You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with the combined financial statements for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, and the accompanying notes included in the Accountant's Report, which has been prepared in accordance with HKFRSs, as set out in Appendix I to this prospectus. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results and timing of selected events of our Group could differ materially from those anticipated in these forward-looking statements as a result of various factors. For additional information regarding these risks and uncertainties, see "Risk factors".

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. Our one-stop wedding solutions are comparable to similar offerings by hotels and are available at competitive prices. We are a Chinese wedding banquet specialist and one of the top three players in the wedding banquet market in Hong Kong (including all full-service restaurants, hotels and club houses), in terms of market share by number of wedding banquets, for three consecutive years from 2010 to 2012, 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

For the year ended 31 December 2011, we recorded revenue and loss attributable to the owners of our Company of approximately HK$259.1 million and HK$2.9 million, respectively. For the year ended 31 December 2012, we recorded revenue and profit attributable to the owners of our Company of approximately HK$304.2 million and HK$22.2 million, respectively. For the seven months ended 31 July 2013, we recorded revenue and profit attributable to the owners of our Company of approximately HK$189.1 million and HK$1.0 million, respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our combined financial statements set forth in the Accountant's Report have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. Our combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements for the Track Record Period have been prepared using the financial information of the companies engaged in the operation of the Chinese restaurant, provision of Wedding Services and sales of goods in Hong Kong, under common control of Mr. Cheung KH and Mr. Cheung KK and now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the combining companies, or since the date when the combining companies first came under the control of Mr. Cheung KH and Mr. Cheung KK, whichever is a shorter period. Our combined balance sheets as at 31 December 2011 and 2012 and 31 July 2013 have been prepared to present the assets and liabilities of the companies now comprising our Group at these dates, as if the current group structure had been in existence as at these dates. Our net assets and results were combined using the existing book values from the perspective of Mr. Cheung KH and Mr. Cheung KK.

Inter-company transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on combination.

Prior to the completion of the Reorganisation, the provision of Wedding Services (the "**Business**") was principally conducted through Billion Treasure, a company which is under common control of Mr. Cheung KH and Mr. Cheung KK. Apart from being engaged in the Business, Billion Treasure is also engaged in a dissimilar business ("**Excluded Business**") from those of our Group.

The financial information of our Group has included the assets, liabilities and results of operation of the Business on the basis that the operation of the Business has separate accounting records and the Excluded Business has no more than incidental common facilities and costs shared with our Group.

The combined balance sheets include assets and liabilities that are directly related and clearly identified to the Business and the combined statements of comprehensive income include all revenues, related costs, expenses and charges directly generated or incurred by the Business. Expenses for which specific identification method is not practicable are allocated to the Business according to the ratio of the historical salaries of the Business to the total salaries of Billion Treasure.

Our Directors consider that the above method of allocation and presentation provides the fairest approximation of the amounts attributable to the financial information of our Group for the Track Record Period.

After the Reorganisation, the relevant assets and liabilities of the Business have been transferred to and the Business is conducted by U Wedding Studio Ltd.

FACTORS AFFECTING RESULTS OF OPERATIONS AND THE FINANCIAL CONDITIONS

Our results of operations and financial conditions have been and will continue to be principally affected by, among others, a number of factors discussed below.

Change in economic conditions in Hong Kong

Our revenue was significantly dependent upon the general economic conditions in Hong Kong. With reference to our performance and the economic conditions in Hong Kong in the past few years, our Directors consider that our revenue will be affected by the level of disposable income of our target customers, which will affect our target customers' expenditure on dining out and wedding banquets. As such, our profitability and financial results are dependent on the general economic conditions in Hong Kong.

Change in the price of food ingredients

Food ingredients are the major supplies for our Chinese restaurant operations. In the past few years, the prices for some food ingredients such as fresh meat and fresh vegetables and fruits fluctuated significantly. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, our costs of materials consumed, which primarily consisted of food ingredients consumed for our operation of Chinese restaurants amounted to approximately HK$76.5 million, HK$76.5 million and HK$45.9 million, respectively, representing approximately 29.5%, 25.2% and 24.3% of our total revenue, respectively. We do not enter into any long-term contracts with our food ingredient suppliers and we purchase food ingredients on an order basis. The food ingredient purchases are generally determined by prevailing market prices and subject to fluctuation in market prices. Although we will continue to monitor our cost of food ingredients and implement cost control measures to control the cost, the fluctuations in the food ingredients will affect the profit margin of our Chinese restaurant operations. For further details on such risk factor, 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.".

Staff costs

Our Chinese restaurant operations and Wedding Services highly rely on our experienced managerial and other staff to manage the restaurants and organise the wedding events, and interact with the customers regularly, which is critical to maintaining the quality and consistency of our services as well as our brand and reputation. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, our staff costs, including employee benefits expense and services fee to temporary workers amounted to approximately HK$78.1 million, HK$84.5 million and HK$54.1 million, respectively, representing approximately 30.1%, 27.8% and 28.6% of our revenue, respectively. The increase in salary level of staff in the restaurant industry in Hong Kong and competition among restaurant operators may increase our costs associated with hiring and retaining talented staff. In addition, the increase in the statutory minimum wage rate may increase the overall market salary level of low-paid workers, which may in turn increase our staff costs. We expect that our staff costs will continue to increase, which may affect our Group's profit margin. For further details on such risk factor, see "Risk Factors — Risks relating to the industry — Labour shortages or increases in labour costs could slow our growth, harm our business, financial condition and results of operations.".

Lease payments in relation to the premises for our restaurant operations and Wedding Services

Our restaurants, U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) are all operated on leased properties and thus we have significant exposure to the retail rental market in Hong Kong. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, our property rentals and related expenses (excluding those for properties used as offices) amounted to approximately HK$36.2 million, HK$36.8 million and HK$24.0 million, respectively, representing approximately 14.0%, 12.1% and 12.7% of our revenue, respectively. Such rentals and related expenses represented a significant portion of our total operating costs during the Track Record Period, thus our profitability and financial results may be adversely affected by any substantial increase in market rentals in Hong Kong. For further details on such risk factor, 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.".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Group's combined financial statements have been prepared in accordance with the HKFRSs. The summary of significant accounting policies and critical accounting estimates and judgements are set out in notes 2 and 4 to the Accountant's Report contained in Appendix I to this prospectus. The following paragraphs discuss those that are most critical in preparing our combined financial statements.

Accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts. We recognise revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below. We base our estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from Chinese restaurants operations

Revenue is recognised when the related catering services are rendered to customers.

(b) Revenue from provision of Wedding Services

Revenue from the provision of Wedding Services, such as wedding planning, wedding gown sales and rentals, hair and makeup, photography and video, venue design and decoration, car rentals, hotel booking, wedding invitation cards design and printing, wedding master of ceremonies, marriage celebrant services, 'good luck woman' services and cake catering, is recognised in the accounting period in which the services are rendered.

(c) Sales of goods

Revenue from sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the date of delivery.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of 5 years and the unexpired lease term
Air-conditioning	Shorter of 5 years and the unexpired lease term
Equipment and kitchen utensils	5 years
Furniture and fixtures	5 years
Motor vehicles	3 1/3 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other expenses' in the combined statements of comprehensive income.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over our Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Impairment of non-financial assets

Assets that have an indefinite useful life for example, goodwill, are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

The carrying amount of our Group's goodwill as at 31 December 2011 and 2012, and 31 July 2013 were approximately HK$18.6 million, which arose from the acquisition of 50% equity interests in each of Step Up, Million Talent, Choi Fook Seafood and Vast Rainbow by Mr. Cheung KK and Mr. Cheung KH through transferring out their 50% equity interests in four companies which operated the other restaurants took up by the Ex-Partners with fair value of approximately HK$49.5 million. The goodwill is all allocated to our Group's sole operating segment — operation of Chinese restaurants in Hong Kong.

The recoverable amount of the CGU is calculated using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate for subsequent years. The growth rate does not exceed the long-term average growth rate for the Chinese restaurant business.

Discount rates of 14.6%, 14.1% and 15.0% were adopted for calculation of the goodwill as at 31 December 2011 and 2012, and 31 July 2013, respectively. The discount rate is pre-tax and reflects specific risks relating to the operation of Chinese restaurant in Hong Kong. Internal risks primarily refer to loss making and newly established subsidiaries, as well as the legal issues regarding the disputes between Mr. Cheung KK and Mr. Cheung KH and the Ex-Partners. External risks mainly refer to the economic environment for the Chinese restaurant business in Hong Kong, interest rates for the financing activities and the volatility in the equity market. Our management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount. There will not be any impairment charges against goodwill of the CGU if the discount rate for our Group had been 1 percentage point higher than management's estimates or the annual growth rate for our Group had been 1 percentage point lower than management's estimates.

Impairment of financial assets carried at amortised cost

We assess at each balance sheet date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in combined statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in combined statement of comprehensive income.

SUMMARY OF RESULTS OF OPERATIONS

The following is a summary of our combined results for the periods indicated, which have been extracted from the Accountant's Report in this prospectus.

	Year ended 31 December		Seven months ended 31 July	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	259,073	304,164	162,954	189,076
Other income	878	1,116	441	454
Cost of materials consumed	(76,451)	(76,513)	(43,249)	(45,932)
Employee benefits expense	(71,105)	(74,427)	(42,579)	(46,898)
Depreciation	(10,786)	(12,183)	(6,449)	(10,235)
Operating lease payments	(37,338)	(38,049)	(22,070)	(24,752)
Utilities expenses	(25,624)	(27,336)	(16,020)	(17,354)
Other expenses	(41,799)	(47,538)	(26,380)	(39,230)
Operating (loss)/profit	(3,152)	29,234	6,648	5,129
Finance income	386	398	267	334
Finance costs	(417)	(276)	(172)	(238)
Finance (costs)/income — net	(31)	122	95	96
(Loss)/profit before income tax	(3,183)	29,356	6,743	5,225
Income tax credit/(expense)	305	(5,773)	(1,380)	(2,109)
(Loss)/profit and total comprehensive (loss)/income for the year/period	(2,878)	23,583	5,363	3,116
(Loss)/profit and total comprehensive (loss)/income attributable to:				
Owners of the Company	(2,878)	22,231	5,069	1,012
Non-controlling interests	—	1,352	294	2,104
	(2,878)	23,583	5,363	3,116

DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND OPERATIONS

Revenue

Our revenue was generated from the (i) operation of full-service restaurants including the provision of dining and wedding banquet services, (ii) provision of Wedding Services, and (iii) sales of goods, including fresh vegetables and fruits and fresh seafood, and most of which were settled by cash and credit cards during the Track Record Period.

The table below sets forth our revenue and operating margin by business category for the periods indicated.

	Year ended 31 December						Seven months ended 31 July		
	2011			2012			2013		
	Revenue *HK$'000*	*% of total revenue*	**Operating margin** *%* *(Note 3)*	**Revenue** *HK$'000*	*% of total revenue*	**Operating margin** *%* *(Note 3)*	**Revenue** *HK$'000*	*% of total revenue*	**Operating margin** *%* *(Note 3)*
Operation of restaurants									
— dining *(Note 1)*	159,384	61.5		191,854	63.1		129,292	68.3	
— wedding banquet	96,092	37.1		105,530	34.7		52,659	27.9	
Sub-total	255,476	98.6	17.5	297,384	97.8	27.6	181,951	96.2	24.4
Provision of Wedding Services *(Note 2)*	3,597	1.4	6.0	6,202	2.0	(10.6)	3,343	1.8	10.5
Sales of goods	—	—	—	578	0.2	24.0	3,782	2.0	28.5
Total	259,073	100.0		304,164	100.0		189,076	100.0	

Notes:

1. Our calculation has included the revenue generated from U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) and the sale of take-away food and pre-packaged food for off-premises consumption during the Track Record Period.

2. These Wedding Services are provided by U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio).

3. The operating margin was calculated by deducting the cost of materials consumed, cost of inventories sold, employee benefits expense, depreciation, operating lease payments and utilities expenses from the revenue respectively attributable to relevant business category. We are unable to breakdown the operating margin of dining services and wedding banquet services because we cannot allocate the operating costs between these two types of services.

