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OVERVIEW

We are a full-service Chinese restaurant chain operator in Hong Kong specialising in the provision of one-stop Chinese wedding banquet services. We have various atmospheric, creatively-designed venues suitable for hosting wedding banquets and events. We are one of the top three Chinese wedding banquet specialists 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, according to the Euromonitor Report.

Our business can be classified into two major categories:

- operation of full-service Chinese restaurants including the provision of dining and wedding banquet services
- provision of Wedding Services

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. As at the Latest Practicable Date, we operated a total of eight restaurants, seven of which under our “*U Banquet* (譽宴)” brand and one of which under our “*Hot Pot Cuisine* (涮得棧)” brand. We open Hot Pot Cuisine Restaurant under our “*Hot Pot Cuisine* (涮得棧)” brand with the aim to diversify our offerings, attract more customers and broaden revenue streams. To provide one-stop wedding solutions to our customers, we offer Wedding Services through our U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) under our “*U Weddings*” brand.

Our success in the local restaurant industry sector is reflected by the awards we have received. Our “*U Banquet* (譽宴)” brand has been awarded the Hong Kong Top Service Brand (香港服務名牌) since 2012 and was awarded the Hong Kong Emerging Service Brand (香港新星服務品牌) in 2011 by the Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong. Our Group was also one of the three restaurants awarded the Gold with Distinction Award in the Dim Sum Category in the Best of the Best Culinary Awards 2011 (2011美食之最大賞 — 點心組 — 至高榮譽金獎), which was jointly organised by the Hong Kong Tourism Board and Hong Kong and China Gas Company, in 2011. We also won two other awards in the Best of the Best Culinary Awards 2011, being King of Shrimp Dumplings (2011美食之最大賞 — 蝦餃之王) and The Most Creative Dessert (2011美食之最大獎 — 甜品創意大賞), in 2011. According to the Euromonitor Report, The Best of the Best Culinary Awards has become Hong Kong’s biggest culinary competition and, by attaining the highest ranking in the competition, we have proven that we serve quality dim sum cuisine and are one of the top players in the Chinese food service industry. Further, most of our restaurants are accredited as EatSmart Restaurant (有「營」食肆). EatSmart Restaurant is an accreditation status granted by the Department of Health to restaurants that are committed to providing dishes in accordance with the nutrition benchmarks set by the Department of Health.

We position ourselves entirely different from traditional, single service-focused Chinese restaurants in Hong Kong. We target local customers in the young to middle aged working group and we promote our business based on the quality, budgeting and timescale requirements of such demographic group. For our dining services, we aim to attract customers with preferences for fresh and tasty Cantonese dishes and quality servicing standards in hygienic and modernly designed restaurant venues suitable for family and friends, gatherings and corporate functions. For wedding banquet services, we target customers with specific standards and expectations for venue design and decoration, banquet dishes and wedding services and we help them simplify and smoothen their wedding planning and preparation process by offering one-stop wedding solutions and the choices of creatively-designed venues as alternatives to traditional Chinese restaurants. We are experienced in creating one-of-a-kind decorations in full-service Chinese restaurant wedding venues, including a passenger-carrying pumpkin-shaped cart that moves along a built-in rail track and an 50 feet long aquarium containing tropical fish and corals, which have been well-received among the

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locals. We constantly keep abreast of current trends in wedding banquet styles to serve and attract customers requiring innovative and stylish wedding banquets. We will continue to identify attractive demographics and monitor the needs of target customer groups.

We believe that high product quality, service reliability and management of operations are key factors in business growth and sustainability. We employ a reliable management system to oversee daily restaurant operations and wedding banquet services, maintain quality control standards, monitor workforce performance and implement expansion strategies. Our senior management and the management at restaurant-level consist of members with solid experience in the Chinese restaurant and wedding service industry and who are familiar with different aspects of operations of these industries.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success and enabled us to compete effectively in the industries we operate in Hong Kong.

Innovative business and management approach in the wedding banquet industry

We adopt an innovative business approach and utilise modern management concepts specifically formulated to capture our target customers and to cater for the ever-changing needs of modern society.

One-stop wedding banquet capabilities

By providing a one-stop comprehensive wedding service, we are able to stand out against our competitors as a specialised wedding service provider which is able to meet all the needs of our customers, according to the Euromonitor Report. We operate a chain of full-service Chinese restaurants, houses an in-house wedding planning team and have venues specifically designed for hosting wedding banquets and other events. We offer a comprehensive range of Wedding Services, from wedding attire sales and rentals to marriage celebrant services. We have established ourselves as a pioneer in bringing hotel-quality banquet services into traditional Chinese restaurants which are laid out in western-style decorations, according to the Euromonitor Report. We believe that our ability to provide one-stop wedding solutions comparable to similar offerings of hotels at competitive prices to our customers sets us apart from other traditional Chinese restaurants in Hong Kong.

Modern management style

Our management style keeps up with modern developments in local wedding culture and mentalities. We gather feedback on our food and service quality levels and monitor staff performance by, among others, distributing comment cards to wedding banquet guests and implementing a service tip policy based on guest feedback, as we believe personal expression and engaging activities are effective in enhancing self-improvement and our public image. Most members of our wedding planning team have received formal wedding-related training offered by independent institutions. We require at least 60% of the total contract sum to be paid by our wedding banquet customers more than five to six weeks prior to the day of the wedding banquet to lower our financial risk in case of last-minute cancellations. We also exercise flexibility in our site selection strategy. For some of our restaurants, we locate suitable premises that allow us to operate two adjacent restaurants of different brands (i.e. U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant) or two restaurants on different floors of the same commercial building (i.e. U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)). This would enable us to expand our product offerings and generate more revenue in the area, allow our restaurants to share certain common supporting facilities and enable savings in staff costs and other operational expenses, which would increase our profitability strengths and overall operational efficiency.

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High standards of quality control in all food service processes

We have implemented a quality control system covering various aspects of our operations including food ingredient procurement, food preparation and meal service, maintaining hygiene and safety standards, customer service, and restaurant environment and staff training and monitoring.

Procurement

We maintain a list of suppliers approved by our senior management based on a set of selection criteria such as cost, reputation, service, agility, delivery efficiency, past performance and relationship with us. We have maintained long-term and solid relationships with most of our major suppliers. We only use trusted suppliers to ensure a reliable supply of raw materials and food ingredients in satisfactory quality and sufficient amounts, to enable us to identify the source of supply promptly and to enable us to enjoy bulk purchase discounts.

Food preparation and meal service

We do not use a central kitchen. As each of our restaurants has its own kitchen, we are able to closely monitor each step in the food preparation process, which helps to reduce the risk of outbreak of food-related problems and ensure timely delivery of freshly cooked food to customers. Such strategy also helps to reduce the risk of food contamination during transportation and lower transportation costs.

Customer service at all levels

Constant customer service improvement is a key focus of our business. We set individual requirements and standards for the job duties of different roles. In particular, we provide on-the-job training and distribute guidance materials to our floor staff in respect of service manner, hygiene standards and responsiveness in order to enhance customer service quality levels. We have established reporting lines and implemented accountability procedures to monitor staff performance. We hold regular meetings with our staff to ensure prompt communication. We have joined the mystery customer scheme organised by HKQAA since April 2012. Under the scheme, mystery customers from HKQAA visit and rate each of our restaurants on a monthly basis. We also have written complaint handling procedures in place to deal with customer complaints.

Restaurant environment

We strive to maintain high standards in keeping our restaurant environment, including our interior decorations and kitchen areas in proper state, in maintaining cleanliness standards and in ensuring our restaurants are safe for our business operations. To ensure restaurant premises meet our quality expectations, during the site selection process, our senior management will inspect the site carefully. For general upkeep, we provide on-the-job training to our staff from time to time and require them to ensure cleanliness levels of various parts of the premises are up to standards. We have assigned our restaurant managers (restaurant level) with the responsibility to monitor the dining environment regularly and provide immediate feedback to the floor staff. We engage professional cleaning companies to provide cleaning services.

Strong and experienced senior management team

We have a strong and experienced management team with extensive experience and knowledge of the restaurant and wedding banquet industry. We were founded by Mr. Cheung KH, our chairman, chief executive officer and executive Director and Mr. Cheung KK, an executive Director and the brother of Mr. Cheung KH. Since our establishment, Mr. Cheung KH and Mr. Cheung KK have led our management team. Mr. Cheung KH is an accomplished restaurateur with over 10 years of operating experience in the Chinese restaurant industry and specialises in the wedding banquet industry. Our head of food production (head office level) and head of dim sum division (head office

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level) both have acquired sound knowledge and in-depth understanding of Chinese cuisine over the years, including different food types and food ingredients, cooking methods and techniques, and traditional Chinese recipes. This also gives us a distinct competitive edge over our competitors as our senior management team is able to effectively maintain and enhance the goodwill and reputation with a particular emphasis on quality control. For details, see “Directors, Senior Management and Staff”.

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All our restaurants are full-service restaurants with sit-down environment offering a wide selection of Cantonese dishes, many of them made to order. Apart from food quality, we are specific in the decoration of the interiors of our restaurants, staff appearance, attention and serving manner as well as customer care as we would like to promote the ambiance of our restaurants. We do not provide food-counter service or self-serve service. We mainly provide regular dining services (meals offered throughout basically the entire day accompanied by table service to walk-in customers or customers with reservations, including banquets which are not wedding banquets) and wedding banquet services (meals offered in banquet-settings where reservations are generally made a year or more in advance).

Our dining services and food

We provided dining services by offering Cantonese cuisine through nine restaurants (including U Banquet (Wan Chai) which was closed in April 2013) during the Track Record Period. Our restaurants are generally open for business 10 hours every day for breakfast, lunch and tea and six hours for dinner all year round. All our restaurants we currently operate are located in prime locations in Hong Kong connected to public transportation systems, large shopping spots or other commercial or residential establishments which could attract heavy pedestrian flow and customer traffic. We offer the following food items in our restaurants.

Cantonese food and dim sum

All our restaurants under “U Banquet (譽宴)” have à la carte menus and set menus serving various kinds of Cantonese main dishes, barbeque main dishes and seafood main dishes, banquet or special event menus designed for celebratory events and special food or festival menus serving special food delicacy, festival or seasonal food items, such as the “lobster and seafood dinner set” and the “suckling pig dinner set”. All these restaurants offer dim sum during breakfast, lunch and tea hours throughout the year. We have received various awards for our dim sum dishes. For details, see “— Awards and certifications”.

Hot pot

Hot Pot Cuisine Restaurant offers a wide range of semi-processed food ingredients for boiling in hot pots. We offer different choices of soup base in various hot pot sizes and a broad selection of fresh seafood, vegetables, meat and other hot pot items for customers to mix and match according to their individual preferences. Our premium seafood selection includes high value seafood such as grouper and our premium beef selection includes hand-cut premium beef.

Take-away and pre-packaged food

We sell take-away and pre-packaged festive food to our customers for off-premises consumption during Chinese festive seasons, such as Chinese New Year cakes, glutinous steamed rice dumplings wrapped in leaves and moon cakes which are offered during Chinese New Year, Tuen Ng Festival and Mid-Autumn Festival, respectively. During the Track Record Period, we made our own Chinese New Year cakes in our restaurants and outsource the manufacturing of moon cakes to an Independent Third Party. For rice dumplings, we made them in our restaurants in 2011 and outsourced the manufacturing of them to the same Independent Third Party in 2012 and the seven

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months ended 31 July 2013. For the food products we make, we put them into take-away boxes we purchase for sale at our restaurants. For food products manufactured by the Independent Third Party, the Independent Third Party pre-packages and delivers them to our restaurants for sale. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, revenue generated from sale of take-away food were accounted as part of our Group's total revenue. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, revenue generated from sale of pre-packaged food amounted to approximately HK\$472,000, HK\$876,000 and HK\$873,000, respectively, representing approximately 0.18%, 0.29% and 0.46% of our total revenue for the same periods. We incurred approximately HK\$351,000, HK\$443,000 and HK\$382,000 in outsourcing expenses (including manufacturing and packaging costs) which were paid to Independent Third Parties for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively. We enter into written purchase orders with the said Independent Third Party for our orders of moon cakes and rice dumplings. These purchase orders provide basic terms including contract sum, payment manner, order quantities and delivery dates. To ensure the quality of the food products manufactured by the said Independent Third Party, we have reviewed its food production permit issued by the local PRC authority and the test reports on food samples issued by a long-established testing, inspection and certification organisation in Hong Kong.

Our wedding banquet services

We offer different set wedding banquet menus, each of which is designed to suit a 12-person banquet-style table. We offer various choices of traditional Cantonese banquet dishes on our wedding banquet menus. We may offer wedding cakes, alcohol beverages, pre-banquet snacks and an open tap of different beverages for the wedding guests in addition to our set menus on complimentary basis or we may require charges, depending on the total spending amount of our wedding banquet customers. Apart from food items, the menu charge is generally inclusive of an artificial multi-tiered wedding cake, a seat arrangement chart, a wedding day timeline, one-night hotel accommodation, basic venue decoration, stage, sound and lighting facilities, a projector, mahjong entertainment facilities, basic table flower arrangements, Chinese-style corsages and boutonnieres and a guestbook. Further, we also offer our wedding banquet customers discount coupons to purchase different Wedding Services (whether provided by our Group or third-party vendors) at their discretion. Our wedding banquet service agreement sets out clearly the type of discount coupons which are offered to our customers and stipulates that we are not liable for any disputes or claims between the customers and the third-party vendors. We will not be involved in the arrangement or payment matters between our wedding banquet customers and the relevant third-party vendors in relation to the services purchased by our wedding banquet customers with the discount coupons. We did not enter into any rebate or profit-sharing arrangement with third-party vendors for the provision of wedding banquet services during the Track Record Period.

To ensure the quality standards of our wedding banquet services and to differentiate ourselves from other Chinese restaurants in Hong Kong which also provide wedding banquet services, we have established an in-house wedding planning team consisting of 12 staff members as at the Latest Practicable Date to assist our customers to plan the entire wedding on a single site. We allocate staff members who have received formal wedding-related training offered by independent institutions to our wedding planning team and we sponsor some of our staff members to attend these training where we consider appropriate. A wedding planning team manager will, on a one-to-one basis, be assigned to guide our customers and to follow through the entire wedding process from planning and preparation to the hosting of the banquet. We believe that our in-house wedding planning team helps our customers manage time, costs and effort more efficiently.

Our Wedding Services

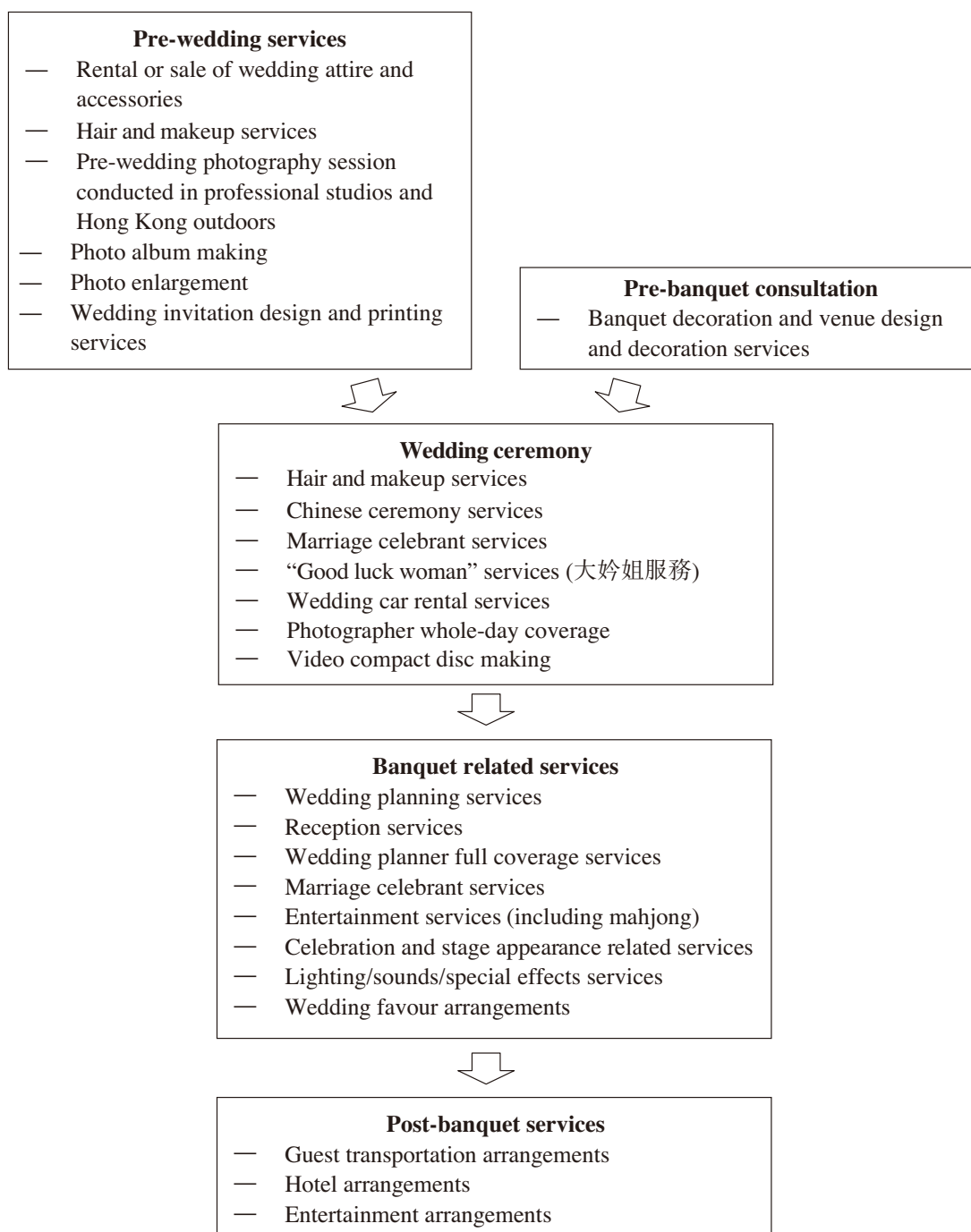
We offer different set wedding packages, each of which is designed to suit the different needs of wedding couples. We include a range of Wedding Services in our wedding packages. We provide wedding attire sales and rentals and hair and makeup services through U Weddings (Wedding Attire Shop) and photography and video services through U Weddings (Wedding Photography Studio). For

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other service items, we will source from the relevant vendors, liaise with them and attend progress meetings with our customers. We have entered into written purchase orders with some of these third-party vendors, for example, cake providers and wedding invitation providers, where the third-party vendors agree to provide goods or services to us at agreed prices at specified delivery times. Our wedding package customers will not be involved in the payment process with such third-party vendors.

Workflow

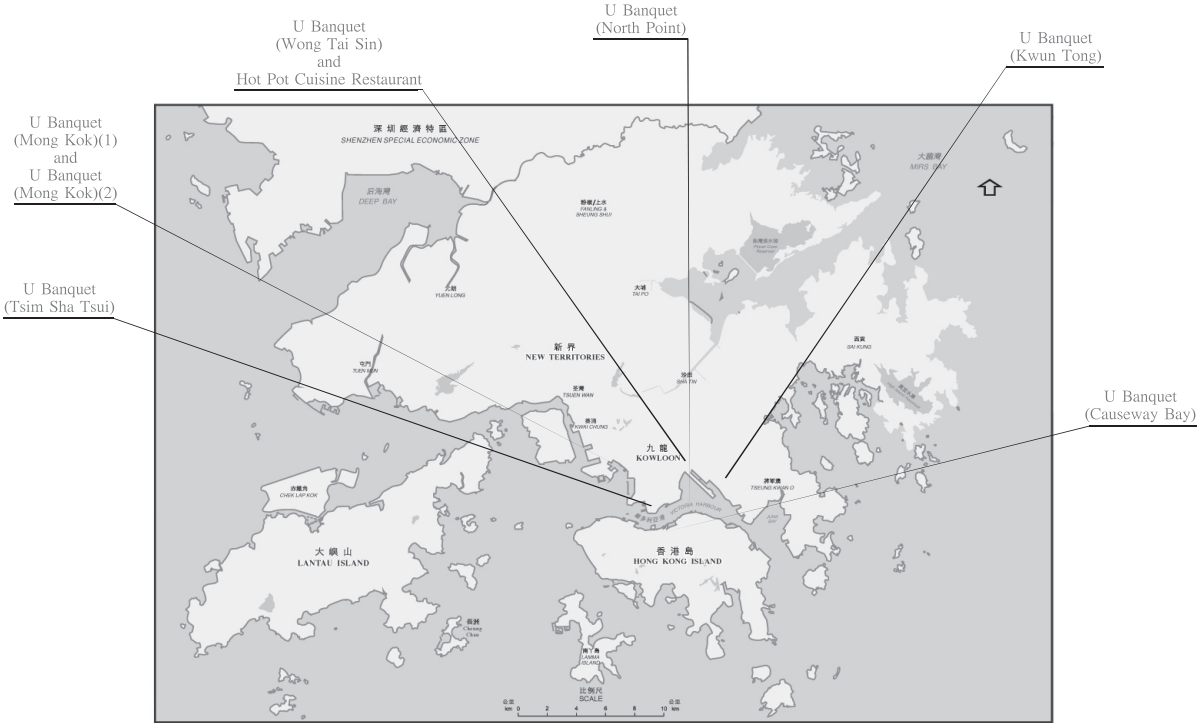
A workflow plan setting out examples of services usually required by our wedding package customers at various stages of a typical wedding process is demonstrated below.



