not withdrawn their respective written consents to the issue of this Scheme Document with the inclusion in this Scheme Document of the text of their respective letters and/or references to their names in the form and context in which they are included.

10. COSTS OF THE SCHEME

The costs of the Scheme will be borne by the Offeror. The costs of the Scheme and of its implementation are expected to amount to approximately HK\$4 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at (i) the office of Gibson, Dunn & Crutcher, legal adviser to AREL, at 32/F Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong; (ii) the website of the SFC at <http://www.sfc.hk>; and (iii) the website of MIDL at www.melco-group.com from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses, whichever is earliest:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the Articles;
- (iii) the audited consolidated financial statements of AREL in respect of the years ended 31 December 2018 and 31 December 2017;

- (iv) the letter from the AREL Board to the AREL Shareholders, the text of which is set out on pages 7 to 11 of this Scheme Document;
- (v) the letter of advice from Crescendo Capital, the text of which is set out on pages 12 to 26 of this Scheme Document;
- (vi) the property valuation report by RHL Appraisal Limited, the text of which is set out on pages 83 to 89 of this Scheme Document;
- (vii) the written consents referred to in the paragraph headed “9. Consents” in Appendix III to this Scheme Document; and
- (viii) this Scheme Document.

12. MISCELLANEOUS

- (i) None of the existing AREL Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Scheme.
- (ii) There is no agreement or arrangement between any of the AREL Directors and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme.
- (iii) There is no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it (on the one part) and any of the AREL Directors, recent AREL Directors, shareholders or recent shareholders of AREL (on the other part) having any connection with or dependence upon the Scheme.
- (iv) The registered office of the Offeror is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (v) The Offeror does not have any intention to transfer, charge or pledge any AREL Shares acquired pursuant to the Scheme to any other person. There is no agreement, arrangement or understanding, or any related charge or pledge, which has been entered into which may result in the transfer of voting rights attaching to any securities acquired pursuant to the Scheme.
- (vi) The directors of the Offeror are Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence.
- (vii) The board of directors of MIDL comprises three executive directors, namely Mr. Ho, Lawrence Yau Lung, Mr. Evan Andrew Winkler and Mr. Chung Yuk Man, Clarence; two non-executive directors, namely Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo; and two independent non-executive directors, namely Mr. Chow Kwong Fai, Edward and Ms. Karuna Evelyne Shinsho.

- (viii) The company secretary of AREL is Mr. Leung Hoi Wai, Vincent. Mr. Leung is a qualified solicitor in Hong Kong and England and Wales with over 18 years' experience in legal and regulatory compliance matters. He holds a postgraduate certificate in laws and a bachelor of laws degree, both from The University of Hong Kong.
- (ix) The registered office of AREL is at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (x) The registered office of Melco Nominees is at 38th Floor, The Centrium 60 Wyndham Street, Central, Hong Kong.
- (xi) The registered office of Melco Services is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (xii) The principal place of business of Lego is Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong.
- (xiii) The principal place of business of Crescendo Capital is Unit 1506, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.
- (xiv) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any of the AREL Directors had a material personal interest.
- (xv) As at the Latest Practicable Date, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Offeror, any parties acting in concert with the Offeror, or any Associate of the Offeror, and any other person.
- (xvi) As at the Latest Practicable Date, none of the AREL Directors has entered into any service contract with AREL or any of its subsidiaries or associated companies for a fixed term contract with more than 12 months to run irrespective of notice period, or which has been entered into or amended within six months before the commencement of the Offer Period or which are continuous contracts with a notice period of 12 months or more.
- (xvii) The Conditions of the Proposal and the circumstances in which the Conditions can be waived are described in the section of the Explanatory Statement headed "Conditions of the Proposal" on pages 28 to 30 of this Scheme Document. There are no other arrangements or agreements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition of the Proposal.
- (xviii) The English language text of this Scheme Document shall prevail over the Chinese language text.