Our revenue increased to approximately HK$304.2 million for the year ended 31 December 2012 from approximately HK$259.1 million for the year ended 31 December 2011, representing an increase of approximately 17.4%. Such increase was mainly attributable to the increase in revenue generated from our restaurant operation as a result of the increase in our number of diners benefited from our marketing efforts to promote our "*U Banquet* (譽宴)" brand since January 2011 when we started consolidating and promoting all our restaurants under this brand. We also introduced an upward adjustment in the prices of our wedding banquet menus in 2011. Therefore, the revenue we recognised from wedding banquet increased for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

Our revenue increased to approximately HK$189.1 million for the seven months ended 31 July 2013 from approximately HK$163.0 million for the seven months ended 31 July 2012, representing an increase of approximately 16.0%. Such increase was mainly attributable to the increase in revenue generated from our restaurant operation as a result of the opening of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in April 2013, which contributed higher average daily revenue than U Banquet (Wan Chai) did (which was closed down in April 2013), and the increase in the number of wedding banquets held in our restaurants. We started to sell some fresh vegetables and fruits in October 2012 and fresh seafood in April 2013 sourced by General Corporation mainly to local restaurants and other food ingredient suppliers to broaden our revenue stream and generated revenue of approximately HK$0.6 million and HK$3.8 million for the year ended 31 December 2012 and the seven months ended 31 July 2013, respectively.

The operating margin of our restaurant operation increased from approximately 17.5% for the year ended 31 December 2011 to approximately 27.6% for the year ended 31 December 2012 mainly because our cost of materials consumed remained stable in 2012 despite the increase in revenue. We recorded operating loss for the provision of Wedding Services for the year ended 31 December 2012 mainly because we opened U Weddings (Wedding Photography Studio) in 2012, which increased our operating lease payment. The operating margin for the provision of Wedding Services improved to approximately 10.5% for the seven months ended 31 July 2013 mainly because we terminated the lease for a retail shop in December 2012, which lowered our operating lease payment in 2013. The operating margin of the sales of goods segment improved from approximately 24.0% for the year ended 31 December 2012 to approximately 28.5% for the seven months ended 31 July 2013 mainly because we incurred some initial set up costs in 2012.

Revenue by restaurant

The table below sets forth the breakdown of the revenue and operating margin of each of our restaurants operated during the periods indicated.

Name of restaurant	Year ended 31 December 2011		Year ended 31 December 2012		Seven months ended 31 July 2013		Year ended 31 December 2011	Year ended 31 December 2012	Seven months ended 31 July 2013
	Revenue from restaurant operation						Operating margin (Note 4)		
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*%*	*%*	*%*
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) *(Note 1)*	67,090	26.3	79,369	26.7	43,025	23.6	22.7	32.1	28.4
U Banquet (Tsim Sha Tsui)	28,099	11.0	31,553	10.6	19,517	10.7	14.6	22.8	30.7
U Banquet (Kwun Tong)	40,818	16.0	49,818	16.8	29,195	16.1	20.5	29.1	28.8
U Banquet (Causeway Bay)	46,096	18.0	53,750	18.1	33,066	18.2	12.6	28.4	30.6
U Banquet (North Point)	45,799	17.9	46,156	15.5	22,827	12.5	18.3	19.2	12.4
U Banquet (Wan Chai) *(Note 2)*	27,574	10.8	36,738	12.3	13,287	7.3	10.1	20.1	N/A
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant *(Note 3)*	—	—	—	—	21,034	11.6	—	—	0.7
	255,476	100.0	297,384	100.0	181,951	100.0			

Notes:

1. During the Track Record Period, financial information of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were accounted for as one restaurant.

2. During the Track Record Period, financial information of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) were accounted for as one restaurant. From January 2013 up to the closure of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) (i.e. April 2013), U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) recorded operating loss.

3. During the Track Record Period, financial information of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were accounted for as one restaurant.

4. The operating margin of each of our restaurants was calculated by deducting the cost of materials consumed, employee benefits expense, depreciation, operating lease payments and utilities expenses from the revenue respectively attributable to the relevant restaurant during the Track Record Period.

For the year ended 31 December 2012, the operation of each of our restaurants recorded a trend of increase in both revenue and operating margin as compared with that for the year ended 31 December 2011. For the year ended 31 December 2012, U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) demonstrated the most significant growth in revenue generated from the operation of restaurants, and recorded growth in its operating margin to approximately 20.1%, as compared with those for the year ended 31 December 2011. During the year ended 31 December 2011, another Chinese restaurant serving Guangdong cuisine opened in the same building where U Banquet (Wan Chai) was located and created competition for U Banquet (Wan Chai), which adversely affected the revenue and operating margin of U Banquet (Wan Chai) for the year ended 31 December 2011. As a result of our marketing efforts to promote our restaurants, U Banquet (Wan Chai) became more competitive and thus recorded a significant increase in revenue and growth in operating margin for the year ended 31 December 2012.

U Banquet (North Point) recorded the least growth in revenue for the year ended 31 December 2012, as compared with that for the year ended 31 December 2011, and the lowest operating margin among our restaurants operated for the year ended 31 December 2012, which were mainly because (i) based on our Directors' experience, the target customers of U Banquet (North Point) were price-sensitive and thus competitive pricing was adopted for U Banquet (North Point); and (ii) U Banquet (North Point) was a non-wedding banquet-focused restaurant and average spending per customer was the lowest in comparing with our other restaurants during the Track Record Period.

U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) together recorded the highest operating margin among our restaurants for both years ended 31 December 2011 and 2012. They also recorded an increase in revenue of approximately 18.3% for the year ended 31 December 2012, as compared with that for the year ended 31 December 2011. Such relatively high operating margin was mainly attributable to relatively lower employee benefits expense and depreciation attributable to U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) during the Track Record Period as compared with our other restaurants. U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) are located in the same building and thus certain administrative works and procurement could be handled by same team of managerial staff, which reduced the total employee benefit expense incurred by these two restaurants. In view that most of the property, plant and equipment of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were near the end of their respective useful lives as at 31 December 2011 and 2012, relatively less depreciation was incurred by these two restaurants.

For the year ended 31 December 2012, among our restaurants, U Banquet (Causeway Bay) recorded the most significant growth in operating margin as compared with that for the year ended 31 December 2011, which was mainly attributable to a significant increase in average spending per wedding banquet customer of U Banquet (Causeway Bay) and thus an increase in its revenue of approximately 16.6%. In addition, due to different menus offered for the wedding banquets, the ratio of cost of materials consumed to revenue of U Banquet (Causeway Bay) dropped for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

For the year ended 31 December 2012, U Banquet (Tsim Sha Tsui) and U Banquet (Kwun Tong) recorded a growth in operating margin, respectively, as compared with that for the year ended 31 December 2011, which was mainly attributable to the increases in their respective daily seat turnover rate and average spending per customer, and thus increase in their revenue of approximately 12.3% and 22.0%, respectively.

For the seven months ended 31 July 2013, save for U Banquet (North Point), U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), the operation of each of our restaurants recorded an upward trend in revenue generated from both dining and wedding banquet services as compared with those for the seven months ended 31 July 2012. U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) were closed in April 2013 and thus they only generated revenue for four months during the seven months ended 31 July 2013.

For the seven months ended 31 July 2013, U Banquet (Tsim Sha Tsui) demonstrated the most significant growth of approximately 24.2% in revenue generated from the operation of restaurants as compared with that for the seven months ended 31 July 2012, and recorded the highest operating margin of approximately 30.7% among our restaurants. Such increase was mainly attributable to the increase in the number of wedding banquets held in U Banquet (Tsim Sha Tsui) for the seven months ended 31 July 2013.

U Banquet (North Point) recorded a decrease in revenue for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012, and low operating margin of approximately 12.4% for the seven months ended 31 July 2013, which was mainly attributable to (i) the accident in relation to an elevator happened in March 2013 in the building where U Banquet (North Point) was located, which adversely affected our customer traffic; (ii) the temporarily closure of U Banquet (North Point) for about ten days in June 2013 for refurbishment; and (iii) U Banquet (North Point) did not recognise any revenue from wedding banquet services during the seven months ended 31 July 2013.

U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant newly opened in mid-April 2013. These restaurants generated a higher average daily revenue of approximately HK$202,000 than that of U Banquet (Wan Chai) of approximately HK$88,000 during the seven months ended 31 July 2013, thus the effect of the closure of U Banquet (Wan Chai) was offset by the opening of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant. Nevertheless, U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant recorded the lowest operating margin among our restaurants operated for the seven months ended 31 July 2013, mainly because there was an extension of breakfast hours, which offered dim sum at a relatively lower prices, for promoting the opening of the restaurants, and the cost of materials consumed was relatively higher in offering hot pot than à la carte menus.

U Banquet (Causeway Bay) and U Banquet (Kwun Tong) both recorded a growth in revenue of approximately 19.0% and 9.0%, respectively, for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012. Such increase was mainly attributable to the respective increase in the number of wedding banquets held. Moreover, the average price of the wedding banquet menu offered by U Banquet (Kwun Tong) for the seven months ended 31 July 2013 increased as compared with that for the seven months 31 July 2012.

U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) recorded an increase in revenue of approximately 4.5% for the seven months ended 31 July 2013, as compared with that for the seven months ended 31 July 2012. Such increase was mainly attributable to the increases in number of dining customers and their average spending for the seven months ended 31 July 2013.

Operating performance by restaurant

The table below sets forth the seat turnover rate, average spending per customer, average daily revenue and total revenue per sq.m. generated by each of our restaurants we operated during the periods indicated.

	Year ended 31 December		Seven months ended 31 July	Year ended 31 December				Seven months ended 31 July		Year ended 31 December		Seven months ended 31 July	Year ended 31 December		Seven months ended 31 July
	2011	2012	2013	2011		2012		2013		2011	2012	2013	2011	2012	2013
	Seat turnover rate *(Note 4)*			Average spending per customer						Average daily revenue			Total revenue from restaurant operation per sq. m.		
				Dining customer	Wedding banquet customer	Dining customer	Wedding banquet customer	Dining customer	Wedding banquet customer						
	Times	*Times*	*Times*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) *(Note 1)*	2.85	3.44	3.38	74	480	72	489	78	499	183,807	217,449	202,948	44,931	53,155	28,815
U Banquet (Tsim Sha Tsui)	2.79	3.54	3.75	69	510	70	534	72	535	76,983	86,446	92,060	62,749	70,351	43,515
U Banquet (Kwun Tong)	4.14	4.96	4.98	76	502	79	502	86	521	111,830	136,488	137,714	54,212	66,166	38,776
U Banquet (Causeway Bay)	2.68	3.44	3.54	80	515	85	546	90	551	126,290	147,262	155,970	40,142	46,808	28,795
U Banquet (North Point)	3.43	3.03	2.86	64	398	73	403	72	—	125,477	126,454	113,004	30,561	30,799	15,232
U Banquet (Wan Chai) *(Note 2)*	4.25	6.42	7.02	76	478	71	473	75	476	54,165	77,136	88,243	36,891	52,537	19,759
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant *(Note 3)*	—	—	2.84	—	—	—	—	65	407	—	—	202,251	—	—	7,059

Notes:

1. During the Track Record Period, financial information of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were accounted for as one restaurant.

2. The above table excluded information in relation to Choi Fook Club (Wan Chai) as if mainly operated as a club offering food and beverage services and mahjong entertainment facilities.

3. During the Track Record Period, financial information of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were accounted for as one restaurant.

4. Our seat turnover rate was calculated by dividing the total number of diners (including wedding banquet diners) by the total number of seats available for regular dining service in the relevant restaurant then divided by the total number of operation days for the relevant period, which was 365 or 212. The total number of operation days for U Banquet (Wan Chai), U Banquet (North Point) and U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant for the seven months ended 31 July 2013 was 120, 202 and 104, respectively.