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OUR RESTAURANTS

The following map shows the approximate locations of our Group’s restaurants as at the Latest Practicable Date.



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The following table sets forth the general information of each of our restaurants which we operated during the Track Record Period and the new restaurant expected to be opened in November 2013.

Name of restaurant	Brand	Location (district)	Date of commencement of operation	Approximate total gross floor area sq.m.	Maximum seating capacity (Note 1) (seat)	Year ended 31 December			Seven months ended 31 July 2013		Approximate rental expense (Note 16)					
						2011		2012	2011		2012		2011		2012	
						Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	Year ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2012	
1. U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2)	“U Banquet (饗宴)”	Mong Kok	26 April 2006	1,493.17 (Note 4)	756 (Note 5)	71,688 (Note 6)	439,104 (Note 6)	84,642 (Note 6)	531,400 (Note 6)	37,314 (Note 6)	314,711 (Note 6)	8,994 (Note 12)	8,994 (Note 12)	5,247 (Note 12)		
2. U Banquet (Tsim Sha Tsui)	“U Banquet (饗宴)”	Tsim Sha Tsui	25 May 2007	448.51	288	34,056	156,222	31,656	209,729	19,104	129,642	3,826	3,826	2,232		
3. U Banquet (Kwun Tong)	“U Banquet (饗宴)”	Kwun Tong	17 December 2009	752.93	396	26,328	361,637	31,020	433,960	13,482	257,988	4,934	4,934	2,878		
4. U Banquet (Causeway Bay)	“U Banquet (饗宴)”	Causeway Bay	10 September 2008	1,148.32	456	52,770	236,281	48,282	323,489	28,398	193,776	6,102	6,102	3,559		
5. U Banquet (North Point)	“U Banquet (饗宴)”	North Point	2004 (Note 7)	1,498.63	840	5,448	678,083	7,092	596,725	— (Note 11)	315,090	4,946	4,946	2,885		
6. U Banquet (Wan Chai) (Note 3)	“U Banquet (饗宴)”	Wan Chai	17 June 2010	535.91	240	3,684	238,200	5,250	360,428	1,884	129,501	4,070 (Note 13)	4,070 (Note 13)	1,696 (Note 13)		
7. U Banquet (Wong Tai Sin) and “Hot Pot Cuisine and Hot Pot Cuisine Restaurant” (潮得棧)	“U Banquet (饗宴) and “Hot Pot Cuisine (潮得棧)”	Wong Tai Sin	19 April 2013	2,979.91 (Note 8)	1,080 (Note 9)	—	—	—	—	690 (Note 10)	318,804 (Note 10)	—	—	3,557 (Note 14)		
8. New restaurant	“U Banquet (饗宴)”	Causeway Bay	Expected to be opened in November 2013	793.19	Expected to be 360	—	—	—	—	—	—	—	—	—		

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Notes:

1. Our maximum seating capacity takes into account the number of seats in our restaurants available for wedding banquet.
2. The approximate number of customer visits for wedding banquets is calculated by multiplying the number of 12-seat banquet-style tables based on records of advanced bookings by 12. The approximate number of customer visits for non-wedding banquets is arrived at by referring to records of tea charge per patron for our normal dining service.
3. Except for the information mentioned in Note 13 below, this table excludes Choi Fook Club (Wan Chai) as it mainly operated as a club offering food and beverage services and mahjong entertainment facilities.
4. The total area represents the total area of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) in approximate.
5. The number is an aggregate maximum seating capacity of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) in approximate.
6. The number represents the total number of customer visits for U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) in approximate.
7. We did not maintain record of the date of commencement of operation of this restaurant.
8. The total area represents the total area of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in approximate.
9. The number is an aggregate maximum seating capacity of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in approximate.
10. The number represents the total number of customer visits for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in approximate.
11. The number of customer visits for wedding banquets at U Banquet (North Point) was nil for the seven months ended 31 July 2013 as no wedding banquet service agreements were signed for wedding banquet services to be provided by such restaurant for the said period. This was mainly attributable to the restaurant being categorised as non-wedding banquet-focused restaurant before its renovation in June 2013.
12. The amount is the aggregate rental expenses of U Banquet (Mong Kok) (1) and U banquet (Mong Kok) (2) in approximate.
13. The amount is the aggregate rental expenses of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) in approximate.
14. The amount is the aggregate rental expenses of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in approximate.
15. The monthly rental expense of the new restaurant to be opened in Causeway Bay is expected to be approximately HK\$674,000. No rental expense was recognised during the Track Record Period since the lease agreement has not come into effect by then.
16. The rental expenses listed in this table do not add up to the operating lease payments disclosed in our Company's combined statements of comprehensive income contained in the Accountant's Report because the operating lease payments included rental expenses of our shop outlets and offices.

See "Financial Information — Discussion and analysis of our financial condition and operations — Revenue" for details of seat turnover rate, average spending per customer, average daily revenue and revenue from restaurant operation per sq.m by each restaurant.

The table below sets forth the historical breakeven periods and the average historical/expected payback period for each restaurant we operated during the Track Record Period.

	Breakeven period <i>Years</i> <i>(Note 1)</i>	Average payback period <i>Years</i> <i>(Note 2)</i>
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) <i>(Note 3)</i>	0.6	0.9
U Banquet (Tsim Sha Tsui)	0.6	2.5
U Banquet (Kwun Tong)	0.2	1.3
U Banquet (Causeway Bay)	1.2	2.6
U Banquet (North Point)	0.3	6.4
U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) <i>(Note 4)</i>	1.4	N/A
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant <i>(Note 5)</i>	0.3	3.2 <i>(Note 6)</i>

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Notes:

1. The historical breakeven period is the time required following commencement of operation that the relevant restaurant first record net profit.
2. The average payback period is the period it takes us to completely recoup our costs of investment. It is calculated by dividing the total capital expenditure amount incurred in relation to each restaurant by the respective average annual return, which in turn is calculated by dividing the operating cash flow by the number of days in the period between the commencement date of each restaurant and the end of the Track Record Period (i.e. 31 July 2013). The assumptions relied upon for the aforesaid calculation include but is not limited to:
 - (a) the capital expenditure amount incurred in relation to each restaurant is calculated with reference to the total amount incurred for plant, property and equipment for such restaurant at renovation stage of the restaurant before commencement date; and
 - (b) operating cash flow refers to the net cash flow derived from principal revenue producing activities during the period from the commencement date of each restaurant to 31 July 2013.
3. The historical breakeven period and average payback period were calculated by treating U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) as one restaurant.
4. We were unable to recoup our costs of investment for U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) before they ceased business mainly because their average annual return was lower than that of the other restaurants as a result of lower operating cash flow. The lower operating cash flow was mainly attributable to (i) the fact that U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), being opened in June 2010, had relatively short operating period and therefore, their operating cash flow from the commencement date to the date on which business operations ceased was relatively less than our other restaurants; (ii) the fact that our competitor located in the same building as U Banquet (Wan Chai) changed their marketing strategy to promote similar Cantonese dishes as we offer at lower prices and offering entertainment services which we do not offer; (iii) our management strategy to maintain our brand name integrity by promoting quality Cantonese dishes instead of adjusting menu prices to match our competitor's offerings; and (iv) the revenue of Choi Fook Club (Wan Chai) was relatively less than our other restaurants since it operated as a club only offering food and beverage services and mahjong entertainment facilities.
5. The historical breakeven period and expected average payback period were calculated by treating U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant as one restaurant.
6. The expected average payback period is calculated based on the expected operating cash flow from commencement of operation up to 31 December 2014.

Existing “U Banquet (饗宴)” restaurants

Each of our current seven “U Banquet (饗宴)” restaurants is designed with specific atmosphere and theme suitable for hosting wedding banquets and events. For instance, U Banquet (Tsim Sha Tsui) has a passenger-carrying pumpkin-shaped cart that moves along a built-in rail track which can carry the wedding couple for a ride to the stage of the banquet hall and to greet their guests along the way. U Banquet (Kwun Tong) has a 50 feet long aquarium containing tropical fish and corals installed as a featured wall. U Banquet (Causeway Bay) features a spiral marble staircase with crystal ceiling lamps and chandeliers. U Banquet (Wong Tai Sin) has two LED walls for use as stage backdrop to display animated graphics. All our “U Banquet (饗宴)” restaurants are equipped with laser lighting and sound facilities and bridal dressing rooms.

Hot Pot Cuisine Restaurant

It serves dim sum and other Cantonese dishes during breakfast, lunch and tea hours and hot pot meals in the evening. It has a touch screen menu and ordering system.

Wan Chai operations

During the Track Record Period, we operated U Banquet (Wan Chai) and Choi Fook Club (Wan Chai).

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U Banquet (Wan Chai)

U Banquet (Wan Chai) mainly provided dining services offering Cantonese cuisine. For the two years ended 31 December 2012, revenue generated from U Banquet (Wan Chai) was approximately HK\$19.8 million and HK\$28.2 million, respectively, representing approximately 7.6% and 9.3% of our total revenue, respectively, for the same periods. We closed U Banquet (Wan Chai) in April 2013 and revenue generated for the seven months ended 31 July 2013 was approximately HK\$10.6 million, representing approximately 5.6% of our total revenue for the said period.

Choi Fook Club (Wan Chai)

Choi Fook Club (Wan Chai) mainly operated as a club offering food and beverage services and mahjong entertainment facilities (including mahjong set, mahjong table and room). The club served customers who paid a small fee to become our members. The club was generally open 24 hours everyday. For the two years ended 31 December 2012, revenue generated from Choi Fook Club (Wan Chai) was approximately HK\$7.8 million and HK\$8.5 million, respectively, representing approximately 3.0% and 2.8% of our total revenue, respectively, for the same periods. We closed Choi Fook Club (Wan Chai) in April 2013 and revenue generated for the seven months ended 31 July 2013 was approximately HK\$2.7 million, representing approximately 1.4% of our total revenue for the said period.

In April 2013, we closed both U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) as the lease for these premises would expire in May 2013. We were not able to renew the leases as the landlord did not agree to the renewal. For the associated risks, see “Risk Factors — Risks relating to our business — We may not secure renewal of our existing leases on commercially acceptable terms, or if at all.”. Our Directors consider that the closing of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) had no material adverse impact on our financial performance and business operations as: (i) U Banquet (Wan Chai) was not located close to large public transportation system; (ii) operation of club business was not part of our core business; and (iii) we can re-allocate our resources to U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant which are opened at about the same time U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) were closed. Our Directors confirm that we have no current intention to be engaged in similar club operations.

As at the Latest Practicable Date, we completed the delivery of vacant possession of the premises of both U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) to the landlord. We incurred approximately HK\$652,000 as restoration expenses. Over 58% of our staff who worked in U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) were assigned to work in our other restaurants and the remaining left us, with a small number of staff members having been dismissed by us. Division heads of the siu mei division, dim sum division, kitchen division and floor division of U Banquet (Wan Chai) have remained with us.

SALES AND MARKETING

Sales

For a breakdown of our revenue by business category and by each restaurant, see “Financial Information — Discussion and analysis of our financial condition and operations — Revenue”.

For management and strategy implementation purpose, we group our restaurants into two categories based on the business focus of each restaurant: the wedding banquet-focused category and the non-wedding banquet-focused category. For the two years ended 31 December 2012, our wedding banquet-focused restaurants included U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Banquet (Causeway Bay), U Banquet (Tsim Sha Tsui) and U Banquet (Kwun Tong); and our non-wedding banquet-focused restaurants included U Banquet (North Point), U Banquet (Wan Chai)

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and Choi Fook Club (Wan Chai). For the seven months ended 31 July 2013, our wedding banquet-focused restaurants included U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Banquet (Causeway Bay), U Banquet (Tsim Sha Tsui), U Banquet (Kwun Tong) and U Banquet (Wong Tai Sin); and our non-wedding banquet-focused restaurants included U Banquet (North Point) and Hot Pot Cuisine Restaurant. We renovated U Banquet (North Point) in June 2013 and positioned it as a wedding banquet-focused restaurant since then.

The table below sets forth our average monthly revenue of the restaurants we operated during the Track Record Period by category of business focus for the periods indicated.

	Year ended 31 December		Seven months
	2011	2012	ended 31 July
	HK\$'000	HK\$'000	2013
			HK\$'000
Wedding banquet-focused restaurants			
— High season months (<i>Note 1</i>)	17,311	20,314	21,166
— Low season months (<i>Note 2</i>)	12,185	14,458	19,374
Non-wedding banquet-focused restaurants			
— High season months (<i>Note 1</i>)	6,501	7,165	7,470
— Low season months (<i>Note 2</i>)	5,573	6,548	4,637

Notes:

1. High season months cover January to March and September to December for the two years ended 31 December 2012 and cover January to March for the seven months ended 31 July 2013.
2. Low season months cover April to August for the two years ended 31 December 2012 and cover April to July for the seven months ended 31 July 2013.

Pricing policy

In determining prices of food and services, we take into account the costs of raw materials and food ingredients and provision of services, target operating profit margin, general market trends, seasonal factors, spending patterns and purchasing power of customers, location of our restaurants, customers' value perception, other restaurant expenses and costs (such as labour costs and utility expenses) and competition. During the Track Record Period, the prices of our wedding banquet menus were determined taken into account, among others, whether the wedding banquet would be held on a public holiday and whether the date would be an auspicious wedding date suitable for marriage on the Chinese lunar calendar. Although we offer discount coupons for different Wedding Services (whether provided by our Group or third-party vendors) to customers who purchase our wedding banquet menus, we will not take into account the types of discount coupons offered for use with third-party vendors when fixing the prices of wedding banquet menus, as customers may choose not to engage such services. The prices of our wedding packages are determined taken into account, among others, whether the services are provided in-house or by third-party vendors.

During the Track Record Period, we generally adopted standard à la carte menus with unified prices for our restaurants. We may charge different prices for certain food items, launch different price-related promotions and adjust our wedding banquet menu prices for different restaurants based on geographic patterns such as general consumer preference and customer spending power and dining environment of each particular restaurant.

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In order to promote wedding banquet sales during low seasons and to monitor the price fluctuation risk given that we enter into wedding banquet service agreements with our wedding banquet customers generally one year before the day of the wedding banquet, we have adopted the following pricing strategies:

- (i) we charge additional fee for wedding banquets to be held in specified extended period at the time of signing of the wedding banquet service agreements. For example, we charged 4.0% more on a lower-priced wedding banquet menu introduced in March 2011 if the wedding banquet is to be held during January to September 2012. Further, for all our wedding banquet menus introduced in September 2011, we charged 5.0% more if the wedding banquet is to be held after September 2013;
- (ii) for the year ended 31 December 2012, we updated prices of our wedding banquet menus twice. Depending on any sudden or unexpected increase in food ingredient costs or any other incidents, we may adjust the prices of our wedding banquet menus and/or the composition of food items in our wedding banquet menus anytime as we consider necessary. However, we do not change the menu/food ingredients or impose price changes on our existing customers who have already signed the wedding banquet service agreements with us, and we do not normally have price adjustment clauses in our wedding banquet service agreements. Price changes only affect new customers who have not signed and are yet to sign the wedding banquet service agreements with us. We introduced new sets of wedding banquet menus in September 2011 and March 2012. We also adjust offerings of discounts, complimentary services and food items, and other promotional items from time to time based on customer feedback, market trends and our costs;
- (iii) we may introduce special lower-priced wedding banquet menus from time to time depending on customer demand and sales trend, usually for use on days and in months which are relatively less popular for wedding banquets to be held, such as weekdays (excluding Fridays) and the months of April to August where it is considered inauspicious to get married as the Chinese qingming festival and ghost festival usually fall within these months. Such menus are also available to customers who wish to hold wedding banquets less than one year from the signing of the wedding banquet service agreements, as the risk of customers failing to keep reservation is less in the case of a shorter reservation-holding period, which in turn will allow us to estimate demand and capacity more accurately. For example, we introduced a special lower-priced wedding banquet menu in March 2011 for wedding banquets to be held only between April 2011 and December 2012. We aim to attract more customers and drive more sales with our special lower-priced wedding banquet menus; and
- (iv) we also introduced changes to the composition of food items in our wedding banquet menus introduced in 2012. For example, we replaced prawn with shrimp in one course, and crab claw with crab meat in another course. We also removed the rice and noodle courses from the menus and requested customer to pay extra if they choose to have these courses. By exercising flexibility in the composition of food instead of merely replacing high valued food items with low-valued food items or increasing food prices to a large extent, we aim to maintain customer confidence in our food offering, create an attractive price-value perception favoured by customers and improve our control on the risk relating to price fluctuation in food ingredients.

Settlement

Our customers who consume our regular dining services (including banquets which are not wedding banquets) can pay by cash, cheque, credit card or direct debit. Cheques and credit cards are commonly used by customers for payments for banquet events such as corporate dinners, birthday parties and other celebration dinners. Our wedding banquet customers can also pay by the same payment methods, but we generally do not accept payment by credit card within six weeks prior to the day of wedding banquet. Customers who purchase our Wedding Services settle their bills by cash, credit card or direct debit.

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The table below sets forth the breakdown of the revenue generated from our restaurant operation by type of settlement during the Track Record Period.

	Year ended 31 December		Seven months
	2011	2012	ended 31 July
	HK\$ '000	HK\$ '000	2013
			HK\$ '000
Cheque	27,259	9,647	5,672
Credit card and direct debit	138,654	179,550	108,521
Cash	89,563	108,187	67,758
Total	<u>255,476</u>	<u>297,384</u>	<u>181,951</u>

Cash management

As a restaurant chain operator, we pay critical attention to cash management, accountability and security. As many of our customers settle their bills by cash, our restaurants are required to handle a significant amount of cash on a daily basis. To avoid any misappropriation or illegal use of cash, we have implemented a cash management system with a set of cash handling and custody procedures that apply to all of our restaurants. We have also maintained insurance to cover money in direct transit by authorised personnel during business hours between designated areas and money whilst contained in insured premises during business hours and money secured in locked safe, drawer and cash register after business hours. Our cash management system focuses on the following areas.

Cash collection and record-keeping

Once an order is placed, our cashiers will input the order details in an intranet system through the cash register and we issue bills based on such records. Our cashiers need to use a designated password to access and alter records in the intranet system. We designate two or more senior head waiters or staff of a higher ranking (restaurant level) to handle daily cash payments. They need to write a unique, designated number on the bill before passing it together with the cash payment to our cashiers. Our cashiers will then input the amount of cash collected in the intranet system. Cash collected will be kept in a locked drawer at the cashiers' desk. Service tips received will be kept in a separate box which is also placed at the cashier's desk.

Cash reconciliation

Our cashiers and restaurant managers (restaurant level) are responsible for reconciling the day's cash sales records generated by the intranet system with the actual cash payments (including service tips) collected. Such reconciliation is conducted twice a day. Cash sales records and bills will be sent to our head office by express mail on the same day for records. During the Track Record Period, we did not encounter any incidents of cash reconciliation discrepancies causing us to incur material cash loss. As part of our internal control policies, in case of discrepancies in cash collection, our restaurant managers (restaurant level) would inform our head office and contact key senior management staff about such incidents. Once senior management has investigated into the reasons behind such incidents, they will decide whether or not to proceed with taking further legal actions and/or reporting such incidents to relevant authorities.

Cash safe-keeping

After each reconciliation, our cashiers, accompanied by our restaurant managers (restaurant level), will transfer the cash to our safes. Some of our safes are placed inside secured rooms which are only accessible by room keys kept by our restaurant managers (restaurant level) and are connected to a centralised security system. For safes that are not placed in the secured rooms, the safes themselves are connected to the said centralised security system. We only give the security password combination for the safes to our cashiers.

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Video surveillance

We have installed a CCTV system in all our restaurants which covers our cashiers' desk and the area where our safe is kept for monitoring the cash handling process.

Cash in transit

We have engaged a security company to collect the cash received from the previous day's operations in respect of each restaurant for deposit into our bank accounts on a daily basis. The security company gives us a warranty against any loss in cash which it has taken into physical possession, subject to the terms of our agreement with the security company. Our finance manager will check the amount of cash deposited against our cash sales records on a daily basis.

Staff training and monitoring policies

To avoid misappropriation or illegal uses of cash by our staff, we have implemented strict internal measures to maintain our books and records. Such measures include, among others, the segregation of duties between our cashiers and designated personnel. Any discrepancies of invoices with the ordering record or cancellation of invoices and food ordered would require the approval from key management staff at restaurant level. We have established internal control policies which include measures and procedures to prevent occurrence of theft, bribery and other misconduct involving our staff and/or customers. For example, it is provided in the staff manual and anti-fraud policy that our staff are not allowed to misappropriate or embezzle property or resources from the restaurant. We also organise annual anti-corruption seminar which is mandatory for our senior management and key staff members to attend. These seminars aim to equip our staff with knowledge on the consequences of corruption, moral governance and risk management. Our Directors consider such training are effective in preventing fraud since we only had experienced one minor incident of theft by our restaurant staff during the Track Record Period.

During Track Record Period, we had experienced an incident of theft by a restaurant staff which involved a small amount of cash. He was handed dollar bills in the amount of HK\$23,000 for obtaining spare change from bank but he never returned to the restaurant. We reported the incident to the police. We did not recover such amount as at the Latest Practicable Date. Since then, we have made changes to our cash handling policies to require the security company, instead of our staff, to handle all spare changes. Save as disclosed above, to the best of our knowledge, we did not encounter any material misappropriation or theft of cash by our staff, customers or other relevant third parties during the Track Record Period.

