
SUMMARY

This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a full-service Chinese restaurant chain operator in Hong Kong specialising in the provision of one-stop Chinese wedding banquet services. According to the Euromonitor Report, we are a Chinese wedding banquet specialist and one of the top three players in the wedding banquet market in Hong Kong (including all full-service restaurants, hotels and club houses), in terms of market share by number of wedding banquets, for three consecutive years from 2010 to 2012. Our revenue for the two years ended 31 December 2012 and the seven months ended 31 July 2013 was approximately HK\$259.1 million, HK\$304.2 million and HK\$189.1 million, respectively.

Our success in the local restaurant industry sector is reflected by the awards we have received, including the Hong Kong Top Service Brand (香港服務名牌) since 2012, the Hong Kong Emerging Service Brand (香港新星服務品牌) in 2011 and the Gold with Distinction Award in the dim sum category of the Best of the Best Culinary Awards in 2011 (2011美食之最大賞 — 點心組 — 至高榮譽金獎). We strive to become a premier Chinese restaurant chain operator offering full-service wedding planning capabilities.

OUR BUSINESS

Our business can be classified into two major categories.

Restaurant operations

Our restaurant business in Hong Kong has been, and is expected to continue to be, our principal source of revenue. During the Track Record Period, a large part of our revenue was contributed by revenue from our provision of dining services. For a breakdown of revenue by business category during the Track Record Period, see “— Revenue and operating margin by business category”. We recognise that banquet operations generally generate a higher operating margin than traditional Chinese dining operations, based on the Euromonitor Report. With the number of wedding banquet guests, food choices and required facilities being agreed well ahead of time of service, banquet operators can control the procurement and human resources functions more efficiently. As such, we place great emphasis on promoting our wedding banquet services. As at the Latest Practicable Date, we operated eight full-service Chinese restaurants providing dining and wedding banquet services under our “U Banquet (譽宴)” brand and “Hot Pot Cuisine (涮得棧)” brand. We generally offer Cantonese dishes. As at the Latest Practicable Date, all our seven “U Banquet (譽宴)” branded restaurants were wedding banquet-focused restaurants while Hot Pot Cuisine Restaurant was a non-wedding banquet-focused restaurant. All restaurants we currently operate are located in prime locations in Hong Kong. During the Track Record Period, we also operated U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), which were discontinued in April 2013.

We position ourselves entirely different from traditional, single service-focused Chinese restaurants in Hong Kong. We promote our business based on the quality, budgeting and timing requirements of our target customers. For our dining services, we aim to attract customers with preference for fresh and tasty dishes, quality servicing standards and modernly designed restaurant venues. For wedding banquet services, we target customers with specific standards and needs for one-stop solutions for venue design and decoration, banquet dishes and wedding services. We believe that our one-of-a-kind restaurant decorations, such as a passenger-carrying pumpkin-shaped cart that moves along a built-in rail track and a 50 feet long aquarium containing tropical fish and corals, which have been well-received among the locals, help to attract our target customers.

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Wedding Services

Having seen the success of our Chinese wedding banquet services and recognising the needs for one-stop wedding solutions in the market, we started to provide Wedding Services under our “*U Weddings*” brand in 2010 and we offer different wedding packages. We operate two wedding shops to provide sales and rentals of wedding attire and accessories, hair and makeup services and photography and video services. For other Wedding Services listed on our wedding packages, we source them from third-party vendors and manage them for our customers. We do not enter into long term contracts with the third-party vendors.

Raw materials and suppliers

Food ingredient constitutes the main portion of our raw materials. We had experienced high fluctuations in the prices of our major food ingredients during the Track Record Period, which are mainly attributable to fluctuations in market prices. We have developed a stable procurement network through years of operation in the restaurant industry. Our major suppliers are all local suppliers. Except for large banquets and purchases of ancillary equipment, each of our restaurants makes purchases separately and generally on a daily basis according to individual needs without any centralised procurement. This helps to enhance operational flexibility and our control in pricing, and ensure freshness of food ingredients. We set prices with our suppliers on a monthly basis and each of our restaurants must follow the uniform set prices when placing orders. We do not enter into long-term contracts with our suppliers and we are not subject to specific contractual minimum purchase requirements or pricing mechanism. This helps to provide flexibility in pricing and in controlling our inventory levels.