Although the average spending per customer of all of our restaurants (excluding Choi Fook Club (Wan Chai)) increased to approximately HK$507 for wedding banquet customer and HK$75 for dining customer for the year ended 31 December 2012 from approximately HK$495 and HK$72, respectively for the year ended 31 December 2011, representing an increase of only approximately 2.4% and 4.2%, respectively, the revenue generated from operation of our restaurants increased to approximately HK$297.4 million for the year ended 31 December 2012 from approximately HK$255.5 million for the year ended 31 December 2011, representing an increase of approximately 16.4%. Such increase was mainly attributable to the increase in our number of diners, especially for our provision of dining services, for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

The seat turnover rate of all the restaurants, except U Banquet (North Point), increased for the year ended 31 December 2012, which we believe was attributable to our quality food and services and the success of our marketing strategies for the promotion of our wedding banquet services. There was a drop in the seat turnover rate of U Banquet (North Point) for the year ended 31 December 2012 as it did not come under our "*U Banquet* (譽宴)" brand until May 2013 and did not enjoy the benefits of our marketing push for the brand since January 2011.

With respect to U Banquet (North Point), in 2012, the average daily revenue only increased by less than 1% (while all our other restaurants increased by over 10% in average daily revenue in 2012) even when the average spending per dining customer and per wedding banquet customer increased. Our Directors believe that this was mainly attributable to the drop in seat turnover rate as discussed above. The increase in average spending per dining customer was approximately 14% compared to the increase in average spending per wedding banquet customer which was approximately 1%. Our Directors believe that this was mainly attributable to our customer's perception of this restaurant as a non-wedding banquet-focused restaurant.

With respect to U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2), there was a slight drop in the average spending per dining customer in 2012 which, our Directors believe, was attributable to the wear and tear of the restaurant interiors caused by almost six years of operation from April 2006 to 2012. We expect to renovate the restaurant interiors of these restaurants in 2014.

Except for U Banquet (Wan Chai), U Banquet (Kwun Tong) experienced the largest increase in average daily revenue compared to our other restaurants in 2012. U Banquet (Kwun Tong) was opened in December 2009 and, based on our Directors' experience, a new restaurant will generally reach peak revenues in two years after commencement of operation.

U Banquet (Causeway Bay) experienced the largest increase in average spending per wedding banquet customer in 2012 which, our Directors believe, was attributable to it being awarded 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) by ESDlife for two consecutive years from 2011 to 2012.

With respect to U Banquet (Wan Chai), in 2012, it experienced an increase in seat turnover rate but average spending per dining customer and per wedding banquet customer decreased. Our Directors believe that the increase in seat turnover rate contributed to the increase in average daily revenue in 2012. Our Directors believe the improvement in seat turnover rate in 2012 was a result of our marketing effort. However, our Directors consider that customers of U Banquet (Wan Chai) were relatively reluctant to increase spending at the restaurant, which was reflected by the drop in average spending per dining customer and per wedding banquet customer.

For the seven months ended 31 July 2013, the average spending per customer of all our restaurants (excluding Choi Fook Club (Wan Chai)) increased to approximately HK$522 for wedding banquet customer from approximately HK$496 for the seven months ended 31 July 2012, representing an increase of approximately 5.2% and remained the same of approximately HK$76 for dining customer as compared with that for the seven months ended 31 July 2012; while the revenue generated from operation of our restaurants increased to approximately HK$182.0 million from approximately HK$159.8 million for the seven ended 31 July 2012, representing an increase of approximately 13.9%. Such increase was mainly attributable to the increase in number of diners, especially for our provision of wedding banquet services, for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012. For the seven months ended 31 July 2013, U Banquet (North Point) did not generate any revenue from the provision of wedding banquet services, which was mainly because U Banquet (North Point) was categorised as non-wedding banquet-focused restaurant before its renovation in June 2013 and thus no wedding banquet service agreements were signed for the wedding banquet services to be provided for the seven months ended 31 July 2013.

U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) and U Banquet (North Point) saw a slight decrease in seat turnover rate for the seven months ended 31 July 2013 compared to the year ended 31 December 2012. The decrease in seat turnover rate for U Banquet (North Point) was mainly due to the fact that it did not have wedding banquet customers during the seven months ended 31 July 2013. The decrease in seat turnover rate of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) was mainly due to decrease in wedding banquet customers during the seven months ended 31 July 2013 compare to the same period in 2012. Our Directors believe, the decrease in wedding banquet customers was attributable to the wear and tear of the restaurant interiors caused by almost six years of operation from April 2006 to 2012. U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) and U Banquet (North Point) recorded decrease in average daily revenue during the seven months ended 31 July 2013. Our Directors believe this was mainly due to the decrease in their seat turnover rates.

U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were opened in April 2013. They have yet to build up their customer base; hence the seat turnover rate for the seven months ended 31 July 2013 was relatively lower than our other restaurants. U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant recorded relatively less revenue from restaurant operation per sq.m. during the seven months ended 31 July 2013 compared to our other restaurants because they only operated for about three months during the period.

U Banquet (Causeway Bay) generated relatively lower revenue per sq. m. among our wedding banquet-focused restaurants for the Track Record Period. U Banquet (Causeway Bay) has a spiral marble staircase adjacent to the dining hall for the wedding couples and their guests to pose for photos, but this design decreased the total usable floor area of U Banquet (Causeway Bay) for provision of dining and wedding banquet services and thus generating relatively less revenue.

Seasonality

Our business is subject to seasonal fluctuations. Holidays, severe weather and similar conditions may impact our revenues seasonally. During the Track Record Period, our monthly average revenue derived from the periods from January to March in 2011, 2012 and 2013, and from September to December in 2011 and 2012 was higher than that from April to August in 2011 and 2012, and April to July 2013, respectively. Chinese wedding banquets are generally less popular in the months of July and August as the Chinese ghost festival usually falls within these months and it is considered inauspicious to get married. It is also considered by the Chinese that it is inauspicious to get married in a "blind year" according to the Chinese lunar calendar. The *Tung Shing* (通勝) may also deem certain dates on the Chinese lunar calendar unsuitable for weddings. The revenue generated from providing such wedding banquet services tends to be lower during these periods in each year. Our provision of Wedding Services would also be affected. For details of the average monthly revenue of our restaurants during high and low seasons, see "Business — Sales and marketing — Sales".

Other income

During the Track Record Period, our other income mainly comprised forfeiture of deposits received.

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

	Year ended 31 December		Seven months ended 31 July	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Forfeiture of deposits received	773	1,078	436	349
Miscellaneous income	105	38	5	105
	878	1,116	441	454

Other income increased to approximately HK$1.1 million for the year ended 31 December 2012 from approximately HK$0.9 million for the year ended 31 December 2011, representing an increase of approximately 22.2%. Such increase was mainly attributable to the increase in our forfeiture of deposits received to approximately HK$1.1 million for the year ended 31 December 2012 from approximately HK$0.8 million for the year ended 31 December 2011, representing an increase of approximately 37.5%.

For the seven months ended 31 July 2013, other income slightly increased to approximately HK$454,000 from approximately HK$441,000 for the seven months ended 31 July 2012, representing an increase of approximately 2.9%.

We generally received deposits before our provision of wedding banquet service and Wedding Services. We forfeited and recorded the deposits received as our other income when our customers cancelled their advanced bookings of wedding banquets and Wedding Services.

Cost of materials consumed

The cost of materials consumed primarily consisted of food ingredients consumed for our operation of restaurants. Our major food ingredients included 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. We recorded cost of materials consumed of approximately HK$76.5 million for each of the two years ended 31 December 2012. Notwithstanding our revenue from operation of restaurants recorded an increase of approximately 16.4% for the year ended 31 December 2012, our cost of materials consumed maintained at a stable level for the year ended 31 December 2012, which was primarily a result of the change of the use of food ingredients and drop in purchase prices of certain of our major food ingredients for the year ended 31 December 2012. For the seven months ended 31 July 2013, although our cost of materials consumed increased to approximately HK$45.9 million from approximately HK$43.2 million for the seven months ended 31 July 2012, representing an increase of approximately 6.3%, the ratio of our cost of materials consumed to our total revenue decreased to 24.3% for the seven months ended 31 July 2013 from 26.5% for the seven months ended 31 July 2012. Such decrease was mainly attributable to the drop in purchase prices of certain of our major food ingredients.

For the years ended 31 December 2011 and 2012, we served similar wedding banquet menu, save for the shark's fin dishes. To contribute to preserving the marine ecosystem, more customers, especially the wedding couples would choose banquet menus without shark's fin in recent years, though menus serving shark's fin are still available. For the year ended 31 December 2012, there was a decrease of approximately 20% of wedding banquet menus serving shark's fin in comparing with that for the year ended 31 December 2011. In such regard, we offered wedding couples alternative delicacies, such as bird's nest soup or seafood soup at the same price as menus serving shark's fin. Accordingly, in general our purchase of shark's fin decreased from approximately 6,320 catties for the year ended 31 December 2011 to approximately 4,280 catties for the year ended 31 December 2012; while our purchase of bird's nest increased from approximately 100 catties for the year ended 31 December 2011 to approximately 280 catties for the year ended 31 December 2012. The average purchase price per catty of shark's fin was approximately HK$1,010 and HK$750 for the years ended 31 December 2011 and 2012, respectively, while the average purchase price per catty of bird's nest was approximately HK$2,470 and HK$2,150 for the years ended 31 December 2011 and 2012, respectively. For the year ended 31 December 2012, the lower cost of bird's nest serving one 12-seat banquet-style table of approximately HK$130, as compared with that of shark's fin serving one 12-seat banquet-style table of approximately HK$200 helped decrease our total cost of food ingredients for the year ended 31 December 2012.

Being accredited as EatSmart Restaurant, we continue to provide healthy and delicious choices for our customers by serving vegetables as the main ingredients in the dishes. Our purchase of major fresh vegetables increased by approximately 17.8% to approximately 636,000 catties for the year ended 31 December 2012 from approximately 540,000 catties for the year ended 31 December 2011, while our purchase of major frozen meats decreased by approximately 0.3% to approximately 394,000 catties for the year ended 31 December 2012 from approximately 395,000 catties for the year ended 31 December 2011. The average purchase price per catty of our major fresh vegetables was approximately HK$7.0 and HK$8.0 for the years ended 31 December 2011 and 2012, respectively, while the average purchase price per catty of our major frozen meats was approximately HK$24.4 and HK$21.6 for the years ended 31 December 2011 and 2012, respectively. Though the unit purchase price of our major frozen meats dropped for the year ended 31 December 2012, it was still about threefold in comparing with that of our major fresh vegetables. Accordingly, the cost of using fresh vegetables as main ingredients in dishes was relatively lower than cost of using frozen meat as main ingredients. As such, our proportional increase in the use of vegetables in our dishes offered to our diners decreased our total cost of materials consumed in providing the dining and wedding banquet services.

Fresh seafood accounted for approximately 24.0% and 23.8% of our total costs of materials consumed for the years ended 31 December 2011 and 2012, respectively. For the year ended 31 December 2012, purchase prices for some of our frequently used fresh seafood dropped compared with that for the year ended 31 December 2011, which our Directors believe was mainly because of the impact of the natural hazards of earthquake and tsunami happened in Japan in 2011 on the pricing of certain seafood from different region lessened for the year ended 31 December 2012. For certain types of fish frequently used, the average purchase price per fish decreased by approximately 36.8% to approximately HK$120 for the year ended 31 December 2012 from approximately HK$190 for the year ended 31 December 2011. Moreover, the average purchase price per catty of boston lobster decreased by approximately 10% to approximately HK$90 for the year ended 31 December 2012 from approximately HK$100 for the year ended 31 December 2011.

Besides the change of dishes in our menus and the price fluctuation in some frequently used food ingredients, lower net purchase prices for fresh seafood was noted for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011. Our major suppliers of fresh seafood offered us credit term of 30 days after the issue of monthly statement. During the Track Record Period, we either received interim statements about every two weeks or monthly statements from our major suppliers of fresh seafood. Payment made within seven days after the issue of the interim statement by suppliers would be offered a certain percentage of discount on our purchases (the "**Discounted Payment**"). Of ten months during the year ended 31 December 2011, we made most of the payments within the credit period of 30 days after the issue of monthly statement and thus full purchase amounts were charged; while of nine months during the year ended 31 December 2012, we made the Discounted Payments and thus enjoyed a discount of approximately 6% on the purchase amount. Fresh seafood was commonly used in our menus for dining and wedding banquet services, thus our cost of food ingredients was significantly affected by the discount given on the purchase amounts by our major suppliers of fresh seafood for the year ended 31 December 2012.