Credit card

For settlement via credit cards, we normally receive remittance from the relevant credit card companies, net of service charges, on the business day after the day on which the credit card transaction is approved or the next business day. Hence, we did not have any significant receivable from credit card companies as at 31 December 2011 and 2012, and 31 July 2013.

Contract terms

Wedding banquet service agreement

We enter into written service agreements with our wedding banquet customers generally one year before the day of the wedding banquet. The key terms of our wedding banquet service agreements include date of banquet, banquet venue, menu type, number of banquet-style tables, types of complimentary items, types of discount coupons for Wedding Services (whether provided by our Group or third-party vendors), total contract amount, payment terms, minimum charge, payment method and cancellation arrangement. We normally require a minimum charge for holding a wedding banquet in our restaurants under the service agreement and the amount of which ranges

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from HK\$150,000 to HK\$200,000. All payments made by customers will not be refundable once the agreement is signed, with exception to very few special circumstances, such as the passing away of one party. The choice of wedding banquet menu will be stipulated in the wedding banquet agreements. We allow our wedding banquet customers to upgrade to a higher-priced (but not a lower-priced) wedding banquet menu but they must confirm their choices of upgraded banquet menu at least six weeks prior to the day of the wedding banquet.

We require at least 60% of the total contract sum to be paid by our wedding banquet customers more than five to six weeks prior to the day of wedding banquet. We receive the remaining balance under the service agreements within six weeks prior to the day of wedding banquet. We accept payments in three or four instalments depending on the length of the period between the signing of the wedding banquet agreement and the day of wedding banquet. Customers are required to pay (i) the higher amount of HK\$1,000 per banquet-style table or 20% of the total amount payable under the service agreement, as deposit on the date of signing the service agreement; (ii) the higher amount of HK\$1,000 per banquet-style table or 20% of the total amount payable under the service agreement, within three to six months from the date of signing the service agreement (the “**Period A**”); (iii) the higher amount of HK\$1,000 per banquet-style table or 20% of the total amount payable under the service agreement more than five to six weeks prior to the day of wedding banquet (the “**Period B**”); and (iv) the remaining balance under the service agreement, within six weeks prior to the day of wedding banquet. In case of a shorter period between the signing of the wedding banquet agreement and the day of wedding banquet, the time of payment for the deposit and remaining balance will remain the same, but the time of payment for the second instalment may fall within both Period A and Period B.

We generally allow our customers to cancel the wedding banquets by serving no less than six months’ notice in advance. In the event of any special circumstances which result in postponement of wedding banquet or change of venue among our restaurants, we require our wedding banquet customers to give us no less than one month’s notice in advance. We do not allow any reduction to the agreed minimum contract amount in any event. It is stipulated in the service agreement that in the event that a wedding banquet is cancelled or delayed to a later date, customer must pay at least 60% of the total amount payable under the service agreement. We are entitled to forfeit all deposit payments and claim penalty payments for any cancellation which is not made in accordance with the terms of service agreements. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, we received approximately HK\$0.8 million, HK\$1.1 million and HK\$0.3 million, respectively, as forfeiture income relating to cancelled banquets. Our payment policy which requires full payment from our wedding banquet customers prior to the day of the wedding banquet helps us to lower financial risk associated with cancellation of wedding banquets.

Wedding package agreement

The key terms of our wedding package agreement include date of wedding, package type, prices, total contract amount, payment method and cancellation arrangement. All payments made by customers will not be refundable once the agreement is signed, with exception to very few special circumstances, such as the passing away of one party. For wedding attire rentals, we require our customers to be liable to any damages or loss. Our customers must confirm the exact services and products required within three months of the day of wedding. We also specify surcharges for various service items if they are required by our customers, including makeup trial service or if customers require specific staff for assistance.

We have not had any material dispute with any of our wedding banquet/wedding package customers since our establishment.

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Marketing

As at the Latest Practicable Date, our marketing department consisted of two staff members. Our marketing department is responsible for managing our marketing activities. During the Track Record Period, we also engaged an external marketing consultant, an Independent Third Party, to provide marketing and consultancy services and we paid the consultant a monthly service fee. Our marketing department works closely with the external marketing consultant to develop and implement our marketing strategies. We also hire public relation agencies to organise marketing campaigns. For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our total costs of engaging the external marketing consultant were approximately HK\$276,000, HK\$276,000 and HK\$161,000, respectively, representing approximately 0.7%, 0.6% and 0.4% of our total other expense, respectively, during the same periods. For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our marketing expenses (exclusive of the total costs of engaging the external marketing consultant) were approximately HK\$8.4 million, HK\$7.3 million, and HK\$4.3 million, respectively, representing approximately 20.1%, 15.4% and 11.0% of our total other expense, respectively, during the same periods. The followings are our key marketing strategies to promote our services.

- *Establishing an authority figure/image.* We deploy the marketing strategy of establishing an authority figure in our field. We label Mr. Cheung KH as “*wedding banquet guru* (婚宴達人)” in our marketing literature and other promotional activities and arrange him to attend interviews with public media, including ESDlife, one of the most popular wedding resources websites in Hong Kong and, according to the Euromonitor Report, having a penetration rate of 92% among engaged couples in 2012. In June 2012, ESDlife started featuring a page where Mr. Cheung KH shares helpful wedding tips and advice. We also market ourselves as “*new era wedding expert* (新世代婚宴專家)” to position our brand with our target customers.
- *Attending leading wedding exhibitions.* We participate in leading wedding exhibitions in Hong Kong, including Hong Kong Wedding and Overseas Wedding Expo and Hong Kong Wedding Banquet and Wedding Services Expo. We consider these wedding exhibitions an effective platform to market our services, promote our brand image and make new business contacts. For the two years ended 31 December 2012 and seven months ended 31 July 2013, the expenses incurred for wedding exhibitions for our wedding banquet and Wedding Services amounted to approximately HK\$2.1 million, HK\$2.6 million and HK\$1.2 million, respectively.
- *Congratulation messages on newspapers.* We advertise on a popular local newspaper to congratulate newly wedded couples after holding wedding banquets in our restaurants. We believe we are the only full-service Chinese restaurant chain operator in Hong Kong to adopt such advertising means.
- *Cross promotion.* We offer discount coupons to our wedding banquet customers to purchase our Wedding Services, and to our wedding service customers to purchase our wedding banquets.
- *Other advertisements and promotional activities.* We also conduct traditional marketing and promotional activities, such as placing advertisements through television, MTR billboard, Internet, newspaper and magazine, distributing leaflets to customers and offering food discounts.
- *Social responsibility and sponsorship in charity events.* We participate in various social activities including distributing food and clothing items to elderlies, encouraging our staff members to participate in blood donation and sponsoring the establishment of a new school. We believe that our participation in such activities help to enhance a healthy brand and corporate image.

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RAW MATERIALS AND PROCUREMENT

Raw materials

Raw materials used by our restaurants are food ingredients and beverages. Our major food ingredients include fresh seafood, fresh vegetables and fruits, fresh meat, dried food (including high value dried food such as abalone and low value dried food such as rice) and frozen food. The following table provides a breakdown of the costs of materials consumed by type in the Track Record Period.

	Year ended 31 December		2012		Seven months ended	
	2011	% of total costs incurred	2012	% of total costs incurred	31 July 2013	% of total costs incurred
	HK\$'000		HK\$'000		HK\$'000	
Food ingredients						
Fresh seafood	18,329	24.0	18,188	23.8	11,005	24.0
Fresh vegetables and fruits	5,194	6.8	6,536	8.5	3,824	8.3
Fresh meat	5,232	6.8	5,653	7.4	3,541	7.7
Dried food						
— High value	10,758	14.0	7,009	9.1	2,932	6.4
— Low value	12,118	15.9	13,853	18.1	8,922	19.4
Frozen food	20,315	26.6	21,719	28.4	13,618	29.6
Sub-total	71,946	94.1	72,958	95.3	43,842	95.4
Beverages	4,505	5.9	3,555	4.7	2,090	4.6
Total	76,451	100.0	76,513	100.0	45,932	100.0

The price changes of our major food ingredients during the Track Record Period are described below:

- *Fresh seafood.* By comparing the average purchase price of the major types of fresh seafood we used in 2012, which are peacock abalone, boston lobster, tiger grouper and green grouper, we note the average price changes ranged from a decrease of approximately 23.3% to an increase of approximately 7.4% in 2012 compared to 2011. By comparing the average purchase price of the major types of fresh seafood we used for the seven months ended 31 July 2013, which are peacock abalone, boston lobster, green grouper and sabah grouper, we note the average price changes ranged from a decrease of approximately 33.6% to an increase of approximately 3.4% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.
- *Fresh vegetables and fruits.* By comparing the average purchase price of the major types of fresh vegetables and fruits we used in 2012, which are Chinese lettuce, *choy sum*, iceberg lettuce and winter melon, we note the average price changes ranged from a decrease of approximately 0.8% to an increase of approximately 25.2% in 2012 compared to 2011. By comparing the average purchase price of the major types of fresh vegetables and fruits we used for the seven months ended 31 July 2013, which are Chinese lettuce, *choy sum*, iceberg lettuce and winter melon, we note the average price changes ranged from a decrease of approximately 40.3% to an increase of approximately 6.9% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.
- *Fresh meat.* By comparing the average purchase price of the major types of fresh meat we used in 2012, which are rice duck, yellow oil chicken and *yun-ying chicken*, we note the average price changes ranged from a decrease of approximately 22.1% to an increase of approximately 6.2% in 2012 compared to 2011. By comparing the average purchase price of the major types of fresh meat we used for the seven months ended 31 July 2013, which are yellow oil chicken and *yun-ying chicken*, we note the average price changes ranged from an increase of approximately 4.5% to 8.4% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.

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- *High value dried food.* By comparing the average purchase price of the major types of high value dried food we used in 2012, which are canned three-head abalone and shark's fin, we note the average price changes ranged from decreases of approximately 26.4% to approximately 1.1% in 2012 compared to 2011. By comparing the average purchase price of the major types of high value dried food we used for the seven months ended 31 July 2013, which are canned three-head abalone and shark's fin, we note the average price changes ranged from decreases of approximately 18.4% to approximately 4.2% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.
- *Low value dried food.* By comparing the average purchase price of the major types of low value dried food we used in 2012, which are rice and oil, we note the average price changes ranged from increases of approximately 3.6% to approximately 6.1% in 2012 compared to 2011. By comparing the average purchase price of the major types of low value dried food we used for the seven months ended 31 July 2013, which are rice and oil, we note the average price changes ranged from a decrease of approximately 8.1% to an increase of approximately 2.6% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.
- *Frozen food.* By comparing the average purchase price of the major types of frozen food we used in 2012, which are suckling pigs, squid strips, rib dices and shrimp meat, we note the average price changes ranged from a decrease of approximately 48.8% to an increase of approximately 3.7% in 2012 compared to 2011. By comparing the average purchase price of the major types of frozen food we used for the seven months ended 31 July 2013, which are suckling pigs, squid strips, rib dices and shrimp meat, we note the average price changes ranged from decreases of approximately 22.6% to approximately 5.4% for the seven months ended 31 July 2013 compared to the year ended 31 December 2012.

We experienced high fluctuations in the prices of our major food ingredients during the Track Record Period, which were mainly due to fluctuations in market prices. For price indices of major food ingredients in Hong Kong from 2000 to 2012, see "Industry Overview — Overview of Hong Kong economy — CPI". Most of our food ingredients are sourced from local suppliers who, to the best of our knowledge, mainly source from the PRC. The prices of food ingredients in the PRC have experienced volatility and are affected by various factors, such as weather, harvest conditions of the food ingredients, the policies of the PRC government and market competition. Food prices have been rising in the PRC in recent years. The appreciation of RMB in recent years has also contributed to increase in prices of food sourced from the PRC. We incurred a net loss of approximately HK\$2.9 million for the year ended 31 December 2011. Our net loss in 2011 was mainly attributable to an increase in general food prices in 2011, which our Directors believe was mainly attributable to (i) the shortage of supply of certain seafood due to the natural hazards of earthquake and tsunami happened in March 2011 in Japan and thus the demand and also the prices of certain seafood from other region increased, (ii) the shortage of supply of pig and thus the price of pork increased, and (iii) the outbreak of contagious disease of animals in Korea, which decreased the supply of beef and thus affected the price of meat in general, which we had not anticipated and as such we had insufficient time to re-strategise our pricing. Moreover, as we adopt an advanced booking system for our wedding banquets, the prices of wedding banquets held in 2011 had been confirmed generally a year ahead in the agreements with our customers. We experienced a sharp increase in our profitability levels in the year ended 31 December 2012 by recording a net profit attributable to owners of our Company of approximately HK\$22.2 million due to, among others, the decrease in ratio of the cost of materials consumed to revenue from approximately 29.5% for the year ended 31 December 2011 to approximately 25.2% for the year ended 31 December 2012. The ratio of cost of materials consumed to revenue for the seven months ended 31 July 2013 further decreased to approximately 24.3%. For details of how fluctuation in food prices affects our financial performance, see "Financial Information — Discussion and analysis of our financial condition and operations — Cost of materials consumed". For risks associated with price fluctuations of our food ingredients, see "Risk Factors — Risks relating to our business — The availability and price fluctuations of food ingredients may have an adverse effect on our business and financial performance."

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Our Directors believe that fresh seafood, fresh vegetables and fruits and fresh meats each has a shelf life within a range of approximately three to 15 days, dried food has a shelf life of approximately six months and frozen food has a shelf life of approximately two weeks. For details on how we ensure the quality of our food ingredients, see “ — Raw materials and procurement — Procurement” and “ — Quality control — Food ingredient procurement”.

To control and monitor purchase costs of our major food ingredients, we have adopted the following business practices which we believe help us monitor and control the costs of our major food ingredients:

- we set fixed prices with our food ingredient suppliers on a monthly basis;
- we generally do not enter into long-term contract with our food ingredient suppliers and therefore we are not contractually bound to source from any particular food ingredient suppliers and we are not subject to any specific contractual minimum purchase requirements or pricing mechanisms;
- except where our procurement manager (head office level) may source seafood for large banquets and purchase ancillary equipment and utensils from time to time, each of our restaurants makes purchases on order basis based on individual restaurant needs;
- we enjoy bulk purchasing benefits by making our purchases as a single restaurant group; and
- we keep abreast of the latest developments in the local restaurant market so as to identify pricing trends of our major food ingredients, which we may compare with the prices offered by our existing suppliers.

When fixing prices with our food ingredient suppliers, we would take into account, among other things, the quality, quantity, demand, supply, logistic arrangement, seasonal factor, market prices and source of supply.

Procurement

We believe that our ability to procure sufficient quantities of quality food ingredients is critical for efficient, cost-effective and sustainable restaurant business operations. We have developed a stable procurement network through years of operating in the restaurant industry. We procure our food ingredients by placing orders mainly with local suppliers. We maintain a list of suppliers approved by our senior management based on a set of selection criteria such as cost, reputation, service, agility, delivery efficiency, past performance and relationship with us. During the Track Record Period, we had a total of 256 approved suppliers. As at the Latest Practicable Date, we had established an average of over three years of business relationships with our approved suppliers. For our major restaurant equipment, we only purchase from large, reputable vendors. For example, we purchase all our stoves from a leading energy supplier and service provider. Such selection system enables us to identify trusted suppliers to ensure a reliable supply of food ingredients in satisfactory quality and sufficient amounts, to enable us to identify the source of supply promptly and to enable us to enjoy bulk purchase discounts.

As at the Latest Practicable Date, our procurement/warehouse department comprised a seafood expert (head office level) and a procurement manager (head office level). Except where our procurement manager (head office level) may source seafood for large banquets and purchase ancillary equipment and utensils from time to time, each of our restaurants makes purchases separately and generally on a daily basis according to individual restaurant needs without any centralised procurement. Each restaurant is responsible for making payment to the suppliers in respect of the food ingredients and supplies consumed by it. The prices of such food ingredients are approved by our senior management and these purchases are accounted for by our suppliers as having been made from one single restaurant group and thus we enjoy the benefits that come with bulk purchasing. In order to ensure that food ingredients are delivered fresh to satisfy our quality control

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standards, we have designated relevant restaurant staff, including restaurant managers (restaurant level), seafood experts (restaurant level) and division head chefs (restaurant level), to check the food ingredients before acceptance and return any unsatisfactory items.

As at the Latest Practicable Date, we had not discovered any significant disparity which may indicate serious quality problems with the food ingredients procured, nor had we encountered any material complaints in relation to the consumption of food in our restaurants.

Mr. Yip became a shareholder and a director of Smart Award and General Corporation in May 2012 and September 2012, respectively. Since becoming a shareholder and a director of each of Smart Award and General Corporation, Mr. Yip has been involved in managing mainly fresh vegetable and fruits, high value dried food and frozen food sourcing functions through the two companies. We had sourced food ingredients from a sole proprietorship run by Mr. Yip for over three years before he became a shareholder of Smart Award. During that period of time, we established good relationship with Mr. Yip. The sole proprietorship run by Mr. Yip was our largest supplier for the year ended 31 December 2011. To leverage on Mr. Yip's knowledge in trading of food ingredients and connections with certain suppliers, we established General Corporation and Smart Award and started the business relationship with him in 2012. Smart Award has started sourcing frozen food and high value dried food since May 2012 and General Corporation has started sourcing fresh vegetables and fruits since October 2012, mainly from local suppliers. General Corporation has also started sourcing fresh seafood from local suppliers since April 2013. With Mr. Yip's experience in trading of food ingredients and connections with certain suppliers, Smart Award and General Corporation may be able to source food ingredients at lower prices. In particular, with Mr. Yip's past business relationship with our largest supplier for the year ended 31 December 2012 as discussed below, such supplier was willing to supply food ingredients to Smart Award with less margin with reference to market prices, and thus, Smart Award was able to source food ingredients from such supplier at lower costs. For details of our savings in cost of sourcing, see "Financial Information — Discussion and analysis of our financial condition and operations — Cost of materials consumed". We believe that none of the suppliers of General Corporation and Smart Award supplied exclusively to our Group during the Track Record Period. For the year ended 31 December 2012 and the seven months ended 31 July 2013, purchases of fresh vegetables and fruits and fresh seafood by General Corporation amounted to approximately HK\$1.1 million and HK\$4.1 million, respectively, representing approximately 1.4% and 8.9% of our cost of materials consumed for the same periods, respectively. For the same period, purchases of frozen food and high value dried food by Smart Award amounted to approximately HK\$14.3 million and HK\$14.6 million, respectively, representing approximately 18.7% and 31.8% of our cost of materials consumed for the same periods, respectively.

In October 2012 and April 2013, we started to sell some fresh vegetables and fruits and fresh seafood sourced by General Corporation to mainly local restaurants and other food ingredient suppliers to broaden our revenue stream. During the same periods, we did not sell fresh vegetables and fruits and fresh seafood sourced by General Corporation exclusively to any customer. Revenue generated by the sale of fresh vegetables and fruits and fresh seafood sourced by General Corporation amounted to approximately HK\$0.6 million and HK\$3.8 million in the year ended 31 December 2012 and the seven months 31 July 2013, respectively, representing approximately 0.2% and 2.0% of our total revenue for the same periods, respectively. Our five largest customers for the seven months ended 31 July 2013 were the customers from our sales carried out by General Corporation. Revenue from our five largest customers for the seven months ended 31 July 2013 amounted to approximately HK\$2.3 million, representing approximately 1.2% of our total revenue for the seven months ended 31 July 2013. Revenue from our largest customer for the seven months ended 31 July 2013 amounted to approximately HK\$0.6 million, representing approximately 0.3% of our total revenue for the seven months ended 31 July 2013. As at the Latest Practicable Date, we had established an average of over 12 months of business relationships with our five largest customers and over 13 months of business relationship with our largest customer for the seven months ended 31 July 2013. One of our five

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largest customers for the seven months ended 31 July 2013 is an associate of Mr. Yip (the “**Relevant Customer**”). The Relevant Customer has not purchased food ingredients from our Group since 1 October 2013 due to, to the knowledge of our Directors, changes in its procurement management methods. Our Directors confirmed that the sales made to the Relevant Customer were on normal commercial terms, fair and reasonable. Our Directors also confirmed that the Relevant Customer was not our largest customer for the seven months ended 31 July 2013 and the loss of business from the Relevant Customer is not expected to have material adverse impact on our performance since the historical sales amount to the Relevant Customer was immaterial. 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. As at the Latest Practicable Date, none of our Directors or their respective associates or any of our Shareholders whom to the knowledge of our Directors owns more than 5% of the Shares in issue had any interest in any of our five largest customers for the seven months ended 31 July 2013.

During the Track Record Period, we also sourced fresh vegetables and fruits, high value dried food, frozen food and fresh seafood through our other Group companies. Save for sourcing food ingredients from Mr. Yip’s sole proprietorship before Mr. Yip became a shareholder of Smart Award in May 2012, Mr. Yip being a shareholder and a director of each of Smart Award and General Corporation, respectively, and the sales of goods to the Relevant Customer during the Track Record Period, Mr. Yip did not have any other relationship with our Company and/or our Controlling Shareholders or any business transaction with our Company as at the Latest Practicable Date.

Our largest supplier for the year ended 31 December 2012 and the seven months ended 31 July 2013 is currently owned and managed by a person who participated in the operation of business of Mr. Yip’s sole proprietorship. Such person set up another business to supply food ingredients to customers, including our Group, in 2012. The business operations carried on by Mr. Yip’s sole proprietorship ceased to operate since April 2012 after Mr. Yip became a shareholder of Smart Award. Mr. Yip’s sole proprietorship ceased operation in April 2013.