SCHEME OF ARRANGEMENT

HCMP No. 1032 of 2019

**IN THE HIGH COURT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE**

**MISCELLANEOUS PROCEEDINGS
NO. 1032 OF 2019**

**IN THE MATTER OF
ABERDEEN RESTAURANT ENTERPRISES LIMITED**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT
BETWEEN
ABERDEEN RESTAURANT ENTERPRISES LIMITED
AND
THE HOLDERS OF THE SCHEME SHARES
(AS HEREINAFTER DEFINED)**

PRELIMINARY

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions have the following meanings:

“acting in concert”	has the meaning given to it in the Takeovers Code
“AREL”	Aberdeen Restaurant Enterprises Limited, a company incorporated in Hong Kong with limited liability
“AREL Shareholders”	holders of AREL Shares
“AREL Shares”	Class A AREL Shares and Class B AREL Shares
“Cancellation Price”	a price of HK\$8,895.76 per Scheme Share payable in cash to the Scheme Shareholders under the Scheme
“Class A AREL Shares”	Class A Ordinary Shares in the share capital of AREL
“Class B AREL Shares”	Class B Ordinary Shares in the share capital of AREL

SCHEME OF ARRANGEMENT

“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Court”	the Hong Kong Court of First Instance
“Effective Date”	the date on which this Scheme becomes effective in accordance with clause 5 of this Scheme
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the Companies Ordinance, set out on pages 27 to 43 of the Scheme Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“holder”	a registered holder of AREL Shares including a person entitled by transmission to be registered as such
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	AREL Shareholders other than the Offeror, Melco Nominees and Melco Services and any other persons acting in concert with the Offeror
“Latest Practicable Date”	16 August 2019, being the latest practicable date prior to the date of the Scheme Document for the purpose of ascertaining certain information contained in the Scheme Document
“Long Stop Date”	30 September 2019
“Melco Nominees”	Melco (Nominees) Limited, a company established under the laws of Hong Kong which is a wholly owned subsidiary of MIDL
“Melco Services”	Melco Services Limited, a company established under the laws of the British Virgin Islands which is a wholly owned subsidiary of MIDL
“MIDL”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and having its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited under stock code: 200, the holding company of the Offeror
“Offeror”	Melco Leisure and Entertainment Group Limited, a company established under the laws of the British Virgin Islands which is a wholly owned subsidiary of MIDL

SCHEME OF ARRANGEMENT

- | | |
|--------------------------|---|
| “Proposal” | the proposal for the privatisation of AREL by the Offeror by way of the Scheme |
| “Record Date” | the business day (being any day on which banks are open for business in Hong Kong, other than Saturday and Sunday) in Hong Kong immediately preceding the Effective Date, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme |
| “Registrar of Companies” | the Registrar of Companies appointed under the Companies Ordinance |
| “Scheme” | this scheme of arrangement under section 673 of the Companies Ordinance in its present form, with or subject to any modification thereof or addition thereof or condition approved or imposed by the Court |
| “Scheme Document” | the composite scheme document dated 19 August 2019 issued jointly by the Offeror, AREL and MIDL, which includes this Scheme |
| “Scheme Shares” | AREL Shares held by the Scheme Shareholders on the Record Date |
| “Scheme Shareholders” | AREL Shareholders other than the Offeror, Melco Services and Melco Nominees |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
- (B) As at the Latest Practicable Date, the issued and paid up share capital of AREL was HK\$25,075,000. A total of 8,060 Class A AREL Shares and 33,930 Class B AREL Shares have been issued and fully paid or credited as fully paid.
- (C) As at the Latest Practicable Date, the Offeror, Melco Services and Melco Nominees, in aggregate, are interested in 36,398 AREL Shares (made up of 4,661 Class A AREL Shares and 31,737 Class B AREL Shares), constituting approximately 86.68% of the issued share capital of AREL.
- (D) As at the Latest Practicable Date, there were 5,592 Scheme Shares (made up of 3,399 Class A AREL Shares and 2,193 Class B AREL Shares).
- (E) The primary purpose of this Scheme is that on the Effective Date all the Scheme Shares should be cancelled and that the credit amount arising in AREL’s books of accounts as a result of the aforesaid reduction of issued share capital be applied to pay up in full and issue to the Offeror such numbers of new Class A AREL Shares and Class B AREL Shares as are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled.
- (F) The Offeror has agreed to appear by counsel on the hearing of the petition to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do, and procure to be executed and done, all such documents, acts and things as may be necessary or desirable to be executed or done by the Offeror for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

THE SCHEME

PART I

Cancellation and extinguishment of the Scheme Shares

1. Upon the Effective Date:
 - (a) the issued share capital of AREL shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon the reduction of issued share capital referred to in the above paragraph (a) of this clause 1 taking effect, the issued share capital of AREL shall be increased to its former amount by the allotment and issuance to the Offeror of such number of new Class A AREL Shares and Class B AREL Shares as are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled and extinguished; and
 - (c) AREL shall apply the credit amount arising in its books of account as a result of the said reduction of issued share capital in paying up in full (applying the credit amount equally among all the new AREL Shares to be issued, on a pro rata basis) the new Class A AREL Shares and Class B AREL Shares referred to in the above paragraph (b) of this clause 1 and those new Class A AREL Shares and Class B AREL Shares shall be allotted and issued, credited as fully paid, to the Offeror.