Since May 2012, Smart Award has started sourcing frozen food and high value dried food from our largest supplier for the year ended 31 December 2012 for our restaurants operation. Our largest supplier for the year ended 31 December 2012 is currently owned and managed by a person who participated in the operation of business of Mr. Yip's sole proprietorship prior to the business operations carried on by Mr. Yip's sole proprietorship having ceased to operate since April 2012. With Mr. Yip's connection with such person, Smart Award was able to source food ingredients from our largest supplier at lower costs. For the year ended 31 December 2012, Smart Award sourced all its food ingredients from such largest supplier. Approximately 68.7% and 71.5% of our purchases of major frozen meat and major frozen seafood, respectively, were sourced by Smart Award and the respective average purchase price per catty of these major frozen meat and major frozen seafood for the year ended 31 December 2012 was approximately 11.4% and 29.4% less than the respective average purchase price per catty of similar items of frozen meat and frozen seafood sourced directly from third-party suppliers without the involvement of Smart Award during the year ended 31 December 2011. For the year ended 31 December 2012, leveraging Mr. Yip's connection with our largest supplier, it was estimated that, with reference to market prices, the cost saving of sourcing through Smart Award amounted to approximately HK$2.8 million, being the gross profit of Smart Award.

Assuming, among others, (i) the wedding couples continue to choose our banquet menu with bird's nest soup or seafood soup which are relatively cheaper per serving than shark's fin, (ii) our customers' preference for healthy dishes remains the same, (iii) the industry practice of offering discount by fresh seafood suppliers remains unchanged and we continue to settle those invoices within the given payment period, and (iv) Smart Award is able to continue to source frozen food and high value dried food at relatively lower prices, our Directors expect that save for the fluctuation in the then market prices of our major food ingredients used in the operation of restaurants, the cost savings achieved by our Group during the year ended 31 December 2012 may sustain going forward.

For the seven months ended 31 July 2013, frozen food accounted for approximately 29.6% of our total costs of materials consumed and the average purchase price for some of our frequently used frozen food dropped compared with that for the seven months ended 31 July 2012. Shrimp meat and suckling pigs were the two largest type of frozen food we purchased for the seven months ended 31 July 2013 and the drop in our purchase prices of these frozen food was mainly attributable to (i) the measures taken in the PRC to stabilise the supply of suckling pig to Hong Kong in late 2011 which caused the market price of suckling pig to decrease gradually and thus our average purchase price of suckling pig was relatively lower for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012, and (ii) our change of supplier for shrimp meat for the seven months ended 31 July 2013. The average price per catty of shrimp meat decreased by approximately 23.6% to approximately HK$51.7 for the seven months ended 31 July 2013 from approximately HK$67.7 for the seven months ended 31 July 2012. Moreover, the average price per catty of suckling pig decreased by approximately 44.4% to approximately HK$26.4 for the seven months ended 31 July 2013 from approximately HK$47.5 for the seven months ended 31 July 2012.

Besides, we continued making the Discounted Payments for the seven months ended 31 July 2013; while only for three months during the seven months ended 31 July 2012 that we made the Discounted Payments. Fresh seafood continued to be commonly used in our menus for dining and wedding banquet services, thus the Discounted Payments lowered our cost of materials consumed for the seven months ended 31 July 2013.

Smart Award continued to source frozen food and high value dried food for our restaurant operations for the seven months ended 31 July 2013. For the seven months ended 31 July 2013, Smart Award sourced all its food ingredients from our largest supplier for the seven months ended 31 July 2013, which was same as the one for the year ended 31 December 2012. Thus, with Mr. Yip's connection with the owner of such largest supplier, Smart Award was able to continue to source various food ingredients at relatively lower prices for the seven months ended 31 July 2013. For the seven months ended 31 July 2013, all our major frozen meats and major frozen seafood were sourced by Smart Award and the respective average purchase price per unit of these major frozen meats and major frozen seafood was approximately 14.2% and 31.2% less than the respective average purchase price per unit of similar items of frozen meat and frozen seafood sourced directly from third-party suppliers without the involvement of Smart Award during the seven months ended 31 July 2012. For the seven months ended 31 July 2013, leveraging on Mr. Yip's connection with our largest supplier, it was estimated that, with reference to market prices, the cost saving of sourcing through Smart Award amounted to approximately HK$2.8 million, being the gross profit of Smart Award.

Employee benefits expense

The table below sets forth the breakdown of our employee benefits expense for the periods indicated.

	Year ended 31 December		**Seven months ended 31 July**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Wages, salaries and bonuses	67,694	70,799	40,230	44,600
Pension costs — defined contribution plans	3,028	3,100	1,786	1,949
Unutilised annual leave	359	366	451	100
Long service payment	24	162	112	249
	71,105	74,427	42,579	46,898

Our employee benefits expense increased to approximately HK$74.4 million for the year ended 31 December 2012 from approximately HK$71.1 million for the year ended 31 December 2011, representing an increase of approximately 4.6%. Such an increase was mainly because the wages and salaries level of our employees generally increased and more discretionary bonuses were paid to the employees due to our better financial results for the year ended 31 December 2012, as compared with those for the year ended 31 December 2011. As at 31 December 2011 and 2012, the number of our employees was almost the same, which was due to the same number of restaurants being operated.

Our employee benefits expense increased to approximately HK$46.9 million for the seven months ended 31 July 2013 from approximately HK$42.6 million for the seven months ended 31 July 2012, representing an increase of approximately 10.1%. Such an increase was mainly because the average number of employees increased for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012 due to the opening of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant, which required more employees for their daily operations than those required by U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) that were closed in April 2013.

Depreciation

We recorded depreciation of approximately HK$10.8 million, HK$12.2 million, HK$6.4 million and HK$10.2 million for the years ended 31 December 2011 and 2012, and seven months ended 31 July 2012 and 2013, respectively for our leasehold improvements, air-conditioning, equipment and kitchen utensils, furniture and fixtures and motor vehicles. Due to the closure of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), we changed the estimate of the useful economic life of the property, plant and equipment of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) from a period of five years to three years. Therefore, the depreciation for the seven months ended 31 July 2013 was higher than that for the seven months ended 31 July 2012.

Operating lease payments

Our operating lease payments for our leased premises and equipment slightly increased to approximately HK$38.0 million for the year ended 31 December 2012 from approximately HK$37.3 million for the year ended 31 December 2011, representing an increase of approximately 1.9%. Renewed lease agreements in respect of the premises of our restaurants located in Causeway Bay, Mong Kok and Kwun Tong became effective in June 2011, March 2012 and November 2012, respectively, the monthly fixed rentals of which have increased by approximately 20%, 20% and 25%, respectively. The effect of such increases has yet to fully reflect on our result of operations for the year ended 31 December 2012 since the renewed lease agreements of our restaurants located in Mong Kok and Kwun Tong only became effective in March and November 2012, respectively.

Our operating lease payments for our leased premises and equipment increased to approximately HK$24.8 million for the seven months ended 31 July 2013 from approximately HK$22.1 million for the seven months ended 31 July 2012, representing an increase of approximately 12.2%. Such increase was mainly because the lease for the premise of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant commenced in March 2013 and the monthly rental of which was more than double of the then monthly fixed rental for the premises of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), which were closed in April 2013. Besides, the renewed lease agreements in respect of the premises of our restaurants located in Tsim Sha Tsui and Causeway Bay became effective in January and June 2013, respectively, the monthly fixed rentals of which increased by approximately 20.3% and 30.1%, respectively.

Utilities expenses

Our utilities expenses increased to approximately HK$27.3 million for the year ended 31 December 2012 from approximately HK$25.6 million for the year ended 31 December 2011, representing an increase of approximately 6.6%, and to approximately HK$17.4 million for the seven months ended 31 July 2013 from approximately HK$16.0 million for the seven months ended 31 July 2012, representing an increase of approximately 8.8%. Such increases were in line with the increase in our revenue for the corresponding periods.

Other expenses

During the Track Record Period, other expenses mainly included (i) advertising and promotions expenses incurred for our restaurant operations and provision of Wedding Services, (ii) repairs and maintenance expenses incurred mainly for equipment and kitchen utensils, and lighting and air-conditioning systems in our restaurants, (iii) cleaning and laundry expenses incurred mainly for our restaurant operations, (iv) services fee to temporary workers, (v) cost of inventories sold incurred for our sales of goods, (vi) credit card charges, (vii) entertainment expense incurred mainly for soliciting new businesses, and (viii) professional fee in respect of the Listing. Our staff (including the temporary workers) were paid above the then minimum wage as set out by the Minimum Wage Ordinance during the Track Record Period and thus we were not affected by the enactment thereof. The table below sets forth the breakdown of our other expenses for the periods indicated.

	Year ended 31 December		**Seven months ended 31 July**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Advertising and promotions	8,381	7,329	4,090	4,334
Repairs and maintenance	3,800	3,393	1,980	1,826
Cleaning and laundry expenses	4,439	3,697	2,091	2,680
Services fee to temporary workers	6,972	10,104	5,280	7,211
Cost of inventories sold	—	374	—	2,410
Insurance	882	1,555	792	1,304
Credit card charges	2,227	3,178	1,787	1,859
Entertainment	2,322	2,896	1,910	1,569
Legal and professional fee	164	1,637	898	208
Professional fee in respect of the Listing	—	—	—	5,726
Others	12,612	13,375	7,552	10,103
	41,799	47,538	26,380	39,230

Other expenses increased to approximately HK$47.5 million for the year ended 31 December 2012 from approximately HK$41.8 million for the year ended 31 December 2011, representing an increase of approximately 13.6%. Such increase was mainly attributable to (i) increase in our legal and professional fee by approximately HK$1.5 million, representing an increase of approximately 898.2%, which was mainly incurred for legal advices in respect of the legal proceedings with the Ex-Partners and agency services in relation to the introduction of restaurant premises and the entering into of the lease agreements; (ii) increase in services fee paid/payable to our temporary workers by approximately HK$3.1 million, representing an increase of approximately 44.9%, which was mainly because the average hourly rate for temporary workers increased and our demand for temporary workers also increased to a total of approximately 221,000 hours by 1,531 temporary workers for the year ended 31 December 2012 from a total of approximately 160,000 hours by 1,621 temporary workers for the year ended 31 December 2011 to accommodate the increase in number of diners for the year ended 31 December 2012 as compared with those for the year ended 31 December 2011; (iii) increase in credit card charges by approximately HK$1.0 million, representing an increase of approximately 42.7%, which was mainly because the total amount of credit card transactions was higher for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011; and (iv) increase in insurance expense by approximately HK$0.7 million, representing an increase of approximately 76.3%, which was mainly attributable to the increased annual premium charged by the insurance companies for, among others, our employees' compensation liability for personal injury and illnesses, public liability against any claims of illness, fire insurance and insurance for the properties. These increases, however, were partly offset by decreases in certain expenses such as advertising and promotions expenses, repairs and maintenance expenses and laundry and cleaning expenses incurred for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011. Advertising and promotions expenses decreased by approximately HK$1.1 million, representing a decrease of approximately 12.6%, which was mainly because our advertising and promotional materials were revised for the change of trade name of our restaurants from "*Choi Fook* (彩福)" to "*U Banquet* (譽宴)" since January 2011, for which additional expenses were incurred, while no such expenses were incurred for the year ended 31 December 2012. Repairs and maintenance expenses decreased by approximately HK$0.4 million, representing a decrease of approximately 10.7%, which was mainly because expenses were incurred for reinstalling billboards for the change of trade name for the year ended 31 December 2011, while no such expenses were incurred for the year ended 31 December 2012. Cleaning and laundry expenses decreased by approximately HK$0.7 million, representing a decrease of approximately 16.7%, which was mainly because we chose to use a single laundry service provider who offered more budgeted services for the year ended 31 December 2012.