Restaurant expansion strategy

We consider the location of our restaurants to be a crucial factor in determining our long-term growth and future success. We follow a site selection strategy and consider target customer base, accessibility, divisibility, site structure and size, etc. in selecting a potential restaurant location. We plan to open one more new restaurant in November 2013 in Causeway Bay, the lease agreement for which was entered into in October 2013, and one new restaurant in each of 2014 and 2015 which are expected to be located in Kowloon. We strive to continue to expand our restaurant portfolio to gain more market share and to promote our brand image.

MARKET POSITION AND COMPETITIVE LANDSCAPE

We operate in a highly competitive industry in Hong Kong. According to the Euromonitor Report, there were a total of 4,781 Chinese full-service restaurants in Hong Kong in 2012, among which 734 were chained restaurants. In the local banquet operations market, the top five players accounted for approximately 12.6% of market share based on the total number of banquets held in 2012, all of them being restaurant chain operators, according to the Euromonitor Report. Key market entrance barriers for the wedding banquet industry identified in the Euromonitor Report include significant capital outlay, difficulties in renting suitable restaurant sites and the lack of catering experience. Going forward, it is expected that the boost of tourism and the demands for higher-end food and higher quality services will bring positive impact on the restaurant industry. However, restaurant operators will face cost pressures from continued increase in labour and rental costs. We consider that we are in a prominent position in the local Chinese restaurant market compared with most of our competitors, as we offer one-stop wedding solutions to customers favouring Chinese wedding banquet services.

COMPETITIVE STRENGTHS

We believe our competitive strengths are: (i) our innovative business and management approach in the wedding banquet industry; (ii) high standards of quality control in all food service processes; and (iii) our strong and experienced senior management team.

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SUMMARY OF FINANCIAL INFORMATION

The following table is a summary of the combined results of our Group during the Track Record Period, which has been extracted from, and should be read in conjunction with, the Accountant's Report as set out in Appendix I to this prospectus.

Highlight of combined statements of comprehensive income

	Year ended 31 December		Seven months ended 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Revenue	259,073	304,164	189,076
Operating (loss)/profit	(3,152)	29,234	5,129
(Loss)/profit for the year/period attributable to the owners of our Company	(2,878)	22,231	1,012

Highlight of combined balance sheets

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Current assets	38,165	68,464	73,870
Non-current assets	52,734	50,349	89,595
Current liabilities	62,596	70,921	91,557
Non-current liabilities	15,328	11,303	13,178
Net current liabilities	(24,431)	(2,457)	(17,687)
Total assets less current liabilities	28,303	47,892	71,908

Our revenue increased by approximately 17.4% for the year ended 31 December 2012 compared to the year ended 31 December 2011. Such increase was mainly attributable to (i) the increase in revenue generated from our restaurant operations as a result of the increase in number of diners due to our marketing efforts to promote our “*U Banquet (譽宴)*” brand since January 2011; and (ii) upward adjustment of the prices of our wedding banquet menus in 2011. Therefore, the revenue we recognised from wedding banquets increased in 2012. We turned around to record a net profit of approximately HK\$22.2 million attributable to the owners of our Company for the year ended 31 December 2012, mainly because our cost of material consumed remained stable despite increase in revenue due to the following reasons: (i) the changes of dishes in our menus; (ii) the ability to source lower-priced food ingredients; and (iii) the price fluctuation in some of our frequently used food ingredients. Our revenue increased to approximately HK\$189.1 million for the seven months ended 31 July 2013 from approximately HK\$163.0 million for the seven months ended 31 July 2012. For the seven months ended 31 July 2012 and 2013, we recorded net profit of approximately HK\$5.1 million and HK\$1.0 million attributable to the owners of our Company, respectively. For the seven months ended 31 July 2013, we incurred non-recurring professional fee in relation to the Listing of approximately HK\$5.7 million. Excluding the professional fee in relation to the Listing, we would have recorded net profit of approximately HK\$6.7 million attributable to the owners of our Company.