Save as the aforesaid, neither our Group nor Mr. Yip had any relationship with our largest supplier for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013 and as at the Latest Practicable Date.

SUPPLIERS

Our five largest suppliers for the Track Record Period consisted of local suppliers that supply fresh seafood, dried seafood, fresh vegetables and fruits and poultry. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, we sourced from over 175, 146 and 160 suppliers, respectively. As at the Latest Practicable Date, we had established an average of over six years of business relationships with our five largest suppliers for the Track Record Period and over five years of business relationship with our largest supplier for the Track Record Period.

Consistent with industry practice, we do not enter into long-term contract with our food ingredient suppliers and we purchase food ingredients on order basis. Based on our industry experience, pricing of many food ingredients are prone to fluctuations, rendering the fixing of an agreed price for a long contractual term impractical. Further, food ingredients we use are generally readily available from an abundant pool of suppliers.

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

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For the two years ended 31 December 2012 and the seven months ended 31 July 2013, purchases from our five largest suppliers accounted for approximately 39.8%, 46.6% and 62.2% of our total cost of materials consumed, respectively. During the same periods, purchases from our largest supplier accounted for approximately 13.8%, 18.7% and 32.5%, of our total cost of materials consumed, respectively. As at the Latest Practicable Date, none of our Directors or their respective associates or any of our Shareholders whom to the knowledge of our Directors owns more than 5% of the Shares in issue had any interest in any of our five largest suppliers for the Track Record Period.

Credit and payment terms

We normally enjoy credit terms of 45 days after the end of the month in which the relevant purchases were made, except for fresh seafood where our credit terms are generally 30 days after the issue of monthly statement. During the Track Record Period, all of the purchases from our food ingredient suppliers were denominated and settled in HK dollars. For payment to third-party vendors in respect of Wedding Services, we normally enjoy credit terms of 30 days.

FOOD PREPARATION

Each restaurant has three division head chefs (restaurant level) for the kitchen, dim sum and siu mei divisions, who are responsible for the food and beverages production. Our food production department (head office level) supervises all our division head chefs (restaurant level). The division head chefs (restaurant level) coordinate the work of small teams of chefs and assistants of each division.

The warehouse staff (restaurant level) is responsible for ensuring that non-seafood ingredients are stored properly. High value dried foods, such as shark's fins, abalones and sea cucumbers, are kept in a separate locker in the restaurant's warehouse. Only the division head chef (restaurant level) responsible for high value dried foods has the key to the separate locker. We keep wines in wine cellars at our head office premises. The seafood expert (restaurant level) is responsible for the daily maintenance of our fresh seafood tanks. We have placed insurance on inventories of values above HK\$100,000 against theft and fire. The division head chefs (restaurant level) would also check the state of all fresh and perishable goods to avoid using stale or expired food ingredients.

INVENTORY MANAGEMENT

We consider that the level of inventory will affect overall profitability. We adopt purchasing policies that increase our flexibilities in inventory management. For details of our procurement strategies, see “— Raw materials and procurement — Procurement”. We believe our purchasing policies help us control inventory levels based on operational needs.

We have implemented an inventory control system based on food types, consumption levels and prices. We keep a minimal level of fresh and perishable food ingredients and generally for not more than two days to reduce wastage, ensure freshness and quality of food and avoid excessive inventory level. For non-perishable food ingredients and other restaurant equipment and utensils, we maintain an adequate level based on operational needs. For high value dried food, including those mainly purchased for consumption at wedding banquets or large-scale gatherings, such as wine, shark's fin, abalones and sea cucumbers, purchase orders would be approved by the division head chef (restaurant level) based on the level of advance bookings.

If we anticipate possible significant increases of prices of certain food ingredients, we may place a higher volume of orders with suppliers to minimise possible adverse impact on production costs. In such situations, all such order placements must be approved by division head chefs (restaurant level).

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OPERATIONAL MANAGEMENT

Management and organisational structure

The overall management of our business and operations is headed by our senior management team, which is responsible for operational management, financial planning, development of long-term business strategies, evaluation of the implementation of business plans, oversight of quality control and staff management. We are further departmentalised by functions. On restaurant-level operations, each restaurant is headed by a restaurant manager (restaurant level). Each restaurant is further divided into different divisions by functions and each division runs its own team. We allocate separate staff for the operations for our wedding shops.

Key departments (head office level)

- *Management, finance and administration department.* Our management, finance and administrative department, consisting of 48 staff as at the Latest Practicable Date, is responsible for the management of our accounts, tax matters, setting budgets and forecasts, administrative matters and I.T. management. This department supervises all our restaurant staff at floor division, meal service division and cleaning division, comprising 315 staff as at the Latest Practicable date.
- *Banquet and wedding services department.* Our banquet department, consisting of 24 staff as at the Latest Practicable Date, is responsible for management of wedding banquet operations and wedding planning services.
- *Procurement/warehouse department.* Our procurement/warehouse department, consisting of one procurement manager (head office level) and one seafood expert (head office level) as at the Latest Practicable Date, is responsible for negotiating prices of food ingredients with suppliers, cost control, quality control and inventory control.
- *Engineering department.* Our engineering department, consisting of two staff as at the Latest Practicable Date, is responsible for overseeing construction projects and liaising with construction companies on restaurant opening matters.
- *Food production department.* Our food production department, consisting of our head of dim sum division (head office level) and head of food production (head office level) as at the Latest Practicable Date, is responsible for overseeing all food and beverage productions across the kitchen division, dim sum division and sin mei division of all our restaurants.

Restaurant-level operations

- *Banquet division.* The banquet division is responsible for promoting our wedding banquet menus/wedding packages to our potential customers, managing and controlling the entire services provision process, handling customer complaints and reporting to our banquet department.
- *Floor division.* The floor division is responsible for the daily operation and maintenance of each restaurant.
- *Meal service division.* The meal service division is responsible for serving meal from the kitchen to the dining area of each restaurant. The manager of the meal service division is also responsible for managing and training meal service staff.

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- *Cleaning division.* The cleaning division is responsible for cleaning all areas in the respective restaurant except the toilet areas.
- *Kitchen division.* The kitchen division is responsible for the food preparation and production processes for all Cantonese dishes. Food ingredient preparation staff prepare all raw food ingredients leading up to the heating/cooking process, and the food preparation staff will handle the heating and cooking of processed food products prepared by our food ingredient preparation staff. Each kitchen division is headed by the kitchen division head chef (restaurant level).
- *Dim sum division.* The dim sum division is responsible for the preparation of all dim sum dishes. Each dim sum division is headed by the dim sum division head chef (restaurant level).
- *Siu mei division.* The siu mei division is responsible for the preparation of all barbequed meat dishes. Each siu mei division is headed by the siu mei division head chef (restaurant level).
- *Warehouse division.* The warehouse division consists of one warehouse staff (restaurant level) and one seafood expert (restaurant level). The warehouse staff (restaurant level) is responsible for managing purchase orders. The seafood expert (restaurant level) is responsible for conducting quality control inspections of incoming seafood and maintaining livelihood of all habitats of live seafood.

Shop-level operations

As at the Latest Practicable Date, we had a total number of 13 staff members for U Weddings (Wedding Photography Studio) and U Weddings (Wedding Attire Shop), consisting of managers, wedding planners and graphic designers.

Staff hiring, training and monitoring

We seek to hire staff with relevant experience in the relevant industries. Our Directors believe that the stability of a reliable and skilled workforce is critical to the success of our business and we believe that the effectiveness and productivity of our staff are highly driven by tenure. We generally offer internal promotion opportunities and competitive compensation and benefits. Various fringe benefits are also provided to our staff, including free meals and snacks, discretionary bonus and red pockets to promote work incentives. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, the average monthly turnover rates of our staff were -10.3%, -9.2% and -11.4%, respectively, calculated as the number of staff departed during the period divided by the total number of staff at the end of the period.

We provide on-the-job training in respect of food preparation process, service manner, hygiene standards and responsiveness. We also distribute cooking technique materials and guidelines on food and personal hygiene, food safety and quality control to our staff. We have established a staff manual and have written policies covering areas on anti-fraud, cash management and anti-bribery.

To monitor the performance levels of our staff, we discuss with our staff and formulate business policies based on the reports from our participation in the mystery customer scheme organised by HKQAA since April 2012. We collect feedback from wedding banquet guests on our food and services quality levels by distributing comment cards to them and implement a service tip distribution policy based on guest feedback. We hold regular meetings with our staff to ensure prompt communication among our staff: each restaurant conducts daily meetings to discuss day-to-day operation issues, our wedding team holds weekly meetings to discuss work schedules and senior management holds monthly meetings to review major customer service-related matters such as customer complaints and staff performance.

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RESTAURANT NETWORK EXPANSION

Site selection strategy

We consider the location of our restaurants to be a crucial factor in determining our long-term growth and future success. All of our current restaurants are strategically opened in prime locations connected to public transportation systems, large shopping spots or other commercial or residential establishments which could attract heavy pedestrian flow and customer traffic. Our Directors and senior management are responsible for selecting suitable sites for our new restaurants by following our site selection strategy, which enables us to capture our target customers with different preferences. We consider the following elements which we consider crucial in selecting a potential restaurant location.

Elements	Consideration factors
Target customer base	<ul style="list-style-type: none">— Existence of favourable demographics of target customer group— Proximity to large residential estates, public transportation systems, cinemas, tourist spots, education institutions, office buildings, landmark properties, hotels and shopping malls, etc.— Future developments in the area
Accessibility	<ul style="list-style-type: none">— Proximity to pedestrian streets, ease of access and availability of elevator systems and parking areas
Visibility	<ul style="list-style-type: none">— Ease of visibility from the streets— Ability to place advertisements nearby
Site structure and size	<ul style="list-style-type: none">— Large floor areas and high ceilings (e.g. sites previously operated as cinemas)— Ability to operate two adjacent restaurants of different brands or two restaurants on different floors of the same building to facilitate the sharing of certain common supporting facilities and human resources— Mechanical structure in respect of safety issues
Capital expenditure	<ul style="list-style-type: none">— Capital expenditure and other necessary expenses— Time and size of investment return
Leasing terms	<ul style="list-style-type: none">— Occupancy commencement time, initial costs, lease term and renewal provisions (prefer leases with terms of two to three years with options to renew for a further term for four to five years)
Concentration and competition	<ul style="list-style-type: none">— Competition from nearby restaurants

We recognise that the opening of more restaurants in the future by us may reduce same stores sales, customer traffic and the market share of our existing restaurants due to cannibalisation. To outweigh the impact of cannibalisation, it is one of our business goals to capture organic sales growth in existing restaurants and increase overall sales growth with the sales attributable to new restaurants. In opening new restaurants, we would consider our established site selection criteria and balance the benefits of our business expansion and the possible cannibalisation effects. We

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also strategically establish restaurants with different special themes and characteristics to attract customers who are specifically interested in such creative features to reduce cannibalisation on the wedding banquet business among our restaurants. Operating our restaurants in close proximity to one another may enable us to expand our product offerings and generate more revenue in the area, allow our restaurants to share certain common supporting facilities and enable savings in staff costs and other operational expenses, which would increase our profitability strengths and overall operational efficiency.

Restaurant opening procedures

From identification of a potential site to signing of the lease

The lead time between identification of a potential site to signing of the lease varies for each case. For instance, the lead time may depend on whether there is already an existing lease for the potential site and the expiry date of such lease. Once a potential site is identified, we will commence due diligence procedures following our site selection criteria. Our senior management and other experienced staff will conduct site visits and hold discussion meetings. We will engage external independent licensing consultants and professional interior design companies to assess if our objectives can be met. If the preliminary due diligence results are satisfactory to our senior management, our senior management will commence lease negotiations with the relevant landlord. We will send drafts of leases to legal advisers for review and comment. Due to certain licence-related compliance issues we encountered during the Track Record Period (see “ — Non-compliance — Non-compliance relating to our Group’s operation”), we have adopted written procedures relating to our restaurant opening and licensing procedures. See “— Internal control” for details.

From delivery of the premises to opening of restaurant

The lead time between delivery of the premises to us to opening of restaurant is generally approximately two months. Upon delivery of the premises, we will engage a professional interior design company to design and renovate the site based on instructions from our Directors and senior management. To ensure that the renovation progress is on schedule and the quality of work to meet our required standard, we designate two staff members from our engineering department to monitor the renovation progress. Our Directors and senior management will also conduct on-site inspections on a regular basis. We will also engage an external independent licensing consultant to apply for the relevant licences for the operation of the restaurant on our behalf and to advise on other licensing matters. Staff members from our engineering department are responsible for monitoring and following up with the licensing consultant on work progress. Once the renovation is completed and we have obtained all necessary licences and permits, our senior management is responsible for the pre-opening preparation work, which includes liaising with various suppliers on sourcing furniture, kitchen equipment and utensils. Prior to the launch of the restaurant, our human resources department will liaise with the restaurant manager (restaurant level) to recruit new staff and relocate experienced staff from our existing restaurants to provide training and assistance to our new staff.

QUALITY CONTROL

We believe that quality control on our food and services is crucial to the continuous growth of our business. We design our quality control system and provide staff training based on the “5-S” (五常法) management system. The “5-S” (五常法) management system is a set of management practices and standards focusing on workplace organisation, neatness, cleanliness, standardisation and discipline. Our Directors believe that 5-S management system is a commonly adopted and recognised quality control and management system in the local Chinese restaurant industry.

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As at the Latest Practicable Date, a total number of 58 staff members, comprising our head of food production (head office level), procurement manager (head office level), seafood expert (head office level), division head chefs (restaurant level), restaurant managers (restaurant level), and seafood experts (restaurant level) and procurement staffs (restaurant-level), were engaged in the quality control function of our Group. Mr. Shiu Siu Hin, being our head of food production and head chef (head office level), is responsible for overseeing food quality control standards of our restaurants. He had over 13 years of experience in implementing quality control standards on dishes as at the Latest Practicable Date. Our quality control system covers the following aspects of our operations.

Food ingredient procurement

For our supplier selection strategy, see “— Raw materials and procurement — Procurement”. We carry out inspections on the sites of our suppliers who ranked top 10 in terms of purchase amount of our Group. We normally rely on purchase amount ranking results from the previous year to select such top 10 suppliers. On-site inspections are conducted on a few randomly selected suppliers within the top 10 suppliers’ list. We select two to four suppliers every year based on that year’s top 10 suppliers’ list and we generally will not visit the same supplier within a period of three years. We generally visit each selected supplier once a year, therefore conducting two to four supplier visits each year. During the site inspections, we inspect the storage facilities, hygiene conditions, food freshness and food handling procedures of our suppliers.

Upon delivery of food ingredients to our restaurants, we carry out different inspection procedures before acceptance. The restaurant manager (restaurant level) together with the seafood expert (restaurant level) and division head chefs (restaurant level) will check whether the type and quantities of delivered goods match our order specifications. Our seafood expert (restaurant level) will check the quality of seafood and the division head chefs (restaurant level) and restaurant manager (restaurant level) will check the quality of other food ingredients. Such inspections focus on the freshness and packaging of the food ingredients, and any specific requirements required by us to the suppliers. We will return food ingredients falling below our quality control standards. In such scenario, we may request the same supplier to replace the item or we may source the item from another supplier. We require the delivery of food items, which are perishable in nature, from our suppliers generally on daily basis. As such, requests to replace or return food products occur frequently and are generally dealt with successfully on same-day basis. We do not keep records of the amount of food replaced by or returned to our suppliers and our Directors believe that this is a commonly adopted practice in the local restaurant industry.

Food preparation and meal service

Our division head chefs (restaurant level) are responsible for supervising the quality control at each stage of the food preparation process. We have established food preparation manuals setting out the operating procedures for each stage of the food preparation process, including recipes and cooking procedures for our dishes. Our restaurants have in place standardised preservation methods and recommended storage periods for different categories of foods, including unserved portions which must generally be used in production in less than two days. This practice promotes food quality, ensures food safety and prolongs the lifespan of food ingredients.

Hygiene and safety

Our procurement staff (restaurant level) check the quality of food ingredients stored in warehouses on a regular basis. We require our kitchen staff to sanitise and clean up all kitchen areas and equipment and utensils used at the end of each business day, to keep the kitchen floors free of obstacles and to discard food waste and expired dishes properly.

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We have established a set of procedures on inspection of kitchen areas and equipment. We inspect our kitchen areas regularly to check that different parts of the kitchen areas, including stoves, basin, utensils, floors, ceiling and ventilating system, are up to our hygiene standards. The restaurant manager (restaurant level) is responsible for ensuring compliance of these procedures and for making recommendations to our senior management in this aspect. All refrigerating facilities of our restaurants are required to be cleaned on a regular basis for ensuring their cleanliness and hygiene levels meet our standards.

Customer service

Mystery customer scheme

We have joined the mystery customer scheme organised by HKQAA since April 2012. Under the scheme, mystery customers from HKQAA will normally visit each of our restaurants on a monthly basis to rate the restaurants and our staff based on their services. After each inspection, an evaluation report will be prepared and sent to our head office. Apart from the ratings on customer service, the report will also show comments on the food quality and dining environment of our restaurants. Our Directors and senior management will review the evaluation reports in the monthly meetings and propose solutions to resolve any major matters mentioned in the evaluation reports. To provide our staff with an incentive to deliver high quality services, we award our staff with cash based on their individual ratings in the evaluation reports.

Guest feedback

We designate one staff for each banquet-style table at wedding banquets. After each wedding banquet, we will collect feedback from the attendees of the banquet on the quality of food and service levels by asking them to fill in a feedback form. To give our staff an incentive to adhere to the highest standards, we will distribute the tips received from banquet guests among the staff based on the feedback on their performance.

Customer complaints

We have written complaint handling procedures in place. As soon as we receive a complaint from a customer, we will fill in a customer complaint record form with details of the complaint and send such record form to the relevant restaurant. The restaurant manager (restaurant level) together with key management staff at restaurant level will investigate and resolve the matter and attend to the customer promptly. If the complaint is valid, we will offer refund, discount or restaurant cash coupon to the relevant customer. The restaurant manager (restaurant level) will then complete the customer complaint record form with the method of resolving such matter and send it to our head office for record. We receive complaints from our customers during normal course of business. Of all the written complaints we recorded during the Track Record Period, 15 related to food quality, 64 related to service quality, 31 related to restaurant environment (including minor injuries), 15 related to terms of wedding banquet service agreement and promotion, and three related to loss of property. During the Track Record Period, we had resolved all complaints, whether they are valid or not, we believe, to the satisfaction of our customers who made the complaints. For food quality-related complaints, we may engage inspection and testing agencies to perform sample testing on the relevant food ingredient for us to assess the validity of the complaint and the need to further explore the cause of problem with the relevant supplier. Problems relating to food quality (which may or may not lead to consumer litigation) may be caused by, among other things, the fault of suppliers (for example, expired or unclean foods are delivered to us) or of our Group (for example, foods are handled by improper procedures in our kitchens). We will discuss with our legal advisers to assess which party should be responsible for the liability in case legal liability issues relating to food quality problems occur. We did not receive any complaint involving our customers seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

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We are not aware of any investigation or proceeding initiated by any government agency regarding the hygiene or food safety issues of our restaurant operations during the Track Record Period and up to the Latest Practicable Date that had any material adverse impact on the operation and financial position of our Company. We did not encounter any material food safety incidents (such as food poisoning) during the Track Record Period.

Restaurant environment

We have engaged professional cleaning companies to perform various cleaning services such as table cloth cleaning, staff uniform cleaning, toilet sanitation and pest control for all our restaurants on a regular basis. We have also engaged an aquarium management company to perform regular maintenance and cleaning work for the aquarium in U Banquet (Kwun Tong). Further, the restaurant manager (restaurant level) will monitor the dining environment on a daily basis and provide immediate feedback to the floor staff.