PART II

Consideration for cancellation and extinguishment of the Scheme Shares

2. In consideration for the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to the holders of the Scheme Shares (as appearing in the register of members of AREL on the Record Date) the sum of HK\$8,895.76 in cash for each Scheme Share held.

PART III

General

3.
 - (a) Not later than seven business days (as defined in the Takeovers Code) after the Effective Date, the Offeror shall send or procure to be sent to the holders of the Scheme Shares (as appearing in the register of members of AREL at 4:30 p.m. on the Record Date) cheques in respect of the sums payable to such holders pursuant to clause 2 of this Scheme.
 - (b) All such cheques shall be sent through ordinary post in pre-paid envelopes addressed to the persons entitled thereto:
 - (i) in the case of sole holders, to the respective registered addresses of such holders as appearing in the register of members of AREL on the Record Date; and

SCHEME OF ARRANGEMENT

- (ii) in the case of joint holders, to the registered address of that one of the joint holders whose name then stands first in such register of members of AREL in respect of the joint holding.
- (c) Cheques shall be posted at the risk of the addressees and once posted, none of the Offeror or AREL or their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the transmission of such cheques.
- (d) Such cheques shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six calendar months after the posting of the said cheques pursuant to paragraph (b) of this clause 3, the Offeror shall have the right to cancel or cause the cancellation of any such cheques which have not then been encashed or have been returned uncashed and shall place all monies represented thereby in a deposit account in AREL's name with a licensed bank in Hong Kong selected by AREL. AREL shall hold such monies until the expiration of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to clause 2 of this Scheme to persons who satisfy AREL that they are respectively entitled thereto and provided that the cheques referred to in paragraph (b) of this clause 3 of which they are payees have not been cashed. Any payments made by AREL hereunder shall include any interest accrued on the sums to which the respective persons are entitled pursuant to clause 2 of this Scheme, calculated at the annual rate prevailing from time to time at the licensed bank with which the monies are deposited, from the date which falls six months after the posting of the said cheques pursuant to paragraph (b) of this clause 3 down to the date of payment of such sum, subject, if applicable, to deduction of interest or any other deduction or withholding tax required by law and all expenses and costs incurred or to be incurred in relation to the payment. AREL shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of AREL to the effect that any particular person is so entitled or is not so entitled shall be conclusive and binding upon all persons claiming an interest in the relevant monies. Upon the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payment under this Scheme and AREL shall thereafter transfer to the Offeror the balance (if any) of the sums standing to the credit of the deposit account referred to in this paragraph (e) of this clause 3 including accrued interest subject, if applicable, to the deduction of interest or any withholding or any other tax or any other deduction required by law and subject to the deduction of any expenses incurred or to be incurred effecting the transfer.
- (f) The preceding sub-paragraphs of this clause 3 shall take effect subject to any prohibition or condition imposed by law.

SCHEME OF ARRANGEMENT

4. As from and including the Effective Date:
 - (a) all certificates representing the Scheme Shares shall cease to have effect as documents or evidence of title to the AREL Shares comprised therein and every holder thereof shall be bound, on the request of AREL, to deliver up to AREL or to any person appointed by it to receive the same such certificate(s) for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or relevant instructions in force on the Record Date relating to any of the Scheme Shares shall cease to be valid and effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or otherwise waived (as the case may be) under the section headed “Conditions of the Proposal” in the Explanatory Statement, this Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme (with or without modification) and confirming the reduction of the share capital of AREL involved in this Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies under Part 2 of the Companies Ordinance.
6. Unless this Scheme shall have become effective on or before the Long Stop Date or such later date, if any, as the Offeror and AREL may agree and the Court may allow, this Scheme shall lapse.
7. The Offeror and AREL, by their duly authorised agent(s)/servant(s), may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Court may see fit to approve or impose without any further Court Meeting to be held therefor.
8. All costs, charges and expenses of and incidental to this Scheme and of carrying this Scheme into effect shall be borne by the Offeror.