As at 31 December 2011 and 2012, and 31 July 2013, we recorded net current liabilities of approximately HK\$24.4 million, HK\$2.5 million and HK\$17.7 million, respectively, which were mainly because part of our non-current assets were funded by our cash and cash equivalents, most of which were received from our operation of restaurants including the deposits received from customers, and proceeds from bank borrowings, being regarded as our current liabilities. For the risks associated with our net current liabilities, see “Risk Factors — Risks relating to our business — We experienced net current liabilities during the Track Record Period.” (page 35).

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REVENUE AND OPERATING MARGIN BY BUSINESS CATEGORY

The following table sets forth the breakdown of our revenue and operating margin by business category during the Track Record Period.

	Year ended 31 December			Seven months ended 31 July		
	2011		2012		2013	
	Revenue	% of Operating	Revenue	% of Operating	Revenue	% of Operating
	HK\$'000	total revenue	HK\$'000	total revenue	HK\$'000	total revenue
		margin %		margin %		margin %
		(Note 3)		(Note 3)		(Note 3)
Operation of restaurants						
— dining (Note 1)	159,384	61.5	191,854	63.1	129,292	68.3
— wedding banquet	96,092	37.1	105,530	34.7	52,659	27.9
Sub-total	255,476	98.6	297,384	97.8	181,951	96.2
Provision of						
Wedding Services (Note 2)	3,597	1.4	6,202	2.0	(10.6)	1.8
Sales of goods	—	—	578	0.2	3,782	2.0
Total	259,073	100.0	304,164	100.0	189,076	100.0

Notes:

- Our calculation has included the revenue generated from U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) and the sale of take-away food and pre-packaged food for off-premises consumption during the Track Record Period.
- These Wedding Services are provided by U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio).
- The operating margin was calculated by deducting the cost of materials consumed, cost of inventories sold, employee benefits expense, depreciation, operating lease payments and utilities expenses from the revenue respectively attributable to relevant business category. We are unable to breakdown the operating margin of dining services and wedding banquet services because we cannot allocate the operating costs between these two types of services.

The operating margin of our restaurant operation increased from approximately 17.5% for the year ended 31 December 2011 to approximately 27.6% for the year ended 31 December 2012 mainly because our cost of material consumed remained stable in 2012 despite increase in revenue. We recorded operating loss for the provision of Wedding Services for the year ended 31 December 2012 mainly because we opened U Weddings (Wedding Photography Studio) in 2012, which increased our operating lease payment. The operating margin for the provision of Wedding Services improved to approximately 10.5% for the seven months ended 31 July 2013 mainly because we terminated the lease for a retail shop in December 2012, which lowered our operating lease payment in 2013. The operating margin of the sales of goods segment improved from approximately 24.0% for the year ended 31 December 2012 to approximately 28.5% for the seven months ended 31 July 2013 mainly because we incurred some initial set up costs in 2012. Going forward, we intend to continue the sale of fresh vegetables and fruits and fresh seafood to broaden our revenue stream but we expect that our restaurant operation will remain our core business.

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KEY OPERATIONAL DATA OF OUR RESTAURANTS

The following table sets forth the seat turnover rate, average spending per customer and average daily revenue generated by each restaurant we operated during the Track Record Period.