AWARDS AND CERTIFICATIONS

We have received various awards and certifications during the Track Record Period including the following:

Year of grant	Company/restaurant/ brand awarded	Award/ Certification	Awarding body	Validity period
2013	U Banquet (Causeway Bay)	Best Chinese Restaurant Wedding Banquet — Hong Kong Island East (新婚生活易大賞 — 新人至愛酒樓婚宴 — 港島東區)	ESDlife	N/A
2013	U Banquet (HK)	Caring Company (商界展關懷)	The Hong Kong Council of Social Services	1 March 2013 to 28 February 2014
2013	U Banquet (Causeway Bay)/ U Banquet (Tsim Sha Tsui)/ U Banquet (Kwun Tong)/ U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2)/ U Banquet (Wan Chai)/ U Banquet (North Point)	EatSmart Restaurant (有「營」食肆)	Department of Health	22 October 2012 to 31 December 2013
2012	U Banquet (HK)	Caring Company (商界展關懷)	The Hong Kong Council of Social Services	1 March 2012 to 30 April 2013
2012	“U Banquet (饗宴)”	Hong Kong Top Service Brand (香港服務名牌)	Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong	N/A
2012	U Banquet (Causeway Bay)	Best Chinese Restaurant Wedding Banquet — Hong Kong Island East (新婚生活易大賞 — 新人至愛酒樓婚宴 — 港島東區)	ESDlife	N/A
2012	U Banquet (Tsim Sha Tsui)/ U Banquet (Kwun Tong)/ U Banquet (Causeway Bay)/ U Banquet (North Point)	EatSmart Restaurant (有「營」食肆)	Department of Health	18 November 2011 to 31 December 2012
2012	“U Weddings”	Bridal Award — Best New Wedding Photo (新婚生活易大獎 — 新人至愛新婚紗攝影)	ESDlife	N/A

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Year of grant	Company/restaurant/ brand awarded	Award/ Certification	Awarding body	Validity period
2011	Choi Fook Holdings	Caring Company (商界展關懷)	The Hong Kong Council of Social Services	1 March 2011 to 30 April 2012
2011	“U Banquet (譽宴)”	Hong Kong Emerging Service Brand (香港新星服務品牌)	Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong	N/A
2011	“U Banquet (譽宴)”	2011 Best of the Best Culinary Awards — Most Creative Dessert (2011美食之最大賞 — 甜品創意大獎)	Hong Kong Tourism Board and The Hong Kong and China Gas Company	N/A
2011	“U Banquet (譽宴)”	2011 Best of the Best Culinary Awards — King of Shrimp Dumplings (2011美食之最大賞 — 蝦餃之王)	Hong Kong Tourism Board and The Hong Kong and China Gas Company	N/A
2011	“U Banquet (譽宴)”	2011 Best of the Best Culinary Awards — Gold with Distinction Award in the Dim Sum Category (2011美食之最大賞 — 點心組 — 至高榮譽金獎)	Hong Kong Tourism Board and The Hong Kong and China Gas Company	N/A
2011	U Banquet (Tsim Sha Tsui)/ U Banquet (Kwun Tong)/ U Banquet (North Point)/ U Banquet (Causeway Bay)	EatSmart Restaurant (有「營」食肆)	Department of Health	7 January 2011 to 31 December 2011
2011	U Banquet (Causeway Bay)	Best Chinese Restaurant Wedding Banquet — Hong Kong Island East (新婚生活易大獎 — 新人至愛酒樓婚宴 — 港島東區)	ESDlife	N/A

LICENCES AND APPROVALS

Save as disclosed in “— Non-compliance” and based on the opinion from our Company’s Legal Advisers, our Directors have confirmed that we have obtained all relevant licences, approvals, certificates and permits necessary to conduct our operations in Hong Kong and have complied with all applicable laws and regulations as set out in “Regulatory Overview” during the Track Record Period and up to the Latest Practicable Date.

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During the Track Record Period and up to the Latest Practicable Date, we held the following major licences and certificates for the operation of our business in Hong Kong:

Restaurant

Name of the restaurant	Operating company	Address of the restaurant as shown in the general restaurant licence	General restaurant licence			Water pollution control licence			Liquor licence		
			Holder	Licence number	Validity period of the licence	Holder	Licence number	Validity period of the licence	Holder	Licence number	Validity period of the licence
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) (Note 2)	Step Up	4/F & 6/F, Pioneer Centre (New Wing), 750 Nathan Road, Mong Kok, Kowloon (Note 4)	Step Up	2262251008 (Note 4)	18 June 2013 to 17 June 2014	Step Up	WT00011153-2011 (Note 4)	8 December 2011 to 31 January 2017	Ho Kun Fai (Note 1)	5262800384 (Note 4)	24 April 2013 to 23 April 2014
U Banquet (Tsim Sha Tsui)	Miloon Talent	2/F, Chuang's London Plaza, 219-219E Nathan Road, 97 Austin Road, Kowloon	Miloon Talent (Note 1/)	2261802775	15 November 2013 to 14 November 2014	Miloon Talent	WT00016401-2013	27 June 2013 to 30 June 2018	Lee Yui Hon	5261801900	26 June 2013 to 25 June 2014
U Banquet (Kwun Tong)	Elite Rainbow	2/F, Crocodile Centre, 79 Hoi Yuen Road, Kwun Tong, Kowloon	Elite Rainbow	2251802222	24 May 2013 to 23 May 2014	Elite Rainbow	WT00016937-2013	29 August 2013 to 31 August 2018	Mak Tsz Chung	5251801253	30 November 2012 to 29 November 2013, which has been renewed as from 30 November 2013 to 29 November 2014

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Name of the restaurant	Operating company	Address of the restaurant as shown in the general restaurant licence	General restaurant licence			Water pollution control licence			Liquor licence		
			Holder	Licence number	Validity period of the licence	Holder	Licence number	Validity period of the licence	Holder	Licence number	Validity period of the licence
U Banquet (Causeway Bay)	Vast Rainbow	1/F. (Portion). 5 & 5M/F, Lee Theatre Plaza, No. 99 Percival Street and 2-2A & 4 Matheson Street, Causeway Bay, Hong Kong (Note 3)	Vast Rainbow	2212804074 (Note 5)	6 March 2013 to 5 March 2014	Vast Rainbow	WT00017090-2013	12 September 2013 to 30 September 2018	Hung Lai Sheung (Note 5)	5212803193	15 August 2013 to 14 August 2014
U Banquet (Wan Chai) (Note 7)	Smiling Profit	3/F, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong	Smiling Profit	2212189764	3 July 2012 to 2 July 2013	N/A (Note 9)	N/A (Note 9)	N/A (Note 9)	Cheung Koon Nam	5212004219	23 October 2012 to 22 October 2013
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant (Note 3)	Choi Fook Royal Banquet	1st Ground Floor (Portion) and Whole 2nd Ground Floor, Tropicana Garden, 110 Lung Cheung Road, Kowloon (Note 6)	Choi Fook Royal Banquet	2253300555 (Note 6)	10 December 2012 to 9 December 2013, which has been renewed as from 10 December 2013 to 9 December 2014	Choi Fook Royal Banquet	WT00016558-2013	12 August 2013 to 31 August 2018	Leung Yick Sun	5253000359	29 May 2013 to 28 May 2014
U Banquet (North Point)	Choi Fook Seafood	478 B-C to 480B-C, King's Road, G/F (PTN) & 1/F, 15-23 Tsat Tsz Mui Road, 1/F, Hong Kong	Choi Fook Seafood (Note 11)	2211030702	1 July 2013 to 30 June 2014	Choi Fook Seafood	WT00006726-2010	19 May 2010 to 31 March 2015	Sung To	5211801321	16 December 2012 to 15 December 2013 (Note 12)

Club

Name of the club	Operating company	Address of the club as shown in the certificate of compliance for club-houses	Company granted with the certificate	Certificate of compliance for club-houses Certificate number	Validity period of the current certificate	Holder	Licence number	Club liquor licence Validity period of the licence
Choi Fook Club (Wan Chai) (Note 8)	Smiling Profit	4/F, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong	Smiling Profit	C/1156	30 September 2012 to 29 September 2013	Ho Chun Tat	5312820179	27 June 2012 to 26 June 2013

Notes:

- As at the Latest Practicable Date, all such holders were our employees.
- U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) are operated under the same general restaurant licence, water pollution control licence and liquor licence.
- U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant are operated under the same general restaurant licence, water pollution control licence and liquor licence. We have obtained a special endorsement to the general restaurant licence which permits the sale of sashimi, sushi, siu mei and lo mei.
- The business registration certificate of Step Up and the water pollution control licence cover "Shop No. 402, 4/F & Shop No. 602, 6/F" of Pioneer Centre (New Wing) but the shop numbers are not stated in the general restaurant licence nor the liquor licence. Given that the description of 4th Floor covers Shop No. 402 and the description of 6/F covers Shop No. 602, our Company's Legal Advisers are of the opinion that the addresses as shown in the business registration certificate, general restaurant licence, liquor licence and water pollution control licence, respectively, would not have constituted any non-compliance with any applicable Hong Kong law and regulation and that the relevant licences are valid. As at the Latest Practicable Date, we had not received any notice regarding any action that may be taken or fines that may be imposed by the relevant government authorities in respect of the aforesaid discrepancies.
- The general restaurant licence covers "1/F (Portion)" of Lee Theatre Plaza but "1/F (Portion)" is not covered by the business registration certificate of Vast Rainbow, the liquor licence nor the water pollution control licence. Our Directors have explained that 1/F (Portion) covers the exclusive lift to U Banquet (Causeway Bay) which has no actual business operation, does not involve the serving of any liquor and is not therefore required to show a posting of the business registration certificate. Thus, the business registration certificate, the liquor licence and the water pollution control licence did not cover "1/F (Portion)". Based on the facts confirmed by our Directors as set out above, our Company's Legal Advisers are of the opinion that the exclusion of 1/F (Portion), which only covers the exclusive lift to U Banquet (Causeway Bay), in the business registration certificate, the liquor licence and the water pollution control licence, respectively, would not have constituted any non-compliance with any applicable Hong Kong laws and regulations and that the relevant licences are valid. As at the Latest Practicable Date, we had not received any notice regarding any action that may be taken or fines that may be imposed by the relevant government authorities in respect of the aforesaid discrepancies.

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6. The general restaurant licence and liquor licence cover “1st Ground Floor (Portion)” and “whole 2nd Ground Floor” of Tropicana Garden but “1st Ground Floor (Portion)” is not covered by the business registration certificate of Choi Fook Royal Banquet nor the water pollution control licence. Our Directors have explained that “1st Ground Floor (Portion)” covers the exclusive lift to U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant which has no actual business operation and is therefore not required to show a posting of the business registration certificate. Thus, it is not necessary for us to obtain a business registration certificate and the water pollution control licence in respect of “1st Ground Floor (Portion)”. Although we do not serve any liquor at “1st Ground Floor (Portion)”, such area has been covered in the liquor licence for the sake of convenience. Based on the facts confirmed by our Directors as set out above, our Company’s Legal Advisers are of the opinion that the exclusion of “1st Ground Floor (Portion)” of Tropicana Garden in the business registration certificate and the water pollution control licence, respectively, would not have constituted any non-compliance with any applicable Hong Kong laws and regulations and that the relevant licences are valid. As at the Latest Practicable Date, we had not received any notice regarding any action that may be taken or fines that may be imposed by the relevant government authorities in respect of the aforesaid discrepancies.
7. We closed U Banquet (Wan Chai) in April 2013. For details, see “— Our restaurants — Wan Chai operations”.
8. We closed Choi Fook Club (Wan Chai) in April 2013. For details, see “— Our restaurants — Wan Chai operations”.
9. We do not intend to obtain a water pollution control licence for U Banquet (Wan Chai) retrospectively as it had ceased operation.
10. The general restaurant licence was transferred from Mr. Cheung KH to Million Talent on 10 September 2013.
11. The general restaurant licence was transferred from Mr. Cheung KH to Choi Fook Seafood on 18 September 2013.
12. As at the Latest Practicable Date, our application for renewal of the liquor licence for U Banquet (North Point) was still in progress. Our Directors expect that our application for renewal will be approved before or upon the existing liquor licence expires in December 2013.

The last dates of the validity periods of the above licences (excluding the ones for the operation of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai)) fall between 29 November 2013 to 31 August 2018. We have not encountered any difficulty or rejection in obtaining or renewing the licences in the past. Our Directors are of the view that there are no impediments in renewing all such licences in the future.

We have obtained the permit to use and operate amusement ride for the operation of our passenger-carrying cart in U Banquet (Tsim Sha Tsui) on 30 September 2008. The permit is subject to continuous compliance with the requirements under the relevant legislation and regulations. We have also obtained the certificate of results of thorough examinations in the preceding twelve months under section 5(1) of the FIU(LALG)R and the certificate of test and thorough examination of lifting appliances (except cranes, crabs and winches) under sections 5(2) and 5(4) of the FIU(LALG)R. The certificates are both dated 12 September 2013 and are certified by an independent competent examiner.

Matters relating to liquor licences

Each of the holders holding the liquor licences for us would execute all relevant prescribed forms and documents related to the transfer of the liquor licence(s) in advance when we ask he/she to hold the liquor licence so that we can submit these prescribed forms to the LLB to effectuate the transfer of the liquor licence to the new holder designated by us from time to time, regardless of whether the holder’s employment with us has ceased or not. Further, each holder of the liquor licence who held the liquor licence on our behalf has executed an irrevocable written undertaking in favour of us that he/she would act in accordance with our direction from time to time during the term of the relevant liquor licence for matters related to the transfer or cancellation of the liquor licence. During the Track Record Period, we had not encountered any difficulty in requesting the holders to execute the prescribed forms for the transfer of liquor licence upon our requests nor in effectuating the transfer of the liquor licence(s) from one holder to another.

The table below sets forth the changes in the liquor licence holders of our restaurants during the Track Record Period and up to the Latest Practicable Date:

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Restaurants	Holder of the liquor licence (position in our Group)	Period of licence	Issue date of licence
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	Cheng Chiu Ho (Deputy head chef)	24 April 2010 to 23 April 2011	24 January 2011
	Sin Wing Sing (Branch Manager)	24 April 2010 to 23 April 2011	21 April 2011
	Sin Wing Sing (Branch Manager)	24 April 2011 to 23 April 2012	21 April 2011
	Wong Chi Wai (Manager)	24 April 2011 to 23 April 2012	15 August 2011
	Wong Chi Wai (Manager)	24 April 2012 to 23 April 2013	13 March 2012
	Ho Kun Fai (District Manager)	24 April 2012 to 23 April 2013	20 February 2013
	Ho Kun Fai (District Manager)	24 April 2013 to 23 April 2014	8 April 2013
	Ng Ka Wing (Branch Manager)	24 April 2013 to 23 April 2014	10 July 2013
	Ho Kun Fai (District Manager)	24 April 2013 to 23 April 2014	15 November 2013
U Banquet (Tsim Sha Tsui)	Sy Kong Chung (Chef Supervisor)	26 June 2010 to 25 June 2011	24 January 2011
	Sy Kong Chung (Chef Supervisor)	26 June 2011 to 25 June 2012	20 May 2011
	Tsang Chung Keung (Branch Manager)	26 June 2011 to 25 June 2012	25 June 2012
	Tsang Chung Keung (Branch Manager)	26 June 2012 to 25 June 2013	25 June 2012
	Lee Yui Hon (Chef Supervisor)	26 June 2012 to 25 June 2013	21 June 2013
	Lee Yui Hon (Chef Supervisor)	26 June 2013 to 25 June 2014	21 June 2013
U Banquet (Kwun Tong)	Ho Kun Fai (District Manager)	30 November 2010 to 29 November 2011	4 May 2011
	Ho Kun Fai (District Manager)	30 November 2011 to 29 November 2012	27 October 2011
	Ho Kun Fai (District Manager)	30 November 2012 to 29 November 2013	28 September 2012
	Mak Tsz Chung (Manager)	30 November 2012 to 29 November 2013	18 December 2012
	Mak Tsz Chung (Manager)	30 November 2013 to 29 November 2014	16 October 2013
U Banquet (Causeway Bay)	Wong Kar Shun (Chef Supervisor)	15 August 2010 to 14 August 2011	9 February 2011
	Ng Kwok Wing (Assistant Manager)	15 August 2010 to 14 August 2011	22 March 2011
	Lam Ka Kit (Assistant Manager)	15 August 2010 to 14 August 2011	15 August 2011
	Lam Ka Kit (Assistant Manager)	15 August 2011 to 14 August 2012	15 August 2011
	Yip Kan (Senior Manager)	15 August 2011 to 14 August 2012	21 February 2012
	Yip Kan (Senior Manager)	15 August 2012 to 14 August 2013	9 August 2012
	Hung Lai Sheung (Officer)	15 August 2012 to 14 August 2013	7 November 2012
	Hung Lai Sheung (Officer)	15 August 2013 to 14 August 2014	29 August 2013
U Banquet (Wan Chai)	Chan Hok Ching (Manager)	23 October 2010 to 22 October 2011	14 October 2011
	Chan Hok Ching (Manager)	23 October 2011 to 22 October 2012	14 October 2011
	Chan Kin Hung (Manager)	23 October 2011 to 22 October 2012	21 March 2012
	Cheung Koon Nam (Chef Supervisor)	23 October 2011 to 22 October 2012	9 August 2012
	Cheung Koon Nam (Chef Supervisor)	23 October 2012 to 22 October 2013 (Note 2)	10 October 2012
Choi Fook Club (Wan Chai)	Leung Hung Ming (Officer)	25 March 2010 to 24 March 2011	22 March 2011
	Ho Chun Tat (Manager)	30 September 2011 to 26 June 2012 (Note 1)	11 November 2011
	Ho Chun Tat (Manager)	27 June 2012 to 26 June 2013 (Note 2)	25 June 2012
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant	Yuen Siu Wing (who holds the liquor licence for the previous occupier of the premises where U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant are situated)	29 May 2012 to 28 May 2013	15 March 2012
	Tse Ka Kin (Engineering Officer)	29 May 2012 to 28 May 2013	16 May 2013
	Tse Ka Kin (Engineering Officer)	29 May 2013 to 28 May 2014	16 May 2013
	Leung Yick Sun (Senior Manager)	29 May 2013 to 28 May 2014	20 November 2013
U Banquet (North Point)	Tsoi Nga Lai (Business Relations Officer)	16 December 2010 to 15 December 2011	16 December 2010
	Ng Yuk Chun (Manager)	16 December 2010 to 15 December 2011	11 November 2011
	Ng Yuk Chun (Manager)	16 December 2011 to 15 December 2012	11 November 2011
	Sung To (Branch Manager)	16 December 2011 to 15 December 2012	11 May 2012
	Sung To (Branch Manager)	16 December 2012 to 15 December 2013 (Note 3)	27 November 2012

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Notes:

1. Our Directors confirm that Choi Fook Club (Wan Chai) had not sold or supplied liquor to any customer during the period between 25 March 2011 to 29 September 2011.
2. Both U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) ceased operation in April 2013 and thus, we did not apply for renewal of the liquor licences after their expiration.
3. As at the Latest Practicable Date, our application for renewal of the liquor licence for U Banquet (North Point) was still in progress. Our Directors expect that such application for renewal will be approved before or upon the existing liquor licence expires in December 2013.

During the Track Record Period, the holders of liquor licences for our restaurants had changed from time to time. As it is one of the licensing conditions for the liquor licence that the holder of the liquor licence shall personally supervise the premises where liquor is sold, we therefore require the staff member who holds the liquor licence for our restaurant to be stationed at the same restaurant. If such staff member is deployed to another restaurant or whose employment with us is terminated, we have to assign another staff member to hold the liquor licence in place of the outgoing staff member. Further, as the liquor licence is effective for one year, if the holder is deployed to work for another restaurant or whose employment with us is terminated, we will arrange the incoming staff member to apply for a liquor licence for the same period covered by the existing one. Therefore, during the Track Record Period, for some of our restaurants, the liquor licence of the same restaurant was held by several staff members for a same period of time consecutively. In the case of temporary absence of the holder of the liquor licence, under DCR, the secretary to the LLB may in his discretion authorise a substitute person as the provisional licence holder to manage the relevant restaurant licenses with the liquor licence for a period not exceeding three months. As such, to speed up the application processing time, we nominate another employee as the nominee for such purpose when we apply for the issue or transfer of liquor licence. At all times, we have at least one staff member available to act as substitute person to the liquor licence holder for each of our restaurants.

PRODUCT DEVELOPMENT

We update our menus from time to time in response to the changing tastes of the customers, market trends in restaurant menu items, seasonal factors and modern dietetic preferences. During low seasons and less busy months, our head of dim sum division (head office level) and head of food production (head office level) will visit other Cantonese restaurants, taste their food products, and hold internal meetings afterward to discuss the development of new food items for our restaurants. We try to avoid creating dishes following food fads which may not sustain.

We also constantly keep abreast of current trends in the local wedding industry to serve and attract customers requiring innovative and stylish wedding banquets. For example, we created Guam style wedding chapel-inspired designs for U Banquet (Causeway Bay) due to the rapid growth of local hosting wedding banquets in Guam in recent years and design our own wedding photography studio with Korean-themed settings due to our recognition of a rise of Korean popular culture in Hong Kong.

COMPETITION

Restaurant/food and beverages serving industry

The restaurant industry in Hong Kong is keen, fragmented and highly competitive. We face intense competition from large Chinese restaurant chain operators which offer various kinds of Chinese cuisine and a variety of restaurant locations as wedding banquet venues, hotel groups and other Chinese restaurant operators which offer one-stop wedding banquet and dining services like we do, independent single-outlet Chinese restaurants, Chinese restaurants in hotel premises or private club premises, banquet catering companies and boutique banquet venue providers. Different Chinese restaurant operators target different customers whose spending power and demands vary. In addition, there are many restaurants and other types of eateries in Hong Kong offering non-Chinese cuisine, such as Asian cuisine and international cuisine.

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There are no significant barriers of entry into the restaurant business other than a new entrant's ability to satisfy various general licensing requirements and to incur higher rental costs to open outlets at desirable locations. The size, number, and strength of the competitors in this industry vary widely and there is no significant player dominating the whole industry. Though different segments of the restaurant industry have their own leading players, their individual market share varies from one segment to the other. Thus, our Directors consider that none of the operators in one segment can be treated as a direct competitor of another operator in a different segment.

Generally, competition in the restaurant industry is based on, among other things, quality of food and services, price, location, dining environment and reputation. We consider that we are in a prominent position in the local Chinese restaurant market compared with most of our competitors and we can maintain such position as we possess the following advantages:

- we place high emphasis on the quality of food and services to customers;
- we have wedding business operations;
- we have experienced division head chefs (restaurant level) who can also create new dishes for our customers;
- we have an experienced senior management team;
- we have established a popular brand name; and
- we offer creative themes and characteristics in our restaurants.

Wedding services industry

In the local wedding market, we face competition from companies of various scales which provide different types of wedding services in Hong Kong. The principal factors of competition are quality and range of services, reputation, brand recognition, industry knowledge and expertise. The wedding service industry is an industry with comparatively low entrance barriers and which does not require substantial initial capital investment, industry-specific licence and professional qualification. We distinguish ourselves from our competitors by the ability to provide both one-stop, high quality wedding banquet and Wedding Services as a specialised wedding service provider which is able to meet all the needs of our customers, according to the Euromonitor Report.