Dated 19 August 2019

NOTICE OF COURT MEETING

HCMP No. 1032 of 2019

**IN THE HIGH COURT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE**

**MISCELLANEOUS PROCEEDINGS
NO. 1032 OF 2019**

**IN THE MATTER OF
ABERDEEN RESTAURANT ENTERPRISES LIMITED**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 13 August 2019 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**Court**”) has directed that a meeting of the holders of the Scheme Shares (as defined in the Scheme referred to below) (the “**Court Meeting**”) be convened for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between Aberdeen Restaurant Enterprises Limited (“**AREL**”) and the holders of the Scheme Shares, and that the Court Meeting be held at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on Thursday, 12 September 2019, at 2:00 p.m. at which place and time all holders of Scheme Shares are requested to attend.

A copy of the Scheme and a copy of an explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the Companies Ordinance, are incorporated in the scheme document dated 19 August 2019 of which this Notice forms part (the “**Scheme Document**”), which has been sent to holders of the Scheme Shares in accordance with the requirements of the articles of association of AREL. A copy of the Scheme Document, together with the form of proxy for use at the Court Meeting, can also be obtained by any person entitled to attend the Court Meeting during usual business hours on any day prior to the day appointed for the Court Meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) (a) from the Company Secretary of AREL at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong or (b) from the office of Gibson, Dunn & Crutcher, AREL’s solicitors, at 32/F Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong. The Scheme Document and the form of proxy for use at the Court Meeting are also available for download at <http://www.sfc.hk> and www.melco-group.com.

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), shares in AREL (“**AREL Shares**”) owned by the Offeror and persons acting in concert (as defined in the Takeovers Code) with the Offeror may not vote at the Court Meeting on the resolution to approve the Scheme. Only AREL Shares held by shareholders of AREL other than Melco Leisure and Entertainment Group Limited (the “**Offeror**”), Melco (Nominees) Limited and Melco Services Limited and any other persons acting in concert with the Offeror (the “**Independent Shareholders**”) are eligible for voting at the Court Meeting.

NOTICE OF COURT MEETING

The above-mentioned Independent Shareholders may vote in person at the Court Meeting or they may appoint one or more proxies, whether a member of AREL or not, to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with this Scheme Document.

In the case of joint holders, the vote of the most senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of AREL in respect of the relevant joint holding.

It is requested that forms appointing proxies, must either be signed by the shareholder of AREL appointing the proxy, or accompanied by written evidence to the satisfaction of directors of AREL of the authority of the person who executed the appointment to execute it on behalf of the shareholder of AREL appointing the proxy, and be lodged, by hand or by post, with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong not less than forty-eight (48) hours before the time appointed for the Court Meeting or any adjournment thereof. If forms appointing proxies are not so lodged, they may be returned by facsimile at (852) 3162 3579 (marked for the attention of “the Company Secretary”) up to the time of the Court Meeting or they may be handed to the chairman of the Court Meeting at the Court Meeting.

Completion and return of the form of proxy will not preclude an Independent Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof. In the event that an Independent Shareholder attends and votes at the Court Meeting or any adjournment thereof after having lodged his/her form of proxy, his/her form of proxy shall be deemed to be revoked by operation of law.

For the purpose of determining the entitlement to attend and vote at the Court Meeting, the register of members of AREL will be closed from Thursday, 5 September 2019 to Thursday, 12 September 2019, both days inclusive, and during such period, no transfer of AREL Shares will be effected. In order to qualify to vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company Secretary of AREL as stated above no later than 4:30 p.m. (Hong Kong time) on Wednesday, 4 September 2019.

By the Order, the Court has appointed Leung Hoi Wai, Vincent, a director of AREL or, failing him, any other person who is a director of AREL as at the date of the Order to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the outcome thereof to the Court.

NOTICE OF COURT MEETING

The Scheme will be subject to the subsequent approval of the Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated 19 August 2019.