	Year ended 31 December			Year ended 31 December				Seven months ended 31 July		Year ended 31 December			Seven months ended 31 July	
	2011	2012	2013	2011	2012		2013	2011	2012	2013	2011	2012	2013	
	Seat turnover rate (Note 4)			Average spending per customer						Average daily revenue				
	Times	Times	Times	Dining customer	Wedding banquet customer	Dining customer	Wedding banquet customer	Dining customer	Wedding banquet customer	HK\$	HK\$	HK\$		
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) (Note 1)	2.85	3.44	3.38	74	480	72	489	78	499	183,807	217,449	202,948		
U Banquet (Tsim Sha Tsui)	2.79	3.54	3.75	69	510	70	534	72	535	76,983	86,446	92,060		
U Banquet (Kwun Tong)	4.14	4.96	4.98	76	502	79	502	86	521	111,830	136,488	137,714		
U Banquet (Causeway Bay)	2.68	3.44	3.54	80	515	85	546	90	551	126,290	147,262	155,970		
U Banquet (North Point)	3.43	3.03	2.86	64	398	73	403	72	—	125,477	126,454	113,004		
U Banquet (Wan Chai) (Note 2)	4.25	6.42	7.02	76	478	71	473	75	476	54,165	77,136	88,243		
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant (Note 3)	—	—	2.84	—	—	—	—	65	407	—	—	202,251		

Notes:

- During the Track Record Period, financial information of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were accounted for as one restaurant.
- The above table excludes information in relation to Choi Fook Club (Wan Chai) as Choi Fook Club (Wan Chai) mainly operated as a club offering food and beverage services and mahjong entertainment facilities.
- During the Track Record Period, financial information of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were accounted for as one restaurant.
- Our seat turnover rate was calculated by dividing the total number of diners (including wedding banquet diners) by the total number of seats available for regular dining service in the relevant restaurant then divided by the total number of operation days for the relevant period, which is 365 or 212 days. The total number of operation days for U Banquet (Wan Chai), U Banquet (North Point), and U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant for the seven months ended 31 July 2013 was 120, 202 and 104, respectively.

For details of changes in our seat turnover rates, average spending by customer and average daily revenue of our restaurants, see “Financial Information — Discussion and analysis of our financial condition and operations — Revenue — Operating performance by restaurant” (pages 187 to 189).

KEY FINANCIAL RATIOS

Set out below is the summary of the key financial ratios of our Group during the Track Record Period.

	As at 31 December		As at 31 July
	2011	2012	2013
Current ratio	0.6	1.0	0.8
Gearing ratio	81.3%	15.4%	25.4%
	Year ended 31 December		Seven months ended 31 July
	2011	2012	2013
Net profit margin	N/A	7.3%	0.5%
Operating margin	N/A	9.6%	2.7%
Return on total assets	N/A	18.7%	N/A

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RECENT DEVELOPMENTS AND FINANCIAL PERFORMANCE AND POSITION AFTER THE TRACK RECORD PERIOD

The Chinese restaurant industry in Hong Kong remained stable after the Track Record Period. We did not experience any significant drop in revenue or a sharp increase in cost of operation up to 31 October 2013 as there were no changes to our general business model and economic environment. Based on our unaudited management accounts for the three months ended 31 October 2013, we experienced an increase in revenue of approximately 16.0% as compared with that for the corresponding period in 2012. Revenue from our restaurant operations continued to be our major source of revenue, accounted for approximately 96.8% of our total revenue for the period. For the three months ended 31 October 2013, we recognised approximately HK\$34.7 million of revenue from the provision of wedding and non-wedding banquet services. As at 31 October 2013, there were outstanding agreements in relation to our wedding and non-wedding banquet services with total contract sum of approximately HK\$91.1 million, for which we have recognised deposits received of approximately HK\$38.1 million as at 31 October 2013.

Prospective investors should note that our financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for the year ending 31 December 2013 and may be subject to adjustments based on the audit.

Our financial performance for the year ending 31 December 2013 is expected to be adversely affected by, among others, the estimated professional fee in relation to the Listing, the nature of which is non-recurrent. The total professional fee in relation to the Listing to be borne by our Company is estimated to be approximately HK\$22.9 million (assuming a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range), of which approximately HK\$5.9 million is directly attributable to the issue of New Shares to the public and is to be accounted for as a deduction from equity. The remaining HK\$17.0 million is expected to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2013. No professional fee in relation to the Listing has been incurred and recognised prior to 2013. Approximately HK\$5.7 million has been charged to our combined statement of comprehensive income for the seven months ended 31 July 2013. It is noted that the professional fee in relation to the Listing above is a current estimate for reference only and the actual amount to be recognised in our consolidated financial statements for the year ending 31 December 2013 is subject to any adjustments based on the audit and changes in variables and assumptions.

Besides, our employee benefits expense (including remuneration of Directors and senior management) is expected to increase after Listing mainly due to the opening of new restaurants, increased salary level of our executive Directors and payment of director fees to our independent non-executive Directors. We also expect the rental costs for the current locations of our restaurants and shop outlets to continue to increase in the future, as all of them are in prime locations in Hong Kong, which is expected to affect our financial performance after Listing. The continuous expansion of our restaurant network will also increase our rental costs in the future.

Furthermore, Choi Fook Holdings allotted and issued 75,000 new shares, which were entirely exchanged into our Shares on 19 November 2013, to the Minority Shareholder for a consideration of HK\$75,000. The issue of shares constitutes share-based payment according to HKFRSs. It is estimated that approximately HK\$3.8 million will be charged to our Group's consolidated statement of comprehensive income for each of the five full financial years after the Listing in connection with such share-based payment. In view of the above, we anticipate that our net profit margin and net profit for the five years ending 31 December 2018 will be adversely affected.

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Based on our unaudited management accounts, we recorded net current liabilities of approximately HK\$51.8 million as at 31 October 2013 compared with approximately HK\$17.7 million as at 31 July 2013. The increase in net current liabilities was due to the decrease in our current assets mainly as a result of the payment of dividend by our Group to its shareholders in September and October 2013 of approximately HK\$37.8 million, which were partly settled by offsetting certain amounts due from our Directors, and the increase in our current liabilities partly as a result of the declaration of dividend (recognised as dividend payable) by our Group to its shareholders in October 2013 of approximately HK\$6.2 million.

MATERIAL ADVERSE CHANGE

The impact of the professional fee in relation to the Listing on our combined statement of comprehensive income, together with the financial impact of the payment of dividend by our Group subsequent to the Track Record Period, the expected increase in employee benefits expenses and rental costs and the recognition of share-based payment expense, have posted material adverse changes in the financial or trading position or prospect of our Group since 31 July 2013, being the date to which the latest audited financial statements of our Group were made up. Prospective investors should be aware of the impact of the professional fee in relation to the Listing on the financial performance of our Group for the year ending 31 December 2013.

Save as disclosed above, our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 July 2013, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 July 2013 which would materially affect the information shown in the Accountant's Report.

FUTURE PLANS AND USE OF PROCEEDS

Future plans

We intend to expand our business and create value for our Shareholders by (i) opening more restaurants; (ii) refurbishing our existing restaurants; (iii) strengthening our marketing efforts; and (iv) continuing to strengthen our quality control standard. Our Directors expect the implementation of future plans could be sufficiently funded by net proceeds from the placing of New Shares, as detailed below, as well as cashflow to be generated from our Group's operation, from time to time, or through external financing where our Directors consider necessary and appropriate. As a significant portion of the net proceeds from the placing of New Shares is planned for the opening of more restaurants, our operating cost, such as depreciation and operating lease expenses, may increase in the future. Except for the above, our Directors do not anticipate any other significant financial impact which would arise from the implementation of our future plan. See "Future Plans and Use of Proceeds — Implementation plan" for details (pages 220 to 221).