INSURANCE

We maintain insurance for employees' compensation liability for personal injury and illnesses, public liability to cover us against any claims of illness, injuries or damage to personal property by the customers, money risk policy for loss of money at the business premises, and accidental damages insurance for accidental or physical damages to properties. We maintain business interruption insurance for U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) for additional expenditure incurred to restore disrupted business to normal conduct of business in consequence of the damage. We also maintain public liability insurance on specific installations on premises, including the passenger-carrying cart installed in U Banquet (Tsim Sha Tsui). Our Directors are of the view that the aforesaid insurance coverage is sufficient and is in line with industry practice in Hong Kong.

Our Directors confirm that there was no occurrence of material accident at our restaurants during the Track Record Period. The number of minor accidents occurred in our restaurants based on our records of insurance claims for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013 was 36, 27 and 11, respectively. As at the Latest Practicable Date, we were involved in one potential claim in relation to a work-related accident. For further information, see "— Legal proceeding", and for the associated risks, see "Risk Factors — Risks relating to our business — We are exposed to litigation claims including employees' compensation claims and common law personal injury claims."

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PROPERTY

Overview of property interests

As at the Latest Practicable Date, we did not own any properties and we leased all the properties used for our business operations, including our restaurant sites, our wedding photography studio, our wedding attire shop and our office premises. We consider the leasing arrangement advantageous to our overall business plan as it helps us reduce our initial capital outlay and allows us to concentrate our capital resources on restaurant premises improvement and decoration, restaurant and kitchen equipment and marketing strategies. Currently, we do not intend to acquire any properties to be used as our restaurant sites. For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our property rentals and related expenses in relation to all our leased properties were HK\$37.3 million, HK\$38.0 million and HK\$24.8 million, respectively, representing approximately 14.4%, 12.5% and 13.1% of our total revenue.

The leased property where U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant are located is currently subject to mortgage and the landlord rejected our request to obtain the mortgagee's consent for entering into the tenancy agreement with us. As advised by our Company's Legal Advisers, there is a risk that the tenancy agreement will not be binding on the mortgagee and if the landlord defaults on the mortgage, the mortgagee may exercise its right to repossess the property pursuant to the terms of the mortgage. For details of the associated risk, see "Risk Factors — Risks relating to our business — One of our leased properties is subject to mortgage." In the future, we will seek legal advice before we enter into any tenancy agreement for leasing properties for restaurant use.

Our leases generally have a term of three years with options to renew for a further term of one to six years. Our current leases stipulate either a fixed rent or that the higher of a fixed rent and a rent based on an agreed percentage of the restaurant's turnover will be paid or that additional rent based on the restaurant's turnover will be paid on top of a fixed rent. Of all our current restaurant leases as at the Latest Practicable Date, none will expire in 2013, one will expire in 2014, three will expire in 2015, two will expire in 2016 and one will expire in 2019. In relation to the current lease which will expire in 2014, a new lease for a term of six years was entered into in July 2013. Save for an increase of approximately 41.1% (in respect of the first three years of the term) and approximately 58.0% (in respect of the last three years of the term) in the monthly basic rent, the grant of a rent-free period and an option to renew for a further term of two years in the new lease, there is no material change in the terms of the new lease. The current lease of our two shop outlets for our Wedding Services will expire in 2014. During the Track Record Period, we did not renew the lease for U Banquet (Wan Chai) and Choi Fook Club (Wan Chai). For details, see "— Our restaurants — Wan Chai operations". To avoid failure to renew our leases in the future and to reduce the impact of non-renewal, we have designated an administrative staff to monitor the status of our leases by requiring him to maintain a document setting out the expiry dates, notice periods and the period within which we can exercise the option to renew (if any) our leases and to directly report to our senior management, and our senior management will approach and liaise with relevant landlords to renew or enter into new leases according to the terms of our leases. As at the Latest Practicable Date, we did not foresee any material obstacles in renewing our current leases.

Our Directors and senior management are responsible for overseeing and deciding the selection of the location of our restaurants and the execution of tenancy agreements by our Group. Our Directors are also responsible for negotiating with the landlords in relation to the renewal of the existing tenancy agreements before their respective expiry dates. When considering renewing the existing tenancy agreements, we consider various factors, including the customer flow and the revenue performance of the restaurant and the amount of increase in rent. As at the Latest Practicable Date, we intended to renew all the existing lease agreements upon expiry. Our Directors confirm that they did not receive any indication from the landlords that any of the leases may not be renewed upon expiry of the existing lease agreements as at the Latest Practicable Date.

Our Directors confirmed that all our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. As at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

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Leased properties

The following table sets out a summary of the properties leased by us as at the Latest Practicable Date. Except for the leased property of our head office, all our landlords are Independent Third Parties.

Address as shown in the lease	Our use of property	Tenant	Term of current lease	Extended lease term	Rental
Shop No.137A on 1st Floor, Shop No.402 on 4th Floor and Shop No.602 on 6th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong	U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	Step Up	From 1 March 2012 to 28 February 2014 (both days inclusive)	From 1 March 2014 to 29 February 2020 (both days inclusive) according to a new lease executed on 23 July 2013 (<i>The new lease provides for an option to renew for two years (i.e. from 1 March 2020 to 28 February 2022)</i>)	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly fixed rent
2nd and 3rd Floor of Chuang's London Plaza, No.219 Nathan Road, Kowloon, Hong Kong (Note 1)	U Banquet (Tsim Sha Tsui)	Million Talent	From 8 January 2013 to 7 January 2015 (both days inclusive)	N/A	Monthly fixed rent or a specified percentage of the turnover, whichever is higher
2nd Floor, Crocodile Center, No.79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Note 2)	U Banquet (Kwun Tong)	Elite Rainbow	From 6 November 2012 to 5 November 2015 (both days inclusive)	From 6 November 2015 to 5 November 2017 (both days inclusive) if the option to renew is exercised	Monthly fixed rent or a specified percentage of the turnover, whichever is higher
5th Floor and 5th Mezzanine Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong (Note 3)	U Banquet (Causeway Bay)	Vast Rainbow	From 1 June 2013 to 31 May 2015 (both days inclusive)	N/A	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly rent
Shop No.103 on 1st Floor of Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong	A new restaurant expected to be opened in November 2013	Smiling Profit	From 23 September 2013 to 22 September 2019 (both days inclusive)	N/A	Monthly fixed rent plus an additional rent calculated by a pre-agreed formula if a specified percentage of the turnover exceeds monthly rent
2nd Ground Floor, Tropicana Gardens, No.110 Lung Cheung Road, Kowloon, Hong Kong	U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant	Choi Fook Royal Banquet	From 1 March 2013 to 28 February 2016 (both days inclusive)	From 1 March 2016 to 28 February 2019 (both days inclusive) if the first option to renew is exercised From 1 March 2019 to 28 February 2021 (both days inclusive) if the second option to renew is exercised	Monthly fixed rent
1st Floor of King's Towers, No.480 King's Road and 15-23A Tsat Tsz Mui Road, Hong Kong	U Banquet (North Point)	Choi Fook Seafood	From 1 November 2013 to 31 October 2016 (both days inclusive)	N/A	Monthly fixed rent
Shops 10, 12 and 26 on the 4th Floor of Kowloonbay International Trade & Exhibition Centre, No.1 Trademart Drive, Kowloon, Hong Kong	U Weddings (Wedding Photography Studio) and U Weddings (Wedding Attire Shop)	U Weddings Studio Ltd	From 1 September 2013 to 15 December 2014 (both days inclusive)	From 16 December 2014 to 15 December 2015 (both days inclusive) if the option to renew is exercised	Monthly fixed rent
Unit E2 on the 28th Floor of Block 1 and Unit F on the 28th Floor of Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	Head office	Choi Fook Holdings	From 1 July 2013 to 30 June 2016 (both days inclusive)	From 1 July 2016 to 30 June 2019 (both days inclusive) if the option to renew is exercised	Monthly fixed rent

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Notes:

1. The lease covers “2nd and 3rd Floor” but the leased premises is a single-floor area. The general restaurant licence only covers “2nd Floor”.
2. The parties have also entered into certain licence agreements in relation to flat roof and lobby areas.
3. The parties have also entered into certain licence agreements in relation to access areas, storeroom and toilets. We are also entitled to the use of a signage space under the current lease.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we owned four registered trademarks in Hong Kong, namely



In addition, as at the Latest Practicable Date, we had registered the following domain names: www.u-banquet.com, www.u-banquetgroup.com and www.u-weddings.com.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors also confirmed that during the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

We have adopted an internal control manual since July 2013 which contains policies and procedures to protect our confidential information and to monitor and handle any leakage of information. We believe that this will help to safeguard our know-hows, concepts, recipes and trade secrets.

For further detail information relating to our intellectual property rights, see “Statutory and General Information — B. Further information about the business of our Group — 8. Intellectual property rights of our Group and the Controlling Shareholder” in Appendix IV to this prospectus.

LEGAL PROCEEDING

It was alleged that an employee of our Group slipped and sustained shoulder injuries while working for our Group. The case had been reported to the Labour Department under the Employees’ Compensation Ordinance and our Group denied and defended such claim. According to a letter issued to our Group by the Labour Department dated 19 December 2012, the case would be referred to the District Court of Hong Kong for determination.

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As opined by our Company's Legal Advisers, our Group's potential liabilities in the above incident include liabilities relating to: (i) claims of employees' compensation under the Employees' Compensation Ordinance (which gives employees the right to compensation for, among others, injuries caused by accidents arising out of employment); and (ii) claims of personal injury under common law (which gives employees the right to sue for damages for injuries caused by an employer's negligence, breach of statutory duty or other wrongful act or omission). As further opined by our Company's Legal Advisers, as the litigation for the claim of employees' compensation under the Employees' Compensation Ordinance will be transferred to the District Court, and no claim of personal injury under common law has been commenced against us, we are not in a position to assess the quantum of our potential liabilities at this stage. Despite the aforesaid, if there is any claim of personal injury against us in this respect, we envisage that the claim may mainly include special damages for losses and expenses incurred by the claimant for loss of earnings, loss of earning capacity and general damages for pain and suffering and loss of amenities. In any event, based on our representation as to the circumstances of the claims, our Company's Legal Advisers opined that our potential liabilities (whether under the Employees' Compensation Ordinance or common law), if any, will be substantially covered by our Group's insurance policy.

Our Directors consider that (i) the occurrence of personal injury claims and employees' compensation claims are not unusual in the restaurant industry; (ii) the above incidents happened during the normal course of business of our Group; (iii) the above incidents have not caused disruption to our business operation; and (iv) the above incidents did not result in penalty from any governmental authority nor the imposing of any conditions on our general restaurant licenses we currently hold.

Save as disclosed above, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our business, operation results or financial condition during the Track Record Period and as at the Latest Practicable Date.

NON-COMPLIANCE

Save as disclosed below, our Company’s Legal Advisers are of the view that we have obtained all relevant licenses, approvals, certificates and permits necessary to conduct our business operations and have complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period.

Non-compliance relating to our Group’s operation

During the Track Record Period, we failed to comply with certain applicable laws and regulations in Hong Kong with respect to our Group’s operation, a summary of which is set out as follows:

Name of company	Event(s) of non-compliance	Reason(s) of non-compliance	Rectification action taken/to be taken	Maximum penalty and penalty imposed (if any)
<i>License-related</i>				
1. Million Talent	<p>During the Track Record Period up until 9 September 2013, the holder of the general restaurant licence in respect of U Banquet (Tsim Sha Tsui) was Mr. Cheung KH, our chairman, chief executive officer and executive Director, instead of Million Talent, the operating company of U Banquet (Tsim Sha Tsui). We were made aware of such compliance issue during the preparatory stage of the Listing.</p>	<p>We had made the arrangement to apply the said general restaurant licence under the name of Mr. Cheung KH as it would bring us administrative convenience as, if a corporation applies for a restaurant licence, FEHD requires the corporation to submit various corporate documents, including its business registration certificate, memorandum and articles of association and latest annual return, etc. Such documents are not required to be submitted if the applicant is a natural person.</p> <p>Our Directors consider the non-compliance incident, which was a technical breach in nature, was caused by the previous lack of comprehensive internal control measures to ensure full compliance with the licensing requirements.</p>	<p>On 19 June 2013, we made an application for the transfer of the holder of the general restaurant licence from Mr. Cheung KH to Million Talent. We have obtained a valid general restaurant licence in the name of Million Talent on 10 September 2013.</p> <p>We have implemented a set of internal control policies relating to the application and maintenance of the licences, permits and approvals of our restaurants. See “— Internal control”.</p>	<p>If Million Talent is convicted of having been in breach of section 31(1) of FBR for the carrying on of restaurant business who is not the named licensee of the restaurant licence, the maximum penalty is a fine of HK\$50,000, and any or all of its directors may be liable for imprisonment for six months and, in the case of continuing offences, an additional daily fine of HK\$900. The court may also impose a prohibition order prohibiting the use of the premises for the restaurant business or, in the case of a breach of the prohibition order, a closure order closing down the premises.</p>
2. Choi Fook Seafood	<p>During the Track Record Period up until 17 September 2013, the holder of the general restaurant licence in respect of U Banquet (North Point) was Mr. Cheung KH, our chairman, chief executive officer and executive Director, instead of Choi Fook Seafood, the operating company of U Banquet (North Point). We were made aware of such compliance issue during the preparatory stage of the Listing.</p>	<p>Same as item 1 above.</p>	<p>On 19 June 2013, we made an application for the transfer of the holder of the general restaurant licence from Mr. Cheung KH to Choi Fook Seafood. We obtained a valid general restaurant licence in the name of Choi Fook Seafood on 18 September 2013.</p> <p>We have implemented a set of internal control policies relating to the application and maintenance of the licences, permits and approvals of our restaurants. See “— Internal control”.</p>	<p>Same as item 1 above.</p>

Name of company	Event(s) of non-compliance	Reason(s) of non-compliance	Rectification action taken/to be taken	Maximum penalty and penalty imposed (if any)
3. Choi Fook Royal Banquet	<p>During the Track Record Period up until 29 May 2013, the holder of the general restaurant licence in respect of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant was an Independent Third Party, which, our Directors believe, is related to the restaurant previously located at the same location, instead of Choi Fook Royal Banquet, the operating company of such restaurants. We were made aware of such compliance issue during the preparatory stage of the Listing.</p>	<p>Our Directors believed that it is common practice for a restaurant in Hong Kong to commence business under a general restaurant licence (with the licence holder being the operating company of a restaurant previously operated at the same location) while the approval for the change of licence holder of the same licence is in progress.</p> <p>We engaged Licensing Consultant (1) (as defined below) to assist us in the application of the general restaurant licence for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant. Licensing Consultant (1) did not advise us that it was a breach of law to operate U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant under the general restaurant licence held by the operating company of a restaurant previously operated at the same location.</p> <p>Our Directors consider the non-compliance incident was caused by the previous lack of comprehensive internal control measures to ensure compliance with the licensing requirements.</p>	<p>On 25 March 2013, we made an application to the FEHD for the change of licence holder of the general restaurant licence to Choi Fook Royal Banquet. On 30 May 2013, a valid general restaurant licence in the name of Choi Fook Royal Banquet was issued for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant.</p> <p>We have implemented a set of internal control policies relating to the application and maintenance of the licences, permits and approvals of our restaurants. See “— Internal control”.</p>	<p>Same as item 1 above.</p>
4. Million Talent, Elite Rainbow, Vast Rainbow, Choi Fook Royal Banquet and Smiling Profit	<p>Applications for the water pollution control licence have not been made for U Banquet (Fsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Causeway Bay), U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Wan Chai) before commencing the discharge of trade effluents into specific water control zones. We were made aware of such compliance issue during the preparatory stage of the Listing.</p>	<p>Our Directors were not aware that we would discharge trade effluents into specific water control zones.</p> <p>Our Directors consider the non-compliance incident was caused by the previous lack of comprehensive internal control measures to ensure compliance with the licensing requirements.</p>	<p>In May and June 2013, we made applications for water pollution control licence. In June, August and September 2013, we obtained the valid water pollution control licences for U Banquet (Fsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Causeway Bay), respectively. Hence, as at the Latest Practicable Date, we have obtained the valid water pollution control licences for all our restaurants.</p> <p>We did not make an application for a water pollution control licence for U Banquet (Wan Chai) as it was closed in April 2013.</p> <p>We have implemented a set of internal control policies relating to the application and maintenance of the licences, permits and approvals of our restaurants. See “— Internal control”.</p>	<p>Pursuant to section 11(1) of the WPCO, if we are convicted of having been in breach of sections 8(1), 8(2), 9(1) or 9(2) of the WPCO for any prohibited discharges thereunder, the maximum penalty to which any or all of the directors of the company concerned is liable for imprisonment for six months if it is proved that the directors have caused the breach and, in the case of a first offence, each company concerned is liable to pay a fine of HK\$200,000, in the case of a subsequent offence, a fine of HK\$400,000, and in the case of a continuing offence, an additional daily fine of HK\$10,000.</p>

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Name of company	Event(s) of non-compliance	Reason(s) of non-compliance	Rectification action taken/to be taken	Maximum penalty and penalty imposed (if any)
<u>Tax return filings-related</u>				
5. Choi Fook Holdings	We failed to furnish a profit tax return for the 2009/10 final tax assessment and 2010/11 provisional tax assessment as required under sections 5(1), 80(2)(d) and in a timely manner as required under section 80(2A) of the IRO. (Note 1)	The preparation for the audited report of Choi Fook Holdings for the year ended 31 December 2010 was delayed as the responsible staff member had left our Group at that time, which resulted in the delay of the submission of the profit tax return.	We have implemented a set of internal control policies relating to tax filings, payment and other taxation matters. See “— Internal control”. We confirm that as at the Latest Practicable Date, we have filed all required tax returns and that there is no tax return required to be filed but unfiled.	The maximum penalty to which Choi Fook Holdings may be liable is a fine of HK\$10,000 for each offence and a further fine of treble the amount of tax undercharged in consequences of the failure to comply with the notice under sections 5(1) or 80(2A) of the IRO.
6. Elite Rainbow	We failed to furnish a profit tax return for the 2009/10 final tax assessment and 2010/11 provisional tax assessment as required under sections 5(1), 80(2)(d) and in a timely manner as required under section 80(2A) of the IRO. (Note 1)	Our Directors consider the non-compliance incident was caused by the previous lack of comprehensive internal control measures to monitor the progress of our taxation matters.	Same as item 5 above.	The Tsuen Wan Magistrates’ Court imposed a fine of a total amount of HK\$2,000 to be paid on or before 6 June 2012. The fine was paid on 29 May 2012. The maximum penalty is the same as item 5 above.
7. Million Talent	In September 2010, we failed to maintain the exit doorway near the kitchen and the exit stairway near siu mei division of U Banquet (Tsim Sha Tsui) in good condition and free from obstruction which affords a means of escape from the workplace in case of fire.	The breach was due to oversight by the restaurant staff who was not familiar with the “5-S” (五常法) management system at that time.	We have designated our restaurant managers to be responsible for ensuring that all means of escape are free from obstruction at all times and keeping senior management informed of the relevant issues.	The maximum penalty on conviction of the offence against Million Talent is HK\$200,000 and any or all of the directors may be liable to imprisonment for six months. The Kwun Tong Magistrates’ Court imposed a fine of a total amount of HK\$7,000 to be paid within 14 days from 17 February 2011. The fine was paid on 21 February 2011.

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Name of company	Event(s) of non-compliance	Reason(s) of non-compliance	Rectification action taken(to be taken	Maximum penalty and penalty imposed (if any)
8. Milifon Talent	In October 2010, we failed to comply with the improvement notice served by the Commissioner for Labour in September 2010 to maintain the exit doorway near the kitchen and the exit stairway near <i>sui mei</i> division of U Banquet (Ismi Sha Tsui) in good condition and free from obstruction which affords a means of escape from the workplace in case of fire.	The breach was due to unintended and inadvertent oversight by the restaurant manager.	We have reminded our restaurant managers (restaurant level) their responsibility for ensuring that all means of escape are free from obstruction at all times and keeping senior management informed of the relevant issues. We have implemented a set of internal control policies to ensure that our restaurants are clean, tidy and free from obstruction. See “- Internal control”.	The maximum penalty is the same as item 7 above. The Kwun Tong Magistrates’ Court imposed a fine of a total amount of HK\$10,000 to be paid within 14 days from 24 March 2011. The fine was paid on 29 March 2011.
9. Elite Rainbow	In April 2012, various objects were found at the common corridor of U Banquet (Kwun Tong) which obstructed or may obstruct the means of escape in respect of the premises. (Note 2)	The breach was due to unintended and inadvertent oversight by the restaurant manager.	Same as item 8 above.	<ul style="list-style-type: none"> The maximum penalty against Elite Rainbow on the first conviction of the offence is HK\$100,000, subsequent conviction is HK\$200,000 and any or all of its directors may be liable to imprisonment for one year, and a further fine of HK\$20,000 for each day during which the offence continues. The Kwun Tong Magistrates’ Court imposed a fine of a total amount of HK\$4,000 to be paid within 14 days from 8 November 2012. The fine was paid on 2 November 2012.
10. Elite Rainbow	In November 2012, various objects were found at the common corridor of U Banquet (Kwun Tong) which obstructed or may obstruct the means of escape in respect of the premises. (Note 2)	The breach was due to unintended and inadvertent oversight by the restaurant manager.	Same as item 8 above.	<ul style="list-style-type: none"> The maximum penalty is the same as item 9 above. The Kwun Tong Magistrates’ Court imposed a fine of a total amount of HK\$10,000 to be paid within 14 days from 28 February 2013. The fine was paid on 4 March 2013.
11. Choi Fook Seafood	In November 2010, various objects were found at the backdoor of U Banquet (North Point) which obstructed or may obstruct the means of escape in respect of the premises. (Note 2)	The breach was due to unintended and inadvertent oversight by the restaurant manager.	Same as item 8 above.	<ul style="list-style-type: none"> The maximum penalty is the same as item 9 above. The Eastern Magistrates’ Court imposed a fine of a total amount of HK\$8,000 to be paid within 7 days from 26 May 2011. The fine was paid on 27 May 2011.