Gibson, Dunn & Crutcher
Solicitors
32/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Solicitors for
Aberdeen Restaurant Enterprises Limited

As at the date of this notice, the directors of AREL are:

Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Leung Hoi Wai, Vincent

NOTICE OF EGM



珍寶王國

JUMBO KINGDOM™

Aberdeen Restaurant Enterprises Limited

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Aberdeen Restaurant Enterprises Limited (“AREL”) will be held at the Jumbo Floating Restaurant, Shum Wan Pier Drive, Wong Chuk Hang, Aberdeen, Hong Kong on Thursday, 12 September 2019, at 2:30 p.m. (or as soon thereafter as the Court Meeting (as defined in the Scheme Document hereinafter mentioned) convened at the direction of the High Court of the Hong Kong Special Administrative Region for the same day and place shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT:

- (A) the proposed scheme of arrangement dated 19 August 2019 (the “**Scheme**”) between AREL and the holders of the Scheme Shares (as defined in the Scheme) in the form of the print thereof contained in the scheme document dated 19 August 2019 (the “**Scheme Document**”), which has been produced to this Meeting and for the purpose of identification signed by the chairman of this Meeting, or in such other form and on such terms and conditions as may be approved by the Court, be and is hereby approved;
- (B) for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):
 - (i) the issued share capital of AREL be reduced by cancelling and extinguishing the Scheme Shares (the “**Capital Reduction**”);
 - (ii) subject to and forthwith upon the Capital Reduction taking effect, the issued share capital of AREL be increased to its former amount by the allotment and issuance to Melco Leisure and Entertainment Group Limited (the “**Offeror**”) of such number of new Class A AREL Shares (as defined in the Scheme) and Class B AREL Shares (as defined in the Scheme) as are equal to the respective numbers of Class A AREL Shares and Class B AREL Shares cancelled and extinguished;
 - (iii) AREL shall apply the credit amount arising in its books of account as a result of the Capital Reduction in paying up in full (applying the credit amount equally among all the new AREL Shares to be issued, on a pro rata basis) the new Class A AREL Shares and Class B AREL Shares to be allotted and issued as aforesaid, credited as fully paid, to the Offeror, and the directors of AREL (“**AREL Directors**”) be and are hereby authorised to allot and issue the same accordingly; and

NOTICE OF EGM

- (C) the AREL Directors be and are hereby authorised to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modifications of, or additions to, the Scheme, which the Court may see fit to impose and to do all other acts and things as considered by them to be necessary or desirable in connection with the implementation of the Scheme and the Proposal (as defined in the document of which the notice of this resolution forms part).”

By Order of the Board
Aberdeen Restaurant Enterprises Limited
Leung Hoi Wai, Vincent
Company Secretary

Hong Kong, 19 August 2019

Registered office:

38th Floor
The Centrium
60 Wyndham Street
Central, Hong Kong

As at the date of this notice, the AREL Directors are:

Mr. Evan Andrew Winkler
Mr. Chung Yuk Man, Clarence
Mr. Leung Hoi Wai, Vincent

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. At the EGM, the chairman of the EGM will put forward the above resolution to be voted on by way of poll.
3. A **white** form of proxy for use at the EGM is enclosed herewith.
4. A member of AREL entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him/her. A member who is the holder of two or more AREL Shares (as defined in the Scheme) may appoint more than one proxy to attend on the same occasion. If more than one proxy is appointed, the number of AREL Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy. A proxy need not be a member of AREL.
5. In order to be valid, the **white** form of proxy must either be signed by the shareholder of AREL appointing the proxy, or accompanied by written evidence to the satisfaction of AREL Directors of the authority of the person who executed the appointment to execute it on behalf of the shareholder of AREL appointing the proxy, and be lodged, by hand or by post, with the Company Secretary of AREL, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof.
6. Completion and return of the **white** form of proxy shall not preclude a member from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF EGM

7. Where there are joint holders of any share in AREL, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM personally or by proxy, only the vote of that one of the said persons so present whose name stands first on the register of members of AREL in respect of such share may be counted.
8. For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of AREL will be closed from Thursday, 5 September 2019 to Thursday, 12 September 2019, both days inclusive, and during such period, no transfer of AREL Shares will be effected. In order to qualify to vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company Secretary of AREL as stated above no later than 4:30 p.m. (Hong Kong time) on Wednesday, 4 September 2019.
9. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be postponed. AREL Shareholders will be notified of the date, time and venue of the rescheduled meetings in accordance with the articles of association of AREL and an announcement will be published on the respective websites of the Securities and Futures Commission and Melco International Development Limited.
10. In case of any inconsistency, the English version of this notice shall prevail.