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Use of proceeds

We estimate that the net proceeds from the placing of New Shares, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of HK\$22.9 million, will be approximately HK\$32.1 million (assuming a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range). We estimate that U Banquet (Cheung's) will receive the net proceeds of approximately HK\$52.8 million from the sale of the Sale Shares after deducting the underwriting commission payable by U Banquet (Cheung's) of approximately HK\$2.2 million (assuming a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range). We intend to apply the net proceeds from the placing of New Shares as follows:

Plans:	Approximate % or amount of net proceeds	
	%	HK\$ million
• Open more restaurants	62.3	20.0
– one new restaurant in 2014	31.2	10.0
– one new restaurant in 2015	31.2	10.0
• Refurbish our existing restaurants	28.4	9.1
• Strengthen our marketing efforts	6.2	2.0
• Continue to strengthen our quality control standards	3.1	1.0

SHAREHOLDER INFORMATION

The history of our restaurant operations dates back to 2000. In 2011, we started consolidating all our then restaurants under our “U Banquet (譽宴)” brand under the leadership of Mr. Cheung KH, our chairman and chief executive officer and executive Director. He, together with Mr. Cheung KK, an executive Director and his brother, and other members of senior management, will continue to lead our Group in the future. Immediately after completion of the Capitalisation Issue and the Placing, Mr. Cheung KH and Mr. Cheung KK, through U Banquet (Cheung's) (which is owned as 58.5% by Mr. Cheung KH and 41.5% by Mr. Cheung KK), will own an aggregate of 68.9% interests in our Company. In May 2013, certain shares of Choi Fook Holdings were issued, which were entirely exchanged into our Shares on 19 November 2013 in return for the consultancy services to be rendered by the Minority Shareholder or its associates. Upon completion of the Capitalisation Issue and the Placing, the Minority Shareholder will hold approximately 6.1% interests in our Company. For details, see “History, Reorganisation and Corporate Structure — Minority Shareholder” (see pages 86 to 88) and “History, Reorganisation and Corporate Structure — Shareholding structure of our Group immediately before and after completion of the Reorganisation, the Placing and the Capitalisation Issue” (pages 89 to 92).

THE PLACING

The Placing comprises 50,000,000 New Shares conditionally offered for subscription by our Company and 50,000,000 Sale Shares conditionally offered for purchase by U Banquet (Cheung's). Each of our Controlling Shareholders has no current intention to alter his/its shareholding in our Company after the Capitalisation Issue and the Placing and has given non-disposal undertakings in respect of his/its shareholding to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules, details of which are set out in “Relationship with our Controlling Shareholders — Undertakings” (pages 171 to 172).

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STATISTICS OF THE PLACING

	Based on the Placing Price of HK\$1.00	Based on the Placing Price of HK\$1.20
Market capitalisation of our Shares (<i>Note 1</i>)	HK\$400 million	HK\$480 million
Pro forma net tangible assets per Share (<i>Note 2</i>)	HK\$0.18	HK\$0.21
Historical price-to-earnings multiple (<i>Note 3</i>)	18.0 times	21.6 times

Notes:

1. The calculation of the market capitalisation is based on 400,000,000 Shares expected to be in issue following completion of the Capitalisation Issue and the Placing but without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates to issue and repurchase Shares, respectively.
2. The unaudited pro forma adjusted net tangible asset value per Share has been prepared with reference to certain estimation and adjustment. See Appendix II to this prospectus for further details.
3. The calculation of the historical price-to-earnings multiple is based on the historical earnings per Share attributable to the owners of our Company for the year ended 31 December 2012, the respective Placing Prices of HK\$1.00 and HK\$1.20 per Placing Share and on the assumption that 400,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Capitalisation Issue and the Placing, had been in issue throughout the year.

RISK FACTORS — HIGHLIGHTS

Among the risks relating to investing in our Placing Shares, some risks are highlighted as follows:

- We may not successfully open and operate new restaurants and our failure in doing so would affect our future growth.
- The availability and price fluctuations of food ingredients may have an adverse effect on our business and financial performance.
- We may not secure renewal of our existing leases on commercially acceptable terms, or if at all.
- Any negative publicity or complaints on the quality of food or services could adversely impact our reputation, business and results of operations.
- We may not be able to renew, amend or transfer our licences or permits for operating our restaurants or obtain new licences for our new restaurants.