Name of company	Event(s) of non-compliance	Reason(s) of non-compliance	Rectification action taken/to be taken	Maximum penalty and penalty imposed (if any)
<u>Building orders-related</u>				
12. Choi Fook Seafood	A building order (the "Building Order") was issued against Choi Fook Seafood in relation to the signboard erected on the restaurant premises in October 2007.	<p>The breach was due to the miscommunication with our consultant/contractor that this was a breach of law.</p> <p>Our Directors consider the non-compliance incident was caused by the previous lack of comprehensive internal control measures to ensure compliance with the relevant requirements.</p>	<p>We carried out rectification works in accordance with the Building Order in or about September 2011. The Buildings Department's letter dated 7 October 2011 confirmed that we had fully complied with the Building Order.</p> <p>We have designated our engineering department to be responsible for the building-related issues relating to our Group, including seeking advice from, and keeping senior management and our Legal and Compliance Committee (as defined below) informed of the relevant issues and monitoring the work of external licensing consultants.</p>	<p>The maximum penalty against Choi Fook Seafood on conviction of the offence is HK\$400,000 and any or all of its directors may be liable to imprisonment for 2 years, and a further fine of HK\$20,000 for each day during which the offence continues.</p> <p>The Eastern Magistrates' Court imposed a fine of a total amount of HK\$8,000 to be paid within 7 days from 13 October 2011. The fine was paid on 14 October 2011.</p>
<u>Layout plan-related</u>				
13. Vast Rainbow	<p>In June 2012, we altered the approved layout plan of U Banquet (Causeway Bay) without the permission in writing of the DFEH, namely (i) addition of one water closet and one wash-hand basin in store room and changed to toilet, and (ii) deletion of the full height wooden partition and changed the store room to seating accommodation.</p>	<p>The breach was due to the miscommunication with our consultant/contractor that this was a breach of law.</p> <p>Our Directors consider the non-compliance incident was caused by the previous lack of comprehensive internal control measures to ensure compliance with the relevant requirements.</p>	<p>We have designated our engineering department to be responsible for ensuring that no alteration in approved layout plan will be commenced unless written permission has been obtained and keeping senior management and our Legal and Compliance Committee (as defined below) informed of the relevant issues.</p> <p>The FEHD's Licensed Food Premises Inspection Report dated 30 January 2013 confirmed that the approved plans were checked and no alteration or addition was detected. As such the layout plan had been reinstated.</p>	<p>The maximum penalty on conviction against Vast Rainbow on the breach of the offence is HK\$10,000 and all or any of its directors may be liable to imprisonment for three months, and a further fine of HK\$300 for each day during which the offence continues.</p> <p>The Eastern Magistrates' Court imposed a fine of a total amount of HK\$1,500. The fine was paid on 3 December 2012.</p> <p>FEHD had registered 5 demerit points against U Banquet (Causeway Bay) held by Vast Rainbow.</p>

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Notes:

1. Section 51(1) of the IRO provides that an assessor appointed under the IRO may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return which may be specified by the Board of Inland Revenue property tax, salaries tax and/or profits tax. Under section 80(2)(d) of the IRO, any person who without reasonable excuse fails to comply with the requirement of a notice given to him under sections 51(1) of the IRO commits an offence. It is provided in section 80(2A) of the IRO that in the case of an offence under section 80(2)(d), the court may order the person convicted to comply with the requirements of the notice given to him under sections 51(1) or within such time as may be specified in the order. As the monetary penalties which our Group was subject to was insubstantial, our Directors considered the financial impact on our Group as immaterial. As at the Latest Practicable Date, we have complied with all material aspects of the IRO.
2. Under section 14(1)(b) of the FS(FHA)R, a person commits an offence if the person, being the owner, tenant, occupier or person in charge of the premises, permits or suffers to be set out of left, any article or thing that obstructs or may obstruct the means of escape in respect of the premises. As the monetary penalties which our Group was subject to was insubstantial, our Directors considered the financial impact on our Group as immaterial. As at the Latest Practicable Date, all our restaurants are in compliance with the material aspects of the FS(FHA)R.

Non-compliance with the Companies Ordinance

During the preparation for the Listing, a number of our Group companies incorporated in Hong Kong were found to have failed to comply with the statutory requirements set out below.

Section 57B of the Companies Ordinance

As the relevant resolution from both Mr. Cheung KH and one of the Ex-Partners, who together were all the shareholders of Choi Fook Seafood at the time, approving the issue and allotment of shares cannot be found, it may be possible that, the directors of Choi Fook Seafood (including Mr. Cheung KH and one of the Ex-Partners) might have failed to obtain general mandate from its shareholders before allotting shares on a non-pro rata basis on one occasion in July 2004, which was contrary to section 57B of the Companies Ordinance. If that happened and it can be proved that the directors of Choi Fook Seafood did so knowingly and willfully, the directors may be prosecuted and the maximum penalty for each of the directors in default is HK\$50,000 and six months of imprisonment. Our Company's Legal Advisers have opined that there is no provision in the Companies Ordinance that confers jurisdiction on the court to order rectification of non-compliance with section 57B. Notwithstanding that, our Company's Legal Advisers opined that this breach was by nature a technical breach as on that occasion although the formal approval from the shareholders of Choi Fook Seafood in a general meeting approving the allotment cannot be found, these shareholders at that time, namely Mr. Cheung KH and one of the Ex-Partners together holding 100% of the then issued share capital of Choi Fook Seafood were also the directors of Choi Fook Seafood at that time and thus they could not deny their approval for such allotment and their approval in the issue and allotment of shares can be deemed to have been given. Further, our Company's Legal Advisers also opine that this non-compliance has been time-barred against Mr. Cheung KH and one of the Ex-Partners pursuant to section 351A of the Companies Ordinance and further, there was nothing which would suggest that the non-compliance, if any, was committed by them knowingly and willfully. Thus, Mr. Cheung KH and one of the Ex-Partners, being directors of Choi Fook Holdings, are unlikely to be subject to prosecution in such regard. In January 2005, the Ex-Partners ceased to be shareholders of Choi Fook Seafood and since then, the Ex-Partners held interest in Choi Fook Seafood through their shareholding in Choi Fook Group until they procured Choi Fook Group to transfer the shareholding interest beneficially owned by them in Choi Fook Seafood to Mr. Cheung KH and Mr. Cheung KK in June 2009 pursuant to the terms of the Settlement Agreement. They also ceased to be directors of Choi Fook Seafood in June 2009.

Our Company's Legal Advisers advise that nothing in section 57B of the Companies Ordinance will affect the validity of the issue and allotment of the shares in Choi Fook Seafood set out above. Notwithstanding the above, to use its best endeavour to rectify the possible breach, the existing shareholder of Choi Fook Seafood passed a resolution confirming and ratifying the allotment of shares which had taken place in July 2004 retrospectively. Based on the common law rule that any act that falls within the corporate capacity of a company will bind the company if it is approved or subsequently ratified by the shareholders of the Company, our Company's Legal Advisers take the view that the non-compliance, which is more a technical breach, has been duly rectified by

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the subsequent shareholders' resolution of Choi Fook Seafood approving the issue and allotment of its shares. Taking into account the legality of the shares allotted and issued in 2004 and the circumstances related thereto, our Company's Legal Advisers further opine that the Ex-Partners shall not have any legal right to claim against Mr. Cheung KH, Mr. Cheung KK or Choi Fook Seafood in relation to the issue and allotment of shares in 2004.

Section 111 of the Companies Ordinance

Contrary to section 111 of the Companies Ordinance, each of Choi Fook Holdings and Step Up, respectively, failed to hold annual general meetings in certain years. Under section 111 of the Companies Ordinance, the relevant company and every officer who is in default shall be liable to a fine of HK\$50,000.

Name of subsidiary	Period(s) of which the non-compliance occurred	Rectification action
Choi Fook Holdings	2010-2012	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order that an annual general meeting be called in substitution for the annual general meetings of Choi Fook Holdings for the years 2010, 2011 and 2012. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 111 of the Companies Ordinance.
Step Up	2009	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order that an annual general meeting be called in substitution for the annual general meeting of Step Up for the year 2009. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 111 of the Companies Ordinance.

Choi Fook Holdings convened a general meeting in October 2013 in substitution for the annual general meetings for the years 2010, 2011 and 2012 and Step Up convened a general meeting in October 2013 in substitution for the annual general meeting for the year 2009. The above non-compliances of section 111 of the Companies Ordinance have therefore been rectified as at the Latest Practicable Date.

Section 114 of the Companies Ordinance

Contrary to section 114 of the Companies Ordinance, Choi Fook Seafood failed to give 21 clear days' notice before the annual general meetings for each of the years from 2003 to 2009. Though no penalty is imposed on the company for breach of section 114 of the Companies Ordinance, there is a risk that the resolutions passed at the annual general meetings of Choi Fook Seafood for the aforesaid years were invalid. All the shareholders of Choi Fook Seafood passed a written resolution on 11 August 2013 purported to ratify and affirm the resolutions passed at the annual general meetings for the aforesaid years and that the 21 clear days' notice for the annual general meetings for each of the aforesaid years were deemed to have been given or be waived. Further, based on the minutes of the annual general meetings for the years 2003 to 2009, all shareholders who were entitled to act and vote at these annual general meetings were present at the said annual general meetings and had overtly noted the notice for the annual general meetings. Our Company's Legal Advisers opine that in such circumstances, such short notice for convening the annual general meetings should be effective and that the resolutions passed at the annual general meetings of Choi Fook Seafood for the aforesaid years were at all material times valid, binding and effective. The aforesaid non-compliances with section 114 of the Companies Ordinance have therefore been fully rectified as at the Latest Practicable Date.

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Section 114A of the Companies Ordinance

Contrary to section 114A of the Companies Ordinance, Million Talent failed to pass board resolutions to convene the 2007 annual general meeting. Despite the aforesaid, there was only one shareholder, namely Mr. Cheung KH, in Million Talent at that time and written resolutions were duly passed and signed by Mr. Cheung KH for the 2007 annual general meeting. Our Company's Legal Advisers opine that in such circumstance, given Million Talent had only one shareholder in 2007, Million Talent has reasonable ground to assert that the board resolution to convene the 2007 annual general meeting was not necessary and written resolutions, instead of a physical meeting, would be sufficient. Nevertheless, this irregularity was duly rectified by the resolutions of the board of directors of Million Talent passed on 11 August 2013 to ratify and affirm that the 2007 annual general meeting was duly convened.

Section 122 of the Companies Ordinance

Contrary to section 122 of the Companies Ordinance, in certain years each of Choi Fook Seafood, Choi Fook Holdings, Vast Rainbow, Million Talent, Step Up, U Banquet (HK), Choi Fook Royal Banquet and Elite Rainbow failed to lay their audited accounts at their respective annual general meetings and/or failed to lay audited accounts made up to a date falling not more than nine months before the date of the annual general meeting. The maximum penalty in respect of each offence for each of the directors under section 122 of the Companies Ordinance is a fine of HK\$300,000 and 12 months' imprisonment.

Name of subsidiary	Period(s) of which the non-compliance occurred	Rectification action
Choi Fook Seafood	2003-2007	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Choi Fook Seafood at its annual general meetings the accounts with respect to the periods from 9 January 2002 to 31 March 2003 and from 1 April 2005 to 31 December 2005, and the years ended 31 March 2004, 31 March 2005, 31 December 2006 and 31 December 2007 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
Choi Fook Holdings	2010-2011	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Choi Fook Holdings at its annual general meetings the accounts with respect to the period from 25 July 2009 to 31 December 2010 and year ended 31 December 2011 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
Vast Rainbow	2009	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Vast Rainbow at its annual general meetings the accounts with respect to the period from 16 August 2007 to 31 December 2009 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
Million Talent	2008	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Million Talent at its annual general meetings the accounts with respect to the period from 4 November 2006 to 31 December 2008 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.

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Name of subsidiary	Period(s) of which the non-compliance occurred	Rectification action
Step Up	2006-2008	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Step Up at its annual general meetings the accounts with respect to the period from 2 December 2005 to 31 December 2006 and the years ended 31 December 2007 and 2008 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
U Banquet (HK)	2010-2011	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before U Banquet (HK) at its annual general meetings the accounts with respect to the period from 18 June 2010 to 31 December 2011 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
Choi Fook Royal Banquet	2010-2011	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the period provided in section 122(1A) of the Companies Ordinance to lay before Choi Fook Royal Banquet at its annual general meetings the accounts with respect to the period from 6 July 2009 to 31 December 2010 and year ended 31 December 2011 be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.
Elite Rainbow	2010	Applications were made to the Court of First Instance of the High Court of Hong Kong on 9 August 2013 for an order, <i>inter alia</i> , that the accounts with respect to the period from 27 March 2009 to 31 December 2010; and the period provided in section 122(1A) of the Companies Ordinance to lay before Elite Rainbow at its annual general meetings the accounts be extended. On 17 October 2013, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122 of the Companies Ordinance as referred to above.

In view of the above, all non-compliances with section 122 of the Companies Ordinance have been rectified as at the Latest Practicable Date.

Section 129D of the Companies Ordinance

Contrary to section 129D of the Companies Ordinance, in certain years each of Choi Fook Seafood, Million Talent and Step Up failed to pass board resolutions to approve and authorise the signing of the directors' reports. The maximum penalty in respect of each offence for each of the directors in default under section 129D is a fine of HK\$150,000 and six months' imprisonment if it is proved that the non-compliance was committed willfully. Notwithstanding the above, all directors' reports were signed by the relevant director, who should be a competent person and was deemed to have been duly authorised by the board of directors of the company.

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Name of subsidiary	Period(s) of which the non-compliance occurred	Rectification action
Choi Fook Seafood	2002-2008	Board resolutions of Choi Fook Seafood were passed on 11 August 2013 to approve, authorise, ratify and affirm the signing of the directors' reports for the years ended 31 December 2002, 2003, 2004, 2005, 2006, 2007 and 2008
Million Talent	2009	Board resolutions of Million Talent were passed on 11 August 2013 to approve, authorise, ratify and affirm the signing of the directors' report for the year ended 31 December 2009
Step Up	2006-2009	Board resolutions of Step Up were passed on 11 August 2013 to approve, authorise, ratify and affirm the signing of the directors' reports for the years ended 31 December 2006, 2007, 2008 and 2009

In view of the above, all non-compliances related to section 129D of the Companies Ordinance have been rectified as at the Latest Practicable Date.

Late filing of statutory documents in breach of Companies Ordinance

Section 45(1) of the Companies Ordinance stipulates that a company must return the specified form (Form SC1) within one month of allotment. Section 55(1) of the Companies Ordinance stipulates that a company must give the registrar of Companies Registry notice (Form SC4) within 15 days after the passing of resolution authorising the increase in share capital. Section 92(3) of the Companies Ordinance stipulates that a company must return the specified form (Form R1) within 14 days after the change of its registered office address. Section 158(4) of the Companies Ordinance stipulates that a company must return the specified form (Form D2A or D2B) within 14 days from the change or change of particulars of any director or secretary of the company.

For breach of sections 55, 92 and 158 of the Companies Ordinance, the company and every officer of the company in default is liable to a level 3 fine, which is fixed at the rate of HK\$10,000 at present, and a daily default fine of HK\$300 for continuing default. For breach of section 45 of the Companies Ordinance, the company and every officer of the company in default is liable to a level 5 fine, which is fixed at the rate of HK\$50,000 at present, and a daily default fine of \$700 for continuing default.

Name of subsidiary	Period(s) of which the non-compliance occurred	Statutory document(s)	Particulars of non-compliances	Relevant section of the Companies Ordinance
Choi Fook Seafood	2005	Form R1	Late filing of the notice of change of registered address	Section 92(3)
	2009	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
Vast Rainbow	2009	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
	2013	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)

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Name of subsidiary	Period(s) of which the non-compliance occurred	Statutory document(s)	Particulars of non-compliances	Relevant section of the Companies Ordinance
Million Talent	2009	Form R1	Late filing of the notice of change of registered address	Section 92(3)
	2009	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)
	2009	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
Step Up	2009	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
	2013	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)
Smart Award	2013	Form SC4	Late filing of the notice of increase of capital	Section 55(1)
	2013	Form SC1	Late filing of the return of allotment of shares	Section 45(1)
	2013	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
Smiling Profit	2010	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)
Great Business	2013	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
Elite Rainbow	2013	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)
Choi Fook Royal Banquet	2013	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)
Credit Bonus	2013	Form D2B	Late filing of the notice of change of particulars of director or secretary	Section 158(4)
Good Fortress	2012	Form D2A	Late filing of the notice of change of director or secretary	Section 158(4)

The above subsidiaries of our Group have used their best endeavours to rectify their breaches of sections 45, 55, 92 and 158 by filing, though after the prescribed time, the relevant forms with the Companies Registry and thus, all non-compliances in relation to these sections 45, 55, 92 and 158 of the Companies Ordinance have been duly rectified as at the Latest Practicable Date. They are prepared to pay the penalty if imposed on them by reason of their breaches of the aforesaid sections of the Companies Ordinance.

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Reasons for non-compliance with the Companies Ordinance

Our Directors and management officers of our Group were responsible for our daily operations and had limited understanding of the relevant rules and regulations under the Hong Kong company laws. As such, we had appointed and relied on secretarial service providers, which our Directors believed to have relevant qualification and experience for compliance with such rules and regulations. However, the secretarial service providers did not remind our Directors or management officers of our Group the specific requirements of the Companies Ordinance during the material period and we therefore terminated their respective appointments since March 2013 after we were made aware of such compliance issue during the preparation stage of the Listing. We will not engage such secretarial service providers to assist us in company secretarial matters in the future. Despite their failure to provide proper advice to us, we have not taken or planned to take any legal action against them in this respect at present owing to the time and costs incurred in litigation proceedings. There was no reason for the relevant Directors in default with respect to the above instances of non-compliance to question the professional capability of the secretarial service providers at that time. The oversight to comply with the aforesaid provisions of the Companies Ordinance was unintended and wholly inadvertent. There was no willful default given the reliance on professional advice and services. Due to these reasons, the relevant sections of the Companies Ordinance were not complied with as aforesaid.

Upon identification of the aforesaid instances of non-compliance and irregularities, our Group has taken steps to rectify the same where possible. Regarding the non-compliance with sections 111 and 122 of the Companies Ordinance, orders were granted by the Court of First Instance of the High Court of Hong Kong to fully rectify such non-compliances as specified above. Therefore, the relevant subsidiaries are no longer be in breach of sections 111 and 122 of the Companies Ordinance. As opined by our Company's Legal Advisers, according to their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance. 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 the non-compliance. Besides, section 351A of the Companies Ordinance provides that an offence under the Companies Ordinance may be prosecuted only if the prosecution is initiated (amongst others) within three years after the commission of the offence. Therefore, instances of non-compliance committed in 2009 or earlier are time-barred for prosecution. Based on the aforesaid, we did not make provision in our financial statements with respect to the above non-compliance incidents.

Internal control measures

To avoid further non-compliances, we have taken additional measures to improve our corporate governance and internal controls to ensure on-going compliance with applicable rules and regulations. See “— Internal control” for further information.

Indemnity by Controlling Shareholders

Pursuant to the Deed of Indemnity, each of the Controlling Shareholders has further agreed to indemnify our Group on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by us in respect of any liability which might be payable by any member of our Group arising from any possible or alleged violation or non-compliance with Hong Kong laws or regulations on all matters, including all such non-compliance incidents set out in “— Non-compliance”. As such, our Directors consider that the cases of non-compliance and/or irregularities will not have a material impact on our Group's operation.

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Views of our Company's Legal Advisers

Non-compliance relating to general restaurant licence and water pollution control licence

Our Company's Legal Advisers are of the opinion we have violated section 31(1) of FBR for the carrying on of restaurant business of U Banquet (Tsim Sha Tsui), U Banquet (North Point), U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant (collectively, the "**Relevant Restaurants**") for the carrying on of restaurant business by a company who is not the named licensee of the relevant restaurant licence. Our Directors, with reference to our Company's Legal Advisers, are of the view that the likelihood of our Group being penalised for such violation or any regulatory action on the violation by the FEHD is remote for the following reasons:

- (i) since the commencement of the business of the Relevant Restaurants until the Latest Practicable Date, we had not been required by the FEHD to change the holder of the restaurant licence or suspend or cease operations;
- (ii) the Relevant Restaurants are operated by us in the same respective premises at all times;
- (iii) each of the general restaurant licences in respect of the Relevant Restaurants currently held is valid, not expired and has not otherwise been revoked;
- (iv) we had not encountered any difficulty or rejection in obtaining and renewing any of the general restaurant licence in respect of the Relevant Restaurants in the past;
- (v) no member of our Group has been questioned by the FEHD in respect of the identity of the licensee of the general restaurant licence during the annual renewal process and regular inspections; and
- (vi) as at the Latest Practicable Date, the restaurant businesses of the Relevant Restaurants were carried on by persons who are the named licensees of the relevant restaurant licences and we were no longer in violation of section 31(1) of FBR.