Other expenses increased to approximately HK$39.2 million for the seven months ended 31 July 2013 from approximately HK$26.4 million for the seven months ended 31 July 2012, representing an increase of approximately 48.5%. Such increase was mainly attributable to (i) the non-recurrent professional fee in respect of the Listing of approximately HK$5.7 million; (ii) the cost of inventories sold of approximately HK$2.4 million incurred for our sales of fresh vegetables and fruits since October 2012 and fresh seafood since April 2013 to third parties by General Corporation; (iii) increase in our services fee paid/payable to our temporary workers by approximately HK$1.9 million, representing an increase of approximately 36.6%, which was mainly because the average hourly rate for temporary workers increased and our demand for temporary workers also increased to a total of approximately 142,725 hours by 1,150 temporary workers for the seven months ended 31 July 2013 from a total of approximately 117,224 hours by 999 temporary workers for the seven months ended 31 July 2012 to accommodate the increase in number of diners, especially for our provision of wedding banquet services, for the seven months ended 31 July 2013 as compared with those for the seven months ended 31 July 2012; and (iv) increases in cleaning and laundry expenses and insurance expense by approximately HK$0.6 million and HK$0.5 million, respectively, representing increases of approximately 28.2% and 64.6%, respectively, which were mainly due to the opening of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant.

Net finance costs/income

We recorded net finance costs of approximately HK$31,000 for the year ended 31 December 2011 and net finance income of approximately HK$122,000 and HK$96,000 for the year ended 31 December 2012 and the seven months ended 31 July 2013, respectively. The table below sets forth the breakdown of our net finance costs/income for the periods indicated.

	Year ended 31 December		Seven months ended 31 July	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Finance costs				
— Interest expense on bank borrowings wholly repayable within five years	(321)	(189)	(121)	(79)
— Interest expense on finance lease liabilities	(23)	(23)	(14)	(62)
— Unwinding of discount of provision for reinstatement costs	(73)	(64)	(37)	(97)
	(417)	(276)	(172)	(238)
Finance income				
— Interest income on short-term bank deposits	1	3	1	—
— Interest income arising from discount of non-current rental deposits	385	395	266	334
	386	398	267	334
Finance (costs)/income — net	(31)	122	95	96

Our finance costs mainly consisted of the interest expense on bank borrowings at the weighted effective interest rates of approximately 5.33%, 5.25% and 3.35% as at 31 December 2011 and 2012, and 31 July 2013, respectively. Interest rates of our bank borrowings are subject to change and the contractual repricing dates are six months or less at each balance sheet date. As at 31 December 2012, the balance of our bank borrowings reduced due to repayments during the year ended 31 December 2012 and thus a decrease of approximately HK$132,000, representing a decrease of approximately 41.1% in interest expense was recorded for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011. For the seven months ended 31 July 2013, though we had proceeds from bank borrowings of approximately HK$11.9 million, our interest expense on bank borrowings decreased by approximately HK$42,000, representing a decrease of approximately 34.7% as compared with that for the seven months ended 31 July 2012. This was mainly because we incurred interest expenses for that HK$11.9 million bank borrowings for about two months only. Besides, the balance of bank borrowings at the beginning of the seven months ended 31 July 2013 was less than that at the beginning of the seven months ended 31 July 2012.

Our finance income mainly consisted of interest income arising from discount of non-current rental deposits, which increased by approximately HK$10,000 for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011, representing an increase of approximately 2.6%, and by approximately HK$68,000 for the seven months ended 31 July 2013 as compared with that for the seven months ended 31 July 2012, representing an increase of approximately 25.6%. Such increases were mainly attributable to the average balance of our non-current rental deposits paid for our restaurant premises for the year ended 31 December 2012 and the seven months ended 31 July 2013.

Income tax credit/expense

Our assessable profits were subject to Hong Kong profits tax at the applicable income tax rate of 16.5% during the Track Record Period. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, there were expenses not deductible for tax purposes of approximately HK$0.3 million, HK$1.0 million and HK$1.3 million, respectively. They were mainly derived from the tax losses of some of our subsidiaries, which were not expected to generate any profits to utilise those tax losses for the years ended 31 December 2011 and 2012, and the non-deductible expense of professional fee in respect of the Listing for the seven months ended 31 July 2013. For the year ended 31 December 2011, we did not have any assessable profits and thus a tax credit of approximately HK$0.3 million was recorded. The effective income tax rate for the year ended 31 December 2012 and the seven months ended 31 July 2013 was approximately 19.7% and 40.4%, respectively. The higher effective tax rate for the seven months ended 31 July 2013 was mainly attributable to the non-deductible expense of professional fee in respect of the Listing.

Non-controlling interests

General Corporation and Smart Award were incorporated in August 2012 and April 2012, respectively, and become indirect non-wholly-owned subsidiaries of our Company. Profit of approximately HK$1.4 million and HK$2.1 million made by these two indirect non-wholly-owned subsidiaries for the year ended 31 December 2012 and the seven months ended 31 July 2013, respectively were recorded as our profit attributable to the non-controlling interests.

Profit attributable to owners of our Company and net profit margin

For the years ended 31 December 2011 and 2012, we recorded net loss of approximately HK$2.9 million and net profit of approximately HK$22.2 million attributable to the owners of our Company, respectively. Our net loss for the year ended 31 December 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 price 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 banquet held in the year ended 31 December 2011 had been confirmed generally a year ahead in the agreements with our customers. Such net loss increased our balance of accumulated losses from approximately HK$34.6 million as at 1 January 2011, which primarily resulted from the impairment of the Choi Fook Trademarks in respect of the change of relevant trademarks subsequent to the execution of the Settlement Agreement, to approximately HK$37.5 million as at 31 December 2011. We turned around to record net profit for the year ended 31 December 2012 from net loss for the year ended 31 December 2011 mainly attributable to (i) the increase in our revenue of approximately HK$45.1 million for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011, which was mainly due to the increase in our number of diners, especially for our provision of dining services and we introduced an upward adjustment in the prices of our wedding banquet menus for the year ended 31 December 2011 so that the revenue we recognised from wedding banquets increased for the year ended 31 December 2012; and (ii) the decrease in ratio of 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, which was mainly due to the changes of dishes in our menus, the ability to source lower-priced food ingredients and the price fluctuation in some of our frequently used food ingredients. Our net profit margin was approximately 7.3% for the year ended 31 December 2012.

For the seven months ended 31 July 2012 and 2013, we recorded net profit of approximately HK$5.1 million and HK$1.0 million attributable to the owners of our Company, respectively. Such decrease was mainly attributable to the non-recurrent professional fee in respect of the Listing of approximately HK$5.7 million incurred for the seven months ended 31 July 2013. No such expense was incurred in 2011 and 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and capital expenditure needs. During the Track Record Period, our uses of cash have mainly been financed through a combination of cash received from our restaurant operations and bank borrowings. As at 31 July 2013, we had cash and cash equivalents of approximately HK$11.8 million and bank borrowings of approximately HK$13.4 million.

Our working capital requirements mainly comprise of costs of materials consumed, staff costs, operating lease payments and costs of opening and upgrading of our restaurants. Our Directors expect that our capital requirements will be met by cash generated from our restaurants operations and provision of Wedding Services, as well as bank borrowings and the net proceeds from the placing of the New Shares.

The following table is a condensed summary cash flows statements for the periods ended on the dates indicated:

	Year ended 31 December		**Seven months ended 31 July**	
	2011	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from operating activities	9,437	43,924	17,513	11,121
Net cash used in investing activities	(2,156)	(32,656)	(10,359)	(29,862)
Net cash (used in)/generated from financing activities	(4,016)	(6,833)	(7,401)	7,878
Net increase/(decrease) in cash and cash equivalents	3,265	4,435	(247)	(10,863)
Cash and cash equivalents at beginning of the year/period	14,974	18,239	18,239	22,674
Cash and cash equivalents at end of the year/period	18,239	22,674	17,992	11,811

Cash flows generated from operating activities

During the Track Record Period, we derive the cash inflows from operating activities principally from the income generated from our restaurant operations, whereas the cash outflows from operations is principally for the purchases of food ingredients, operating lease payments and employee benefits expense.

For the year ended 31 December 2011, we recorded net cash generated from operating activities of approximately HK$9.4 million, which was mainly attributable to our loss before income tax of approximately HK$3.2 million, adjustments for non-cash and non-operating items of approximately HK$10.9 million, net working capital inflow of approximately HK$3.7 million, interest paid of approximately HK$0.3 million and tax paid of approximately HK$1.6 million. For the year ended 31 December 2011, we recorded non-cash item of depreciation of property, plant and equipment of approximately HK$10.8 million.

For the year ended 31 December 2012, we recorded net cash generated from operating activities of approximately HK$43.9 million, which was mainly attributable to our profit before income tax of approximately HK$29.4 million, adjustments for non-cash and non-operating items of approximately HK$12.1 million, net working capital inflow of approximately HK$2.0 million, interest paid of approximately HK$0.2 million and tax refund of approximately HK$0.7 million. For the year ended 31 December 2012, we recorded non-cash item of depreciation of property, plant and equipment of approximately HK$12.2 million. The net working capital inflow was mainly attributable to the increase in our deposits received which were partially offset by the increase in our deposits and prepayments and the decreases in our trade payables and accruals and provisions. The significant increase in net cash flows generated from operating activities for the year ended 31 December 2012 was primarily because we turned around to record a net profit for the year ended 31 December 2012 from the net loss for the year ended 31 December 2011.

For the seven months ended 31 July 2013, we recorded net cash generated from operating activities of approximately HK$11.1 million, which was mainly attributable to our profit before income tax of approximately HK$5.2 million, adjustments for non-cash and non-operating items of approximately HK$10.1 million, net working capital outflow of approximately HK$4.1 million and interest paid of approximately HK$0.1 million. For the seven months ended 31 July 2013, we recorded non-cash item of depreciation of property, plant and equipment of approximately HK$10.2 million. The net working capital outflow was mainly attributable to the increase in our deposits and prepayments and decrease in our trade payables, which were partially offset by the increase in our deposits received. The decrease in net cash flows generated from operating activities for the seven months ended 31 July 2013 was mainly attributable to the decrease in our net profit for the same period, as compared with that for the seven months ended 31 July 2012.

Cash flows from investing activities

The cash outflows from investing activities for the Track Record Period principally comprised advances to our Directors and related companies and purchases of property, plant and equipment.

For the year ended 31 December 2011, we recorded net cash used in investing activities of approximately HK$2.2 million, which was mainly attributable to the purchases of property, plant and equipment of approximately HK$1.7 million and advances to related companies of approximately HK$0.5 million during the year.

For the year ended 31 December 2012, we recorded net cash used in investing activities of approximately HK$32.7 million, which was mainly attributable to the purchases of property, plant and equipment of approximately HK$7.5 million, advances to our Directors and related companies of approximately HK$28.5 million, but were partially offset by the increase in pledged bank deposits of approximately HK$1.0 million and repayments from related companies of approximately HK$4.4 million during the year.

For the seven months ended 31 July 2013, we recorded net cash used in investing activities of approximately HK$29.9 million, which was mainly attributable to the purchases of property, plant and equipment of approximately HK$17.4 million, advances to our Directors, related companies and Mr. Yip of approximately HK$12.9 million and payment of reinstatement costs for U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) of approximately HK$0.7 million, but were partially offset by the increase in pledged bank deposits of approximately HK$1.0 million.

Cash flows from financing activities

For the Track Record Period, the cash outflows from financing activities principally comprised repayments of borrowings and to our Directors, whereas the cash inflows from financing activities was principally proceeds from borrowings.

For the year ended 31 December 2011, we recorded net cash used in financing activities of approximately HK$4.0 million, which was mainly attributable to the repayments to our Directors of approximately HK$4.4 million and repayments of borrowings of approximately HK$3.5 million, but were partially offset by the net proceeds from borrowings of HK$4.0 million during the year.

For the year ended 31 December 2012, we recorded net cash used in financing activities of approximately HK$6.8 million, which was mainly attributable to the repayments to our Directors of approximately HK$4.9 million and repayments of borrowings of approximately HK$2.9 million, but were partially offset by the advance from Mr. Yip of approximately HK$1.0 million during the year.

For the seven months ended 31 July 2013, we recorded net cash generated from financing activities of approximately HK$7.9 million, which was mainly attributable to the net proceeds from borrowings of approximately HK$11.9 million, but was partially offset by the repayments of finance leases of approximately HK$1.7 million, repayment of advance from Mr. Yip of approximately HK$1.0 million, repayments of borrowings of approximately HK$0.7 million and share issuance costs of approximately HK$0.8 million.

CAPITAL EXPENDITURE

Our capital expenditures principally consisted of purchases of property, plant and equipment of approximately HK$1.7 million, HK$7.5 million and HK$17.4 million for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively. We primarily funded our capital expenditures through cash flows from operations and bank borrowings.

NET CURRENT LIABILITIES

	As at 31 December		As at 31 July	As at 31 October
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Current assets				
Trade receivables	252	724	1,435	1,942
Deposits and prepayments	9,914	11,344	15,051	18,971
Current income tax recoverable	1,161	—	—	—
Amounts due from related companies	7,504	8,108	9,704	—
Amount due from a non-controlling shareholder	—	—	1,197	1,383
Amounts due from directors	—	23,518	33,576	15
Pledged bank deposits	1,095	2,096	1,096	1,096
Cash and cash equivalents	18,239	22,674	11,811	20,417
	38,165	68,464	73,870	43,824
Current liabilities				
Trade payables	15,568	12,637	10,519	13,412
Accruals and provisions	16,170	17,388	26,833	25,169
Deposits received	20,269	31,116	31,305	34,681
Amounts due to related companies	237	213	339	283
Amount due to a non-controlling shareholder	—	1,033	—	—
Amounts due to directors	4,880	—	—	—
Current income tax liabilities	219	5,162	9,017	10,067
Borrowings	5,253	2,742	13,544	12,029
Provision for reinstatement costs	—	630	—	—
	62,596	70,921	91,557	95,641
Net current liabilities	(24,431)	(2,457)	(17,687)	(51,817)

As at 31 December 2011 and 2012, and 31 July 2013, we recorded net current liabilities of approximately HK$24.4 million, HK$2.5 million and HK$17.7 million, respectively. Our current assets as at 31 December 2011 and 2012, and 31 July 2013 mainly included (i) deposits and prepayments of approximately HK$9.9 million, HK$11.3 million and HK$15.1 million, respectively, (ii) cash and cash equivalents of approximately HK$18.2 million, HK$22.7 million and HK$11.8 million, respectively, and (iii) amounts due from our Directors of nil, approximately HK$23.5 million and HK$33.6 million, respectively. Our current liabilities as at 31 December 2011 and 2012, and 31 July 2013 mainly included (i) trade payables of approximately HK$15.6 million, HK$12.6 million and HK$10.5 million, respectively, (ii) accruals and provisions of approximately HK$16.2 million, HK$17.4 million and HK$26.8 million, respectively, (iii) deposits received of approximately HK$20.3 million, HK$31.1 million and HK$31.3 million, respectively, and (iv) borrowings of approximately HK$5.3 million, HK$2.7 million and HK$13.5 million, respectively. We expect to pay for our trade payables and accruals and provisions from our internal financial resources, including cash generated from operations, as and when they fall due.

Notwithstanding we generated net cash inflows from our operating activities of approximately HK$9.4 million, HK$43.9 million and HK$11.1 million for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively, we recorded net current liabilities of approximately HK$24.4 million, HK$2.5 million and HK$17.7 million as at 31 December 2011 and 2012, and 31 July 2013, respectively, which were mainly because our non-current assets of property, plant and equipment and rental deposits were funded by our cash and cash equivalents, most of which were received from our operation of restaurants including the deposits received from customers, and proceeds from bank borrowings, being regarded as our current liabilities.

Our net current liabilities decreased from approximately HK$24.4 million as at 31 December 2011 to HK$2.5 million as at 31 December 2012, which was mainly attributable to more cash and cash equivalents generated from our restaurant operations and increase in amount due from our Directors partially offset by the increase in deposits received from customers during the year ended 31 December 2012.

Our net current liabilities increased from approximately HK$2.5 million as at 31 December 2012 to HK$17.7 million as at 31 July 2013, which was mainly attributable to the increases in borrowings of approximately HK$10.8 million mainly for the capital requirement of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant, and accruals and provisions of approximately HK$9.4 million mainly for our purchases of property, plant and equipment, as at 31 July 2013.

Trade receivables

During the Track Record Period, our sales from our restaurant operations were mainly conducted in cash or by credit cards. The credit period granted by us to the customers for provision of Wedding Services and sales of goods ranged from 0 to 90 days during the Track Record Period. As at 31 December 2011 and 2012, and 31 July 2013, our trade receivables that were not past due nor impaired amounted to approximately HK$252,000, HK$712,000 and HK$1.4 million, respectively. These balances relate to a wide range of customers who have no recent history of default.

The following table sets forth the ageing analysis of our trade receivables based on invoice date as at the dates indicated:

	As at 31 December		**As at 31 July**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	252	465	771
31 to 60 days	—	233	481
61 to 90 days	—	14	183
Over 90 days	—	12	—
	252	724	1,435

The following table sets forth the ageing analysis of our trade receivables based on the due dates as at the dates indicated:

	As at 31 December		**As at 31 July**
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	252	712	1,435
Past due but not impaired	—	12	—
	252	724	1,435

As at 31 December 2012, our trade receivables of approximately HK$12,000 were past due but not impaired, which related to a number of independent customers who have no significant financial difficulty. Our Directors believe that no provision for impairment of these balances is necessary and consider that the overdue amounts can be recovered.

The following table sets out our average trade receivables turnover days for the Track Record Period:

	Year ended 31 December 2011	2012	Seven months ended 31 July 2013
Average trade receivables turnover days *(Note)*	1	1	1

Note: Average trade receivables turnover days for the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 are computed by the average of the beginning and ending trade receivables balances for the relevant period, divided by the total revenue for the corresponding period and multiplied by 365 or 212 days.

Our trade receivables turnover days were stable for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013. As at the Latest Practicable Date, all our trade receivables as at 31 December 2011 and 2012, and 31 July 2013 were subsequently settled.

Deposits and prepayments

Deposits and prepayments mainly consisted of rental and utilities deposits and the prepayment for consultancy services.

The following table sets out the details of our deposits and prepayments as at the dates indicated:

	As at 31 December 2011	2012	As at 31 July 2013
	HK$'000	*HK$'000*	*HK$'000*
Rental deposits	9,930	12,348	11,648
Utilities deposits	3,822	3,637	4,180
Other deposits	890	710	2,077
Prepayments	1,450	1,954	4,057
Prepayment for consultancy services	—	—	18,950
Deferred cost for the Listing	—	—	918
	16,092	18,649	41,830
Less: Non-current portion			
— Rental deposits	(6,178)	(7,305)	(10,051)
— Prepayment for consultancy services	—	—	(16,728)
Current portion	9,914	11,344	15,051

As at 31 December 2011 and 2012, current portion of deposits and prepayments amounted to approximately HK$9.9 million and HK$11.3 million, respectively, representing an increase of approximately 14.1% as at 31 December 2012 as compared with that as at 31 December 2011. Such increase was mainly because the entire deposits paid for the lease agreements in respect of the premises of our restaurants located in Wan Chai, Causeway Bay and North Point became current portion of deposits as at 31 December 2012.

As at 31 July 2013, current portion of deposits and prepayments amounted to approximately HK$15.1 million, which increased approximately 32.7% as compared with that as at 31 December 2012. Such increase was mainly because guarantee deposit paid for the lease agreement in relation to the new restaurant in Causeway Bay and the prepayment for insurance expenses increased. Besides, as at 31 July 2013, we recorded deferred cost for the Listing of approximately HK$0.9 million, which was about professional fees paid for the services in relation to the Listing that will be deducted from equity upon Listing, and current portion of prepayment for consultancy services of approximately HK$2.2 million. Prepayment for consultancy services was related to consultancy services to be rendered by the Minority Shareholder for a term of five full financial years after the Listing in return for the allotment and issuance of 75,000 new shares, which were entirely exchanged into 75,000 Shares on 19 November 2013, by Choi Fook Holdings to the Minority Shareholder. Thus, such prepayment will be amortised over the term of five full financial years after the Listing.

Amounts due from related companies and Directors

Amounts due from related companies and our Directors as at 31 December 2011 and 2012, and 31 July 2013 were mainly cash advances to Billion Treasure, which is beneficially wholly-owned by Mr. Cheung KH and Mr. Cheung KK, and to Mr. Cheung KH and Mr. Cheung KK, being the Controlling Shareholders. Such balances were not trade in nature and were unsecured, interest-free and repayable on demand. Our Group made advances to the Controlling Shareholders during the Track Record Period in lieu of paying dividends to them since it allows our Group to retain such resources and request for repayment from the Controlling Shareholders when we needed for cash. All the outstanding amounts due from related companies and Mr. Cheung KH and Mr. Cheung KK have been fully settled either in the form of dividend paid by our Group to the shareholders or repayment from the related companies as at the Latest Practicable Date.

Trade payables

Our trade payables mainly related to our purchases of food ingredients for our restaurant operations. As at 31 December 2011 and 2012, and 31 July 2013, our trade payables amounted to approximately HK$15.6 million, HK$12.6 million and HK$10.5 million, respectively. During the Track Record Period, 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. Accordingly, purchases made in November and December would only become due in the following year and those made on June and July would only become due after July. In such regard, our trade payables as at period end (i.e. 31 December and 31 July) generally comprise purchases for about two months (i.e. 60 days). Our average trade payables turnover days for the year ended 31 December 2011 and 2012 remained stable at about 68 days and 67 days, respectively, and was about 53 days for the seven months ended 31 July 2013. As at the Latest Practicable Date, all our trade payables as at 31 December 2011 and 2012, and 31 July 2013 were subsequently settled.

Accruals and provisions and deposits received

As at 31 December 2011 and 2012, and 31 July 2013, our accruals and provisions mainly consisted of accrued wages, salaries and bonuses, accrued rental expenses and other payables for purchases of property, plant and equipment, and our deposits received mainly consisted of deposits received for banquets.

The following table sets out the details of the balances of our accruals and provisions and deposits received as at the dates indicated:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Accruals and provisions			
Accrued wages, salaries and bonuses	6,694	7,273	6,863
Accrued rental expenses	12,642	9,501	7,038
Accrued utilities expenses	1,336	1,354	2,155
Other payables for purchases of property, plant and equipment	—	—	10,033
Other accrued expenses	4,789	3,988	4,928
Provision for unutilised annual leave	609	975	1,074
Provision for long service payment	109	271	520
Total accruals and provisions	26,179	23,362	32,611
Less: Non-current portion — accrued rental expenses	(10,009)	(5,974)	(5,778)
Current portion of accruals and provisions	16,170	17,388	26,833
Deposits received			
Deposits received for banquets	21,776	30,371	33,799
Deposits received for wedding related services	627	2,507	1,831
Other deposits received	281	197	55
Total deposits received	22,684	33,075	35,685
Less: Non-current portion — deposits received for banquets	(2,415)	(1,959)	(4,380)
Current portion of deposit received	20,269	31,116	31,305

Our accrued rental expenses amounted to approximately HK$12.6 million, HK$9.5 million and HK$7.0 million as at 31 December 2011 and 2012, and 31 July 2013, respectively. We were generally offered rent-free period for the lease agreements in relation to our restaurant premises and thus the effective rentals for the term of the relevant lease agreements were accounted for in our combined statement of comprehensive income. The accrued rental expenses recognised in our combined balance sheets as at 31 December 2011 and 2012, and 31 July 2013 represented the difference between the accumulative amount of effective rentals recognised and the accumulative amount of actual rentals paid in respect of our existing lease agreements. As at 31 December 2011 and 2012, and 31 July 2013, the aggregate amount of effective rentals recognised exceeded the aggregate amount of actual rentals paid, thus accrued rental expenses were recorded. As at 31 December 2012 and 31 July 2013, the accrued rental expenses decreased by approximately HK$3.1 million and HK$2.5 million as compared with that as at 31 December 2011 and 31 December 2012, respectively, because the difference between the aggregate amount of effective rentals recognised and the aggregate amount of actual rentals paid narrowed as at 31 December 2012 and 31 July 2013, respectively.

As at 31 July 2013, we recorded other payables of approximately HK$10.0 million for our purchases of property, plant and equipment mainly for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant.

Provision for reinstatement costs

Pursuant to the lease agreements in relation to our restaurant premises, we have to restate the premises as to the condition agreed in the respective lease agreements upon expiration of the relevant leases. Accordingly, provision for reinstatement costs is recognised for the present value of costs to be incurred for the reinstatements, and the related reinstatement costs are recognised as our leasehold improvement. As at 31 December 2011 and 2012, and 31 July 2013, our total provision for reinstatement costs amounted to approximately HK$2.4 million, HK$2.5 million and HK$2.9 million, respectively, in which nil, approximately HK$0.6 million and nil was accounted for as the current portion of such provision, respectively. Such provision was determined by our Directors based on their best estimates.

INDEBTEDNESS

Borrowings

As at 31 December 2011 and 2012, and 31 July 2013, our borrowings mainly consisted of bank borrowings and finance lease liabilities.

The following table sets out our borrowings as at the dates indicated:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings			
Due for repayment within one year	2,906	1,278	6,151
Due for repayment after one year which contain a repayment on demand clause	2,281	1,003	7,293
Wholly repayable within five years	5,187	2,281	13,444
Finance lease liabilities (at present value)			
No later than 1 year	66	461	100
Later than 1 year and no later than 5 years	174	1,426	132
	240	1,887	232

As at 31 December 2011 and 2012, and 31 July 2013, our bank borrowings amounted to approximately HK$5.2 million, HK$2.3 million and HK$13.4 million, respectively. The significant increase in bank borrowings as at 31 July 2013 was for satisfying the capital requirement for the opening of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant in April 2013.

Our bank borrowings as at 31 December 2011 and 2012, and 31 July 2013 were secured by guarantees given by Mr. Cheung KK, Mr. Cheung KH and companies controlled by them. In addition, as at 31 July 2013, one of the bank borrowings was secured by certain Group companies and investment properties of related companies. We plan to repay our short-term bank borrowings with cash generated from our operations as and when they fall due.

As at 31 December 2011 and 2012, and 31 July 2013, we had total banking facilities with specific purposes set by the banks mainly for dividend payment, import of goods, letter of guarantee issuance or overdraft of approximately HK$5.6 million, HK$3.0 million and HK$46.0 million, respectively, within which amounts of approximately HK$1.3 million, HK$2.3 million and HK$2.3 million were utilised for letters of guarantee from a bank for rental deposits and utilities deposits, and the remaining banking facilities of approximately HK$4.3 million, HK$0.7 million and HK$43.7 million were not utilised, respectively.

As at 31 December 2011 and 2012, and 31 July 2013, our finance lease liabilities were secured by the equipment, kitchen utensils, motor vehicle or personal guarantees given by Mr. Cheung KH. The personal guarantee given by Mr. Cheung KH in connection with the motor vehicle has been released in July 2013 due to the full settlement of such lease liability.

Our Directors confirm that there was no default in payment of our trade payables and/or bank borrowings, nor did we breach any relevant finance covenants, during the Track Record Period.

As at 31 October 2013, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this prospectus, our Group's total indebtedness amounted to approximately HK$12.1 million, comprised bank borrowings of HK$11.9 million and finance lease liabilities of HK$0.2 million. We had undrawn banking facilities of approximately HK$8.7 million as at 31 October 2013, of which HK$0.7 million will expire in November 2013 and HK$8.0 million will expire in May 2014 and do not contain any restrictive covenants before the Listing.

Our bank borrowings and undrawn banking facilities as at 31 October 2013 were secured by guarantees given by Mr. Cheung KK, Mr. Cheung KH, companies controlled by them, certain Group companies and investment properties of related companies. We have received indication in-principle from banks that upon Listing, such guarantees and securities will be replaced by the corporate guarantee provided by our Company and all our bank borrowings and most of our undrawn banking facilities will be subject to compliance with financial covenants of (i) total assets minus financial liabilities under the banking facilities granted by the relevant bank being at least HK$80 million; (ii) annual sales being at least HK$250 million; and (iii) external gearing not exceeding 0.4 times. Our Directors confirm that save as the aforesaid material covenants, there will be no other material change in the terms of bank borrowings upon release of the guarantees by Mr. Cheung KH, Mr. Cheung KK and companies controlled by them. Our Directors consider that taking into account the net proceeds from the placing of the New Shares, our Group will be able to meet the aforesaid financial covenants upon Listing. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining and/or renewing banking facilities. Based on the business and financial performance of our Group, our Directors are not aware of any circumstances in which our ability to obtain external financing in the future may be affected by the recent global financial market volatility and credit tightening, and we expect our banking facilities to be renewed after Listing.

Our finance lease liabilities as at 31 October 2013 were secured by the equipment, kitchen utensils or personal guarantees given by Mr. Cheung KH. We have received letters from Independent Third Parties indicating in-principle that the personal guarantees given by Mr. Cheung KH in connection with the equipment and kitchen utensils will be released prior to the Listing.

Save for the abovementioned, our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, banking facility or other material contingent liabilities as at 31 October 2013.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 October 2013, being the date for determining our Group's indebtedness.

WORKING CAPITAL

During the Track Record Period, we met our capital requirement principally with cash generated from our operations and bank borrowings. After taking into account the cash flows from the operating activities and the existing financial resources available to our Group as follows:

- the net cash generated from operating activities of approximately HK$9.4 million, HK$43.9 million and HK$11.1 million for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively;
- the cash and cash equivalents on hand of approximately HK$18.2 million, HK$22.7 million and HK$11.8 million as at 31 December 2011 and 2012, and 31 July 2013, respectively, and approximately HK$20.4 million as at 31 October 2013 based on our Group's unaudited management accounts as at 31 October 2013;
- the undrawn banking facilities of approximately HK$8.7 million as at 31 October 2013, being the indebtedness date; and
- the estimated net proceeds of approximately HK$32.1 million to be received by our Group from the placing of the New Shares (assuming a Placing Price of HK$1.10 per Placing Share, being the mid-point of the indicative Placing Price range of HK$1.00 to HK$1.20 per Placing Share),

our Directors are of the opinion, and the Sponsor concurs, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus.

GUARANTEE PROVIDED BY ELITE RAINBOW

On 29 January 2013, Elite Rainbow executed a deed of guarantee of up to unlimited extent to secure general banking facilities utilised by Choi Fook Global Group Limited, a company controlled by Mr. Cheung KH and Mr. Cheung KK. We have received a letter from the bank indicating in-principle that Elite Rainbow will be released from the deed of guarantee upon the Listing.

MAJOR FINANCIAL RATIOS ANALYSIS

The tables below set forth certain major financial ratios of our Group as at the dates indicated:

	As at 31 December		**As at 31 July**
	2011	**2012**	**2013**
Current ratio *(Note 1)*	0.6	1.0	0.8
Gearing ratio *(Note 2)*	81.3%	15.4%	25.4%

	Year ended 31 December		**Seven months ended 31 July**
	2011	**2012**	**2013**
Net profit margin *(Note 3)*	N/A	7.3%	0.5%
Operating margin *(Note 4)*	N/A	9.6%	2.7%
Return on total assets *(Note 5)*	N/A	18.7%	N/A

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Gearing ratio is calculated by dividing the total debts by total equity attributable to owners of our Company and multiplied by 100%. Total debts is defined to include all borrowings and payables incurred not in the ordinary course of business.

(3) Net profit margin is calculated by dividing the net profit attributable to owners of our Company by revenue for each period and multiplied by 100%. For the year ended 31 December 2011, we recorded net loss.

(4) Operating margin is calculated by dividing the operating profit by revenue for each period and multiplied by 100%. For the year ended 31 December 2011, we recorded operating loss.

(5) Return on assets equals to net profit attributable to owners of our Company for each period divided by the total assets and multiplied by 100%. For the year ended 31 December 2011, we recorded net loss.

Current ratio

Our current ratio increased from approximately 0.6 as at 31 December 2011 to approximately 1.0 as at 31 December 2012. Such increase was mainly due to the increases in the revenue generated from our restaurant operations for the year ended 31 December 2012 and thus our cash and cash equivalents and increase in amount due from directors partially offset by the deposits received from customers as at 31 December 2012. Our current ratio decreased from approximately 1.0 as at 31 December 2012 to approximately 0.8 as at 31 July 2013. Such decrease was mainly due to the increase in bank borrowings as at 31 July 2013.

Gearing ratio

Our gearing ratio decreased from approximately 81.3% as at 31 December 2011 to approximately 15.4% as at 31 December 2012. Such decrease was mainly attributable to the repayments to our Directors of approximately HK$4.9 million and repayments of borrowings of approximately HK$2.9 million during the year ended 31 December 2012 and the increase in total equity attributable to owners of our Company as at 31 December 2012. Our gearing ratio increased from approximately 15.4% as at 31 December 2012 to approximately 25.4% as at 31 July 2013. Such increase was mainly attributable the increase in bank borrowings of approximately HK$11.2 million as at 31 July 2013.

Net profit margin

We turned around to record a net profit for the year ended 31 December 2012 from the net loss for the year ended 31 December 2011. For the year ended 31 December 2012, our net profit margin amounted to approximately 7.3%. Our net profit margin decreased from approximately 7.3% for the year ended 31 December 2012 to approximately 0.5% for the seven months ended 31 July 2013, which was mainly attributable to the non-recurrent professional fee in respect of the Listing of approximately HK$5.7 million for the seven months ended 31 July 2013.

Return on total assets

We turned around to record a net profit for the year ended 31 December 2012 from the net loss for the year ended 31 December 2011. For the year ended 31 December 2012, our return on total assets amounted to approximately 18.7%.

SENSITIVITY ANALYSIS

The following is a sensitivity analysis of the impacts of hypothetical fluctuations in the major operating costs of our operation of restaurants, including cost of materials consumed, employee benefits expense and operating lease payments, on our Group's profit or loss before income tax and profit or loss for the year during the Track Record Period. The sensitivity analysis is performed with reference to the historical changes in assumptions regarding cost of materials consumed, employee benefits expense, operating lease payments and average spending per customer with all other assumptions held constant.

		Year ended 31 December				Seven months ended 31 July	
		2011		2012		2013	
	Increase/ (decrease) in percentage	(Decrease)/ increase in net profit/loss before income tax	(Decrease)/ increase in profit/loss for the year	(Decrease)/ increase in net profit/loss before income tax	(Decrease)/ increase in profit/loss for the year	(Decrease)/ increase in net profit/loss before income tax	(Decrease)/ increase in profit/loss for the period
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost of materials consumed	12%	(9,174)	(7,660)	(9,182)	(7,667)	(5,512)	(4,603)
	(12)%	9,174	7,660	9,182	7,667	5,512	4,603
Employee benefits expense	10%	(7,111)	(5,938)	(7,443)	(6,215)	(4,690)	(3,916)
	(10)%	7,111	5,938	7,443	6,215	4,690	3,916
Operating lease payments	30%	(11,201)	(9,353)	(11,415)	(9,532)	(7,426)	(6,201)
	(30)%	11,201	9,353	11,415	9,532	7,426	6,201
Average spending per customer	5.0%	12,774	10,666	14,869	12,416	9,098	7,597
	(5.0)%	(12,774)	(10,666)	(14,869)	(12,416)	(9,098)	(7,597)

Cost of materials consumed

The cost of materials consumed mainly consisted of food ingredients consumed for our operation of restaurants. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, cost of materials consumed amounted to approximately HK$76.5 million, HK$76.5 million and HK$45.9 million, respectively, representing approximately 29.5%, 25.2% and 24.3% of our Group's total revenue for the corresponding periods.

Our business is highly dependent on a sufficient supply of food ingredients that meet our quality requirements and our financial performance is sensitive to price fluctuation of food ingredients. Our Directors are of the view that the prices of the food ingredients we obtained during the Track Record Period were generally consistent with market prices, and we expect prices of our food ingredients will continue to follow market prices under normal operating and marketing conditions when we set prices. We recorded a net loss for the year ended 31 December 2011 which was mainly attributable to unanticipated high food costs in the year. 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, and we could not increase the prices even though the payments were received by us in 2011.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of materials consumed only on our Group's profit before income tax and profit for the year during the Track Record Period. For the year ended 31 December 2012 and the seven months ended 31 July 2013, there was a weighted average purchase price drop of approximately 5.1% and 12.4%, respectively, for our major types of fresh seafood, fresh vegetables and fruits, fresh meat, high value dried food, low value dried food and frozen food as compared with those average purchase prices for the year ended 31 December 2011 and the seven months ended 31 July 2012, respectively. Therefore, in the above sensitivity analysis, a change of 12% in our cost of materials consumed is adopted for each of the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively.

Employee benefits expense

Our Group's operations are highly service-oriented, and therefore our financial performance, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified and experienced staff. To sustain the growth of our business, we are required to increase work force of skilled personnel. In addition, competition for qualified personnel could also require us to pay higher wages which could result in higher employee benefits expense. For the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, our employee benefits expense amounted to approximately HK$71.1 million, HK$74.4 million and HK$46.9 million, respectively, representing approximately 27.4%, 24.5% and 24.8% of our total revenue for the corresponding periods.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in employee benefits expense only on our Group's profit before income tax and profit for the year during the Track Record Period. For the year ended 31 December 2012, our employee benefits expense increased by approximately 4.7% as compared with that for the year ended 31 December 2011. For the seven months ended 31 July 2013, our employee benefits expense increased by approximately 10.1% as compared with that for the seven months ended 31 July 2012. Therefore, in the above sensitivity analysis, a change of 10% in our employee benefits expense is adopted for each of the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively.

Operating lease payments

As at the Latest Practicable Date, our Group had ten property leases for our use as restaurant premises, office premises, wedding attire shop and wedding photography studio. Our leases generally have a term of three years with options to renew for a further term of one to six years. Of all our current restaurant leases as at the Latest Practicable Date, one will expire in 2014 (the renewed lease agreement of which was entered into in July 2013), three will expire in 2015, two will expire in 2016 and one will expire in 2019. The current leases of our shop outlets for Wedding Services will expire in 2014. Our Group's operating lease payments were approximately HK$37.3 million, HK$38.0 million and HK$24.8 million for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively, representing approximately 14.4%, 12.5% and 13.1% of our Group's total revenue for the corresponding periods.

In view of the prevailing rental trends of retail premises in Hong Kong, our Group may not be able to renew the existing lease arrangements on terms and conditions that are commercially acceptable to us or we may have to renew such leases on a more expensive basis, thus increasing the costs of operation of our Group. The continuous expansion of our restaurant network will also increase our rental costs in the future.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in operating lease payments only on our Group's profit before income tax and profit for the year during the Track Record Period. Renewed lease agreements in respect of the premises of our restaurants located in Causeway Bay, Mong Kok, Kwun Tong and Tsim Sha Tsui became effective in June 2011, March 2012, November 2012 and January 2013, respectively, the monthly fixed rentals of which have increased by approximately 20%, 20%, 25% and 20.3%, respectively. The lease agreement in respect of the premise of our restaurant located in Causeway Bay was further renewed and became effective in June 2013, the monthly fixed rental of which has further increased by approximately 30.1%. Therefore, in the above sensitivity analysis, a change of 30% in our operating lease payments is adopted for each of the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively.

Average spending per customer

Changes in customer spending pattern and hence fluctuations in the average spending per customer will affect the revenue generated from our restaurant operation. The average spending per dining customer of our restaurants for the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 were approximately HK$72, HK$75 and HK$76, respectively. The average spending per wedding banquet customer of our restaurants for the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 were approximately HK$495, HK$507 and HK$522, respectively.

The above sensitivity analysis illustrates the impact of hypothetical fluctuations in the average spending per customer only on our Group's profit before income tax and profit for the year during the Track Record Period. For the year ended 31 December 2012, the average spending per dining customer and wedding banquet customer of our restaurants increased by approximately 4.2% and 2.4%, respectively, as compared with those for the year ended 31 December 2011. For the seven months ended 31 July 2013, the average spending per wedding banquet customer of our restaurants increased by approximately 5.2% while the average spending per dining customer remained the same as compared with those for the seven months ended 31 July 2012. Therefore, in the above sensitivity analysis, a change of 5.0% in the average spending per dining customer and wedding banquet customer is adopted for each of the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2013, respectively.

OPERATING LEASE COMMITMENTS

Our contractual commitments are primarily related to the leases in respect of our restaurant premises and equipment under non-cancellable operating lease agreements. The terms of the lease agreements range between two and eight years, and majority of the lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlords.

The following table sets out our future aggregate minimum lease payments under non-cancellable operating leases in respect of our restaurant premises and equipment:

	As at 31 December		As at 31 July
	2011	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	25,639	40,743	47,393
Later than 1 year and no later than 5 years	9,055	43,976	114,119
Later than 5 years	—	—	27,345
	34,694	84,719	188,857

Our operating lease commitments increased to approximately HK$84.7 million as at 31 December 2012 from approximately HK$34.7 million as at 31 December 2011, representing an increase of approximately 144.1%. Such increase was mainly because new lease agreements in respect of the premises of our restaurants located in Mong Kok and Kwun Tong were entered into in February 2012 and September 2012, respectively, and monthly fixed rentals of which increased by approximately 20% and 25%, respectively, as compared with their respective expired lease agreements. Besides, a new lease agreement in respect of the premises of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant, which were launched in April 2013, was entered into in May 2012.

Our operating lease commitments increased to approximately HK$188.9 million as at 31 July 2013 from approximately HK$84.7 million as at 31 December 2012, representing an increase of approximately 123.0%. Such increase was mainly because new lease agreements in respect of the premises of our restaurants located in North Point, Causeway Bay and Mong Kok were entered into in May, June and July 2013, respectively, monthly fixed rentals of which have increased by approximately 33.3% (for the period up to October 2016), 30.1% and 41.1% (for the period up to February 2017), respectively, as compared with their respective expired/expiring lease agreements.

Our lease for the premises in which U Banquet (Causeway Bay) is located is guaranteed by Kind Rainbow Creation Limited, a company controlled by Mr. Cheung KH and Mr. Cheung KK. We have received a letter from the landlord indicating in-principle that the guarantee given by Kind Rainbow Creation Limited will be released and replaced by a corporate guarantee to be given by our Company upon Listing.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these transactions were conducted on normal commercial terms.

For analysis of related party transactions, please refer to "Continuing Connected Transactions" and the Accountant's Report.

OFF BALANCE SHEET TRANSACTIONS

We have not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

PROPERTY INTERESTS

We leased properties for our use as restaurant premises, office premises, wedding attire shop and wedding photography studio as at the Latest Practicable Date, the details of which are set out in "Business — Property".

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 20 June 2013. As at 31 July 2013, our Company had no reserve available for distribution to the Shareholders.

DIVIDEND AND DIVIDEND POLICY

On 23 September 2013, Choi Fook Holdings, which had sufficient reserve available for distribution, declared an interim dividend for the year ending 31 December 2013 in the sum of approximately HK$19.4 million to its then shareholders, which was settled on 24 September 2013 by way of offsetting its then outstanding amounts due from our Directors of HK$18 million, and with the remaining balance of approximately HK$1.4 million being settled by cash. On 31 October 2013, Choi Fook Holdings, which had sufficient reserve available for distribution, declared a special dividend in the sum of approximately HK$18.3 million to its then shareholders, which was settled on even date by way of offsetting its then outstanding amounts due from our Directors of HK$17 million, and with the remaining balance of approximately HK$1.3 million being settled by cash.

Great Business, which had sufficient reserve available for distribution, declared an interim dividend for the year ending 31 December 2013 in the sum of HK$140,000 to its then shareholders on 31 October 2013, which was settled on even date fully by way of offsetting its then outstanding amounts due from our Directors.

Smart Award, which had sufficient reserve available for distribution, declared an interim dividend for the year ending 31 December 2013 in the sum of approximately HK$4.2 million to its then shareholders on 31 October 2013, which was settled on 19 November 2013 by way of offsetting its then outstanding amounts due from our Directors of approximately HK$1.1 million and a non-controlling shareholder of approximately HK$1.4 million, and with the remaining balance of approximately HK$1.7 million being settled by cash.

General Corporation, which had sufficient reserve available for distribution, declared an interim dividend for the year ending 31 December 2013 in the sum of approximately HK$2.0 million to its then shareholders on 31 October 2013, which was paid on 19 November 2013 in cash.

The declaration and payment of these dividends complied fully with the articles of association of and relevant laws applicable to Choi Fook Holdings, Great Business, Smart Award and General Corporation. The Shareholders who invest in our Shares upon or after the Listing will not be entitled to the aforesaid dividends.

Save for the above, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders during the Track Record Period and up to the Latest Practicable Date.

After completion of the Placing, our Shareholders will be entitled to receive dividends only when declared by our Directors. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing on the net tangible assets of our Group attributable to the equity holders of our Company as of 31 July 2013 as if the Placing had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group had the Placing been completed as at 31 July 2013 or at any future dates following the Placing. It is prepared based on the combined net assets of our Group as at 31 July 2013 as set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the equity holders of our Company as at 31 July 2013 *(Note 1)* *HK$'000*	Estimated net proceeds from the placing of New Shares *(Note 2)* *HK$'000*	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company *HK$'000*	Unaudited pro forma adjusted net tangible assets per Share *(Note 3)* *HK$*
Based on the Placing Price of HK$1.00 per Share	40,154	33,028	73,182	0.18
Based on the Placing Price of HK$1.20 per Share	40,154	42,628	82,782	0.21

Notes:

(1) The audited combined net tangible assets attributable to the equity holders of our Company as at 31 July 2013 is extracted from the Accountant's Report, which is based on the audited combined net assets of our Group attributable to the equity holders of our Company as at 31 July 2013 of HK$58,730,000 with an adjustment for the intangible assets as at 31 July 2013 of HK$18,576,000.

(2) The estimated net proceeds from the placing of New Shares are based on the indicative Placing Price of HK$1.0 per Share and HK$1.2 per Share, being the low-end and high-end of the Placing Price range, respectively, after deduction of the underwriting fees and other related expenses payable by our Company (excluding approximately HK$5,726,000 Listing expenses which have been incurred as at 31 July 2013).

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue have been completed on 31 July 2013 but takes no account of any Share which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate nor any Share which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme.

(4) The unaudited pro forma net adjusted tangible assets of our Group does not take into account the dividend of approximately HK$44.0 million declared by our Group in September and October 2013, respectively. The unaudited pro forma net tangible assets per Share would have been HK$0.07 and HK$0.10 per Share based on the Placing Price of HK$1.00 and HK$1.20, respectively, after taking into account the declaration of dividend in the sum of approximately HK$44.0 million.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2013.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT FINANCIAL RISKS

Foreign exchange risk

Most of our income and expenditures are denominated in Hong Kong dollars and hence, we do not have any material foreign exchange exposure. We have not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the Track Record Period. As at 31 December 2011 and 2012 and July 2013, we did not have any outstanding hedging instruments.

Cash flow and fair value interest rate risk

Our interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The bank deposits generate interest at the prevailing market interest rates.

As at 31 December 2011, if interest rates had been 50 basis points higher/lower with all other variables held constant, our Group's loss for the year and total deficit would have increased/decreased by approximately HK$17,000, mainly as a result of higher/lower interest income and expense on floating rate bank deposits and borrowings.

As at 31 December 2012, if interest rates had been 50 basis points higher/lower with all other variables held constant, our Group's profit for the year and total equity would have decreased/increased by approximately HK$4,000, mainly as a result of higher/lower interest income and expense on floating rate bank deposits and borrowings.

As at 31 July 2013, if interest rates had been 50 basis points higher/lower with all other variables held constant, our Group's profit for the period and total equity would have decreased/increased by approximately HK$55,000, mainly as a result of higher/lower interest income and expense on floating rate bank deposits and borrowings.

Credit risk

Our Group's credit risk is primarily attributable to bank deposits, deposits, trade receivables, amounts due from related companies, our Directors and a non-controlling shareholder. Management of our Group has policies in place and exposures to these credit risks are monitored on an ongoing basis.

To mitigate the risk arising from banks, our Group places the deposits to certain reputable banks with a minimum rating of "investment grade" ranked by an independent party.

Majority of our Group's revenue is on cash basis, therefore there is no significant concentration of credit risk.

Amounts due from related companies and our Directors are continuously monitored by assessing the credit quality of the respective counterparties, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2011 and 2012, and 31 July 2013, no impairment is considered necessary for the amounts due from related companies, our Directors and a non-controlling shareholder.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets.

Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements and our compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet the liquidity requirements in the short and longer term. Management of our Group believes there is no significant liquidity risk as our Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund our operations and debt servicing requirements and to satisfy our future working capital and other financing requirements from our operation cash flows and available bank financing.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

MATERIAL ADVERSE CHANGE

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

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