You should read “Risk Factors” carefully before you decide whether to invest in our Shares.

DIVIDEND

Subsequent to the Track Record Period and up to the Latest Practicable Date, Choi Fook Holdings, Great Business, Smart Award and General Corporation had declared dividends in aggregate of approximately HK\$44.0 million. As at the Latest Practicable Date, all dividends declared were settled and paid. The Shareholders who invest in our Shares upon or after the Listing will not be entitled to the aforesaid dividends. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

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HISTORICAL NON-COMPLIANCE INCIDENTS

Non-compliance relating to our Group's operation

We encountered certain licence-related non-compliance incidents in respect of some of our restaurants during the Track Record Period. The respective general restaurant licences of U Banquet (Tsim Sha Tsui), U Banquet (North Point), U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were not held by their respective operating companies. We have taken rectification steps and, as at the Latest Practicable Date, we obtained valid general restaurant licences for all our current restaurants held by their respective operating companies. In addition, during the Track Record Period, applications for the water pollution control licence were not made for U Banquet (Tsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Causeway Bay), U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Wai Chai) before commencing the discharge of trade effluents into specific water control zones. We have taken rectification steps and, as at Latest Practicable Date, we obtained valid water pollution control licences for all our current restaurants.

We have also encountered other non-compliance incidents including: (i) failing to furnish a profit tax return by two of our subsidiaries; (ii) failing to maintain certain areas in U Banquet (Tsim Sha Tsui) in good condition and free from obstruction on two occasions; (iii) objects found in areas in U Banquet (Kwun Tong) which may obstruct the means of escape on two occasions; (iv) objects found in areas in U Banquet (North Point) which may obstruct the means of escape on one occasion; (v) erection of signboard on the restaurant premises of U Banquet (North Point) on one occasion; and (vi) alteration of the layout plan of the restaurant premises of U Banquet (Causeway Bay) on one occasion.

Non-compliance relating to the Companies Ordinance

We have encountered non-compliance incidents with the Companies Ordinance by our subsidiaries including: (i) failing to obtain general mandate to allot shares by directors; (ii) failing to hold annual general meeting within the prescribed period; (iii) failing to give requisite notice for annual general meetings; (iv) failing to pass board resolutions to convene annual general meeting; (v) failing to lay accounts at annual general meetings or failing to lay accounts made up to a date not more than the prescribed period; (vi) failing to pass board resolutions to approve and authorise the signing of directors' reports; and (vii) late filings of statutory documents. The non-compliances in relation to sections 111 and 122 of the Companies Ordinance have been fully rectified when the Court of First Instance of the High Court of Hong Kong granted the relevant court orders pursuant to these sections, respectively. Save for the breach of section 57B of the Companies Ordinance by Choi Fook Seafood, which has been time-barred, all the above mentioned non-compliances have been fully rectified as at the Latest Practicable Date.

For details of the above non-compliance incidents, see "Business — Non-compliance" (pages 135 to 148). As at the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then or current directors of our subsidiaries, nor has any of them been subject to any fine relating to any of the above non-compliance incidents.

We have implemented specific internal control procedures to prevent reoccurrence of similar non-compliances in the future. For details, see "Business — Internal control" (pages 148 to 155).

Each of our Controlling Shareholders has given us an indemnity covering all such non-compliance incidents set out in "Business — Non-compliance". For details, see "Business — Non-compliance — Indemnity by Controlling Shareholders" (page 146).

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LEGAL PROCEEDING

As at the Latest Practicable Date, we were involved in one potential claim in relation to one work-related accident which may give rise to personal injury claims under common law and employees' compensation claims under the Employees' Compensation Ordinance. While we are unable to quantify the total amount of our liabilities, if any, at this stage, our Company's Legal Advisers have advised us that our liabilities in this case will be substantially covered by our insurance policy. Our Directors consider that the occurrence of personal injury claims and employees' compensation claims are not unusual in the restaurant industry. For details, see "Business — Legal proceeding" (pages 133 to 134).