Our Company's Legal Advisers are of the opinion that pursuant to section 11(1) of the WPCO, we violated sections 8(1), 8(2), 9(1) and 9(2) of the WPCO for the discharge of trade effluents into specific water control zones by U Banquet (Tsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Causeway Bay), U Banquet (Wan Chai), U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant which did not hold a valid water pollution control licence. Our Directors, based on our Company's Legal Advisers' opinion, consider that the likelihood of our Group being penalised for such violation or any regulatory action on the violation by the EPD is remote for our restaurants as we have already obtained valid water pollution control licences for all our current restaurants.

Our Company's Legal Advisers have opined that the likelihood of our Group being penalised for, or any regulatory action on, the above non-compliance incidents by the relevant regulatory departments is remote.

Non-compliance relating to Companies Ordinance

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. Our Company's Legal Advisers have opined that (i) the non-compliances in relation to sections 57B and 114A and 129D of the Companies Ordinance had been duly rectified as at the Latest Practicable Date as the resolutions related to the non-compliances had been subsequently approved and ratified by the shareholders of the relevant companies and are therefore binding on the companies; (ii) offences, if any, related to the non-compliance committed in 2009 or earlier are time-barred for prosecution pursuant to section 351A of the Companies Ordinance; and (iii) based on their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance.

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Our Company's Legal Advisers are of the opinion that the likelihood of our Group being penalised for, or any regulatory action on, the cases of non-compliance with the Companies Ordinance by the relevant regulatory departments is remote.

Views of the Sponsor

Having considered (i) the opinion of our Company's Legal Advisers that the likelihood of our Group being penalised for, or any regulatory action on, the non-compliance incidents relating to general restaurant licence and water pollution control licence mentioned above by the relevant regulatory departments is remote; (ii) that the fines imposed on our Group in respect of all non-compliance incidents relating to our Group's operation during the Track Record Period were insignificant and that we have fully settled the amounts; (iii) that court orders were granted to rectify all relevant instances of non-compliances with the Companies Ordinance where applicable; (iv) the opinion of our Company's Legal Advisers that according to their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance; (v) that 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 the non-compliance instances; (vi) that instances of non-compliance committed in 2009 or earlier are time-barred; (vii) that our Group's non-compliance incidents did not have any material adverse impact on our business operation during the Track Record Period; (viii) that the cases of non-compliance have been rectified (where capable of being rectified as discussed in this section above) prior to Listing and our Group has implemented adequate and effective internal control measures as discussed in "— Internal Control"; and (ix) that each of the Controlling Shareholders has agreed to indemnify our Group (for details, see "— Non-compliance — Indemnity by Controlling Shareholders"), the Sponsor considers that the cases of non-compliance individually and collectively are immaterial and are not expected to have any material adverse impact on our Group and our Directors.

INTERNAL CONTROL

In order to manage our external and internal risks, to ensure the smooth running of our business and to avoid non-compliance in the future, we have implemented or will implement (as the case may be) the following internal control measures.

- (i) In preparation of the Listing, we have engaged an independent internal control consultancy company (the "**IPO Internal Control Consultant**") in May 2013 to assist our Group and the Sponsor to review our internal control system and provide recommendations for improving our internal control system. The IPO Internal Control Consultant is a Hong Kong professional accounting firm being registered in the Hong Kong Institute of Certified Public Accountants. The IPO Internal Control Consultant provides a wide range of integrated professional services including audit and assurance, accounting, taxation, corporate finance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent review on internal control systems. According to the IPO Internal Control Consultant, it has provided internal control review, audit, accounting consultancy and other services to 6 listed companies (or their subsidiaries) since its establishment in 2010 up to the Latest Practicable Date. The IPO Internal Control Consultant has conducted certain agreed-upon review procedures on our internal control system in respect of control environment, financial reporting and disclosure and business cycles (including revenue, purchases, food safety management, fixed assets management, human resources and payroll, financial management, food and beverage licensing, tax reporting and information technology). The IPO Internal Control Consultant has, upon its review of our internal control procedures for the year ended 31 December 2012 and up to 31 May 2013, identified certain deficiencies, and commented and advised on various improvement recommendations in June 2013. Set out below are the major deficiencies and recommendations and our improvement actions.

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Deficiency	Recommendation	Rectification action	Date of implementation
No formal internal control manual was established.	It is recommended that a comprehensive internal control manual should be established to cover corporate governance and all corporate level controls.	An internal control manual covering corporate and business level controls has been adopted.	July 2013
No formal system nor procedures regarding legal compliance, such as statutory filings with the Companies Registry of Hong Kong, were in place. Several cases of non-compliance with the Companies Ordinance were identified.	It is recommended that we should identify all our continuing obligations and delegate appropriate personnel to take charge of each obligation.	The internal control manual has identified personnel responsible for ensuring compliance with continuing obligations. A company secretary is appointed to handle statutory filings in respect of the Companies Ordinance. An internal audit team has been set up to be responsible for monitoring on-going compliance. We appointed a compliance officer prior to the Listing. We have set up the Legal and Compliance Committee to identify, monitor and follow up all the non-compliance issues.	September 2013
No clear definition and identification of risks, or risk assessment procedures, were in place.	It is recommended that we assess our tolerance of risk, decide the risk appetite and preference, and set out our own definition of risk.	Guidelines on risk assessment and management are established in the internal control manual.	July 2013
We had no internal audit function, and did not perform internal audit. No internal audit policy or procedure was established.	It is recommended that internal control review should be performed on a regular basis. If no internal audit function is set up, we should consider engaging an independent professional accountant to perform such review. Multi-level monitoring system should be developed.	An internal audit team has been set up. We will also engage an internal control review consultant to perform annual internal control review after Listing.	August 2013
No anti-fraud mechanism reporting procedures or fraud detection policy was established.	Regular and formal procedures for a monitoring system should be developed.	The internal control manual has established guidelines and follow-up procedures on fraud prevention.	July 2013
No control mechanism was in place to ensure complete and proper booking of income arising from cancellation of wedding banquets in both the point of sale and accounting systems.	It is recommended that a wedding banquet down payment schedule should be reviewed by the accounts department. Relevant policy and procedures in relation to wedding banquet cancellations should be in place.	A year-end adjustment is put through to ensure all the income is properly recognised. We have also circulated a reminder to all staff members including restaurant staff in relation to the proper treatment of wedding banquet cancellations.	July 2013
We did not assign any particular personnel to keep abreast of law and regulation, which may lead to our overlooking changes in law and regulation in relation to food and safety.	It is recommended that we should appoint qualified person(s) to be responsible and keep the management informed of any changes in law and regulations in relation to food and safety.	Our Legal and Compliance Committee and the internal audit team are delegated to assume the role to monitor the compliance matters in relation to laws and regulations. During the period of appointment of our Company's Legal Advisers, our internal audit team and our compliance officer shall regularly (once a month) discuss with our Company's Legal Advisers regarding the legal and compliance matters and the update of regulatory environment.	September 2013

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Deficiency	Recommendation	Rectification action	Date of implementation
No formal staff handbook was established and distributed to all staff members regarding their rights and duties.	A staff handbook should be established and distributed to all staff members.	A staff handbook is established and distributed to all staff members.	July 2013
Several incidences of non-compliances regarding licensing are noted.	Professional independent external licensing consultants should be engaged to provide consultancy services in relation to the relevant licence application. A set of internal control policies relating to the application and maintenance of the licences, permits and approvals should be in place.	In respect of the existing licences, permits and approvals of our restaurants, we have compiled and maintained a table which lists out the validity periods of each licence, permit and approval. The table will be reviewed by our Directors and senior management on a regular basis to ensure that all licences, permits and approvals are valid and subsisting and that renewals of such licences are made in a timely manner. We will also consult our Company's Legal Advisers on the regulatory requirements, including licensing requirements and procedures when planning new restaurants, and obtain confirmation from our Company's Legal Advisers that we have obtained all relevant licences and permits before commencing the operation of new restaurants, during the period of appointment of our Company's Legal Advisers. Also see item (viii) below.	July 2013
There were two counts of late filings of profit tax returns of our Group companies between the years of assessment 2009/10 and 2011/12.	It is recommended that we should observe the tax deadline and fulfill our obligation to pay accordingly.	We have implemented a set of internal control procedures relating to taxation matters, see item (xii) below for details.	July 2013

By October 2013, we had adopted all the internal control measures in line with the recommendations by the IPO Internal Control Consultant to address the material findings on the internal control system. The IPO Internal Control Consultant has performed a follow-up review during the period from 2 July 2013 to 9 October 2013 and noted that we have properly implemented new and revised internal control measures in response to those areas where material deficiencies and weaknesses were identified. In particular, the IPO Internal Control Consultant has considered that our Group has implemented internal control measures to keep abreast of changes in relevant laws and regulations, to identify, monitor and follow-up on any non-compliance incidents and to avoid non-compliance in the future. Taking into consideration our improvement measures adopted as at 9 October 2013, the IPO Internal Control Consultant is of the view that we have implemented effective internal control system and has no material internal control deficiency as at 9 October 2013.

- (ii) We established an audit committee on 19 November 2013, comprising all independent non-executive Directors, to oversee the financial reporting system and internal control procedures of our Group to ensure compliance with the GEM Listing Rules and all relevant laws and regulations.
- (iii) We will continue to seek advice from external independent internal control consultants after the Listing. We will engage an external independent internal control consulting company (the “**Annual Internal Control Consultant**”) to conduct annual review of the effectiveness of our internal control system after the Listing, including the submission of an annual review report to highlight its procedures, the issues and findings, its suggestions and remedial plans to be carried out by our various departments to our

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Board and our audit committee. Our Directors, senior management, department heads and internal audit team will follow up on such issues and findings and ensure that we implement the remedial actions that will improve our internal control system after taking into account of the recommendations put forward by the Annual Internal Control Consultant. We will disclose the results of the reviews by the Annual Internal Control Consultant in our Company's annual reports after the Listing.

- (iv) We established an internal audit team on 1 August 2013 which comprises the following three members:
- Mr. Chan Wai Ming, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of Institute of Chartered Accountants in England & Wales. Mr. Chan has obtained a master's degree in international business and a graduate diploma in English and Hong Kong Law. Mr. Chan has about 13 years of experience in auditing, internal control audit and risk management working in accounting firms and banks. Mr. Chan joined our Group on 1 August 2013.
 - Mr. Tang Kai Chun, a member of the Hong Kong Institute of Certified Public Accountants. He has obtained a bachelor's degree in accountancy. Mr. Tang has about eight years of experience in auditing and internal control audit working in accounting firm and bank. Mr. Tang joined our Group on 1 August 2013.
 - Mr. Chan Fung Man *CPA*, our company secretary and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has obtained a bachelor's degree in accountancy and has over seven years of experience in professional accounting and auditing practice. Mr. Chan joined our Group on 1 August 2013.

Our internal audit team will be responsible for conducting regular internal control review on our operation to ensure we are in compliance with our internal control procedures. Our internal audit team will directly report to our audit committee. Our internal audit team and our audit committee are responsible for following up and monitoring our internal control measures to ensure that they are properly implemented after Listing.

Our internal audit team, together with our compliance officer, will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group. Our executive Director, Mr. Kan Yiu Pong will assume the role of compliance officer upon the Listing. He is responsible for the management of the financial and administrative affairs of our operations. Mr. Kan has over 10 years of experience in the accounting and finance field. He completed the 5-S lead auditor (green-belt) management training and passed the 5-S certification manual drafting with distinction in July 2012. He has been responsible for drafting and issuing all internal operational and management guidance and manuals of our Group since 2011. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our internal audit team and compliance officer will look into the matter, and if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board. Our internal audit team and compliance officer will provide our Directors, senior management and staff updates regarding the legal and regulatory requirements application to the business operations of our Group from time to time.

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- (v) We have appointed Quam Capital as our compliance adviser to advise us on compliance matters in accordance with Rule 6A.19 of the GEM Listing Rules after the Listing.
- (vi) Our Directors (including our compliance officer) and our senior management attended training conducted by our Company's Legal Advisers in August 2013 or September 2013 (as the case may be) on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules, and the relevant rules and regulations applicable to the business operations of our Group. Our Directors have confirmed that they understand from the training the responsibilities and obligations of the directors of our Company under the GEM Listing Rules and the relevant laws and regulation in Hong Kong. In particular, our Directors have confirmed that while receiving advice from external advisers, consultants or internal personnel, they are aware of and understand, their duties and responsibilities as Directors; and that they and our senior management will attend relevant training including relevant laws and regulations, organised by industry associations and/or qualified legal professionals at least once per year after the Listing, so that they will have sufficient knowledge to ensure that appropriate checks and balances are in place, to ensure compliance with relevant laws and regulations.
- (vii) We have appointed our Company's Legal Advisers effective from the Listing Date to advise on on-going legal and compliance matters in relation to our Group's operations and to keep us abreast of the latest regulations and regulatory developments relating to our Group's business upon our enquiry. During the period of appointment, our internal audit team and our compliance officer will regularly (once a month) discuss with our Company's Legal Advisers regarding the legal and compliance matters and the update of regulatory environment. We will also consult our Company's Legal Advisers on the regulatory requirements, including licensing requirements and procedures when planning new restaurants, and obtain confirmation from our Company's Legal Advisers that we have obtained all relevant licences and permits before commencing the operation of new restaurants, during the period of appointment.
- (viii) We have engaged external licensing consultants to assist us in the application of the relevant licences:
- given the restaurant licence-related compliance issues we encountered during the Track Record Period in respect of U Banquet (Tsim Sha Tsui) and U Banquet (North Point) as described in "— Non-compliance — Non-compliance relating to our Group's operation", we engaged a licensing consultant (the "**Licensing Consultant (1)**") in January 2013 to assist us in the application of the general restaurant licence of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant based mainly on its track record and reputation in the industry, range of services provided to us, time of delivery of the services and cost. Licensing Consultant (1), being a long established company in Hong Kong, is experienced in providing consultancy services for restaurant operations in Hong Kong and is awarded with ISO9001:2008 by HKQAA. Following the completion of the agreement with Licensing Consultant (1), we have appointed Licensing Consultant (2) (as mentioned below) to assist us in all relevant licensing matters in respect of the new restaurant expected to be opened in November 2013. Though Licensing Consultant (1) has failed to give full advice to us regarding the licensing matters, we have not taken or planned to take any legal action against it in this respect at present owing to the time and costs incurred in litigation proceedings. Our Group has not engaged Licensing Consultant (1) in respect of licensing matters for our restaurants during the Track Record Period save for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant. We do not intend to appoint Licensing Consultant (1) to assist us in licensing matters in the future; and

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- given the restaurant licence-related compliance issues we encountered in respect of U Banquet (Tsim Sha Tsui) and U Banquet (North Point) as described in “— Non-compliance — Non-compliance relating to our Group’s operation” and that Licensing Consultant (1) did not advise us that it was a breach of law to operate U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant under the general restaurant licence held by the operating company of a restaurant previously operated at the same location, and that we have been advised that a water pollution control licence may be required for the operation of our restaurants, we engaged another licensing consultant (the “**Licensing Consultant (2)**”) to assist us in the application of all relevant licences, including general restaurant licence, water pollution control licence and liquor licence, and to provide professional advice on all relevant licensing matters in respect of the new restaurant expected to be opened in November 2013 based mainly on its reputation in the industry, range of services to be provided to us, time of delivery of services and cost. According to the information from Licensing Consultant (2), it is a long established company in Hong Kong and is experienced in providing licensing services to Chinese restaurants and other food establishments in Hong Kong. In addition, we have also consulted our Company’s Legal Advisers in respect of the licences required for such new restaurant.
- (ix) We established a legal and compliance committee (the “**Legal and Compliance Committee**”) in September 2013 which comprises: our executive Directors, members of senior management and one staff from our engineering department. The Legal and Compliance Committee will be responsible for our Group’s regulatory compliance matters. The primary function of the Legal and Compliance Committee is to monitor our performance regarding compliance of the relevant laws and regulations relevant to our Group’s operations and to monitor our Group’s secretarial matters. In particular, the Legal and Compliance Committee will (i) hold monthly meetings to collect reports from different departments regarding compliance matters, including status of any non-compliance issues; (ii) identify and assess our risk exposure based on such reports; (iii) propose and follow up on any improvement and remedial measures based on such reports; (iv) monitor the continuous professional development of our staff and organise our staff to receive training relevant to their work duties where appropriate; (v) follow up on the relevant issues raised in the audit report prepared by the Annual Internal Control Consultant; (vi) monitor and follow up on compliance matters relating to the opening of new restaurants including the appropriateness of engaging licensing consultants and timeliness in licence applications and restaurant layout plans; and (vii) communicate and discuss with legal advisers as regards legal and compliance matters. Members of the Legal and Compliance Committee will attend at least one relevant training relevant to their work duties to enhance their knowledge regarding compliance matters annually.
- (x) In order to ensure that our restaurants are clean, tidy and free from obstruction at all times, key staff of each restaurant are required to conduct inspection of the restaurant on a daily basis to ensure that the restaurant environment is in accordance with the management standards. Further, a 5-S management team, comprising members of senior management and selected staff from our engineering department and management, finance and administration department will conduct monthly inspection for each of our restaurants and report to our Legal and Compliance Committee. Our Legal and Compliance Committee will discuss such reports during its monthly meetings. Our internal audit team will conduct annual review on the reports of the 5-S management team, identify material issues and propose improvement and remedial measures.

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- (xi) We have adopted the following written procedures relating to our restaurant opening procedures:
- *Application procedures.* External licensing consultants must be engaged to make applications for the relevant licences of our restaurants and advise on matters relating to site selection and refurbishment works. Our engineering department will follow up with the relevant licensing consultant on a monthly basis and will report to our senior management. Our management, finance and administration department will be responsible for making applications for the business registration certificate of the operating subsidiary of the restaurant and will report to our Legal and Compliance Committee on the status of such applications.
 - *Monitoring procedures.* Our engineering department will compile a table recording the date of issue and the expiry date of licences relevant to our restaurants and monitor the dates on a daily basis. Our IT staff will input the expiry dates into our electronic calendar and validate reminder settings to notify all relevant departments such as engineering department, internal audit team, management, finance and administration department and other management staff as appropriate accordingly.
- (xii) We have adopted the following written procedures relating to tax filing, payment and other taxation matters:
- *External taxation company.* We will engage an external taxation company to calculate the tax we should pay based on audited financial statements and handle the filing of tax return for our Group. Our management, finance and administration department will be responsible for communicating with the external taxation company, compiling a table to list out tax payment due dates and other taxation matters (the “**Table of Taxation Matters**”) and setting up archives (the “**Taxation Archives**”) to keep proper records of our financial statements, tax filing and payment to ensure that all tax filing and payments will be made in a timely manner. We will consider the following factors in selecting the external taxation company: reputation in the industry, range of services provided to us, time of delivery of the services and cost.
 - *Correspondence.* If we receive any letters from the taxation authority, our management, finance and administration department will store such letters in the Taxation Archives, input all relevant details into the Table of Taxation Matters, and contact the external taxation company to follow up. Our management, finance and administration department will keep the email records of our communication with the external taxation company and is responsible for ensuring that the external taxation company will reply to the taxation authority in a timely manner.
 - *Monitoring procedures.* Our management, finance and administration department will report to our Legal and Compliance Committee on the handling of taxation matters. Our IT staff will input the due dates of tax payment into our electronic calendar and validate reminder settings to notify all relevant departments such as management, finance and administration department and internal audit team accordingly.

BUSINESS

Views of our Directors and the Sponsor

Having considered the above, in particular, (i) the IPO Internal Control Consultant is of the view that we have implemented effective internal control system and has no material internal control deficiency as at 9 October 2013; (ii) our Directors have taken actions to stop and remedy our past instances of non-compliance; and (iii) we have taken appropriate steps and measures, including engaging external professionals and forming internal audit team, to ensure on-going compliance with the requirements of the Companies Ordinance, the GEM Listing Rules and other applicable rules and regulations in the industry where we operate, our Directors and the Sponsor consider that our internal control measures are adequate and effective to ensure on-going compliance in all material respects with the internal control requirements under the GEM Listing Rules after the Listing.

Having considered that (i) our Group's past instances of non-compliance individually and collectively are immaterial and are not expected to have any material adverse impact on our Group and our Directors (see "—Non-compliance"); (ii) the past instances of non-compliance did not involve any fraudulent or dishonest acts by our Directors; (iii) we have taken appropriate actions to stop and remedy our past cases of non-compliance and all the non-compliance incidents have been rectified (where capable of being rectified as discussed in "— Non-compliance") as at the Latest Practicable Date; (iv) our Directors have attended training provided by our Company's Legal Advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules, and the relevant rules and regulations applicable to the business operations of our Group, and that they have undertaken to attend training in respect to developments of the restaurant industry, including relevant laws and regulations regularly after the Listing; and (v) each of our Directors has confirmed to the Sponsor that he or she fully appreciates and understands the obligations, duties and responsibilities of a director of a company listed on GEM, and has undertaken to fully comply with such obligations, duties and responsibilities under the GEM Listing Rules, and other applicable laws and provisions as a Director, the Sponsor and our Directors consider that the past cases of non-compliance do not affect the suitability of Mr. Cheung KH and Mr. Cheung KK (being the directors of the relevant subsidiaries involved in the cases at the material time) to act as Directors under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules nor our Company's suitability for Listing under Rule 11.06 of the GEM Listing Rules. The Sponsor also considers the Directors are suitable to act as our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules.