



U BANQUET GROUP HOLDING LIMITED

譽宴集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8107

LISTING BY WAY OF PLACING

Sponsor



Joint Lead Managers



Joint Bookrunners



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



U BANQUET GROUP HOLDING LIMITED

譽宴集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 100,000,000 Shares comprising 50,000,000 New Shares and 50,000,000 Sale Shares
Placing Price : Not more than HK\$1.20 per Placing Share and expected to be not less than HK\$1.00 per Placing Share (payable in full on application in Hong Kong dollars and subject to refund), plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal Value : HK\$0.01 per Share
Stock Code : 8107

Sponsor



Joint Lead Managers



Joint Bookrunners



Co-Managers

Astrum Capital Management Limited

Convoy Investment Services Limited

Great Roc Capital Securities Limited

RHB OSK Securities Hong Kong Limited

Goldin Equities Limited

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

A copy of this prospectus, having attached thereto the documents specified in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Placing Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) on the Price Determination Date, which is expected to be on or around Wednesday, 4 December 2013 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of U Banquet (Cheung's)) may agree. The Placing Price will not be more than HK\$1.20 per Placing Share and is currently expected to be not less than HK\$1.00 per Placing Share. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Placing Shares being offered under the Placing and/or the estimated Placing Price range below that stated in this prospectus at any time on or prior to the Price Determination Date. In the case of such reduction, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com. Details of the arrangement will then be announced by us as soon as practicable.

Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Prospective investors of the Placing Shares should note that the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their/its absolute discretion, upon giving notice in writing to our Company (for itself and on behalf of U Banquet (Cheung's)), terminate the Underwriting Agreement with immediate effect if any of the events set out in "Underwriting — Underwriting arrangements, commissions and expenses — Grounds for termination" occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

28 November 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE⁽¹⁾

(Note 1)
2013

Expected Price Determination Date (Note 2)	Wednesday, 4 December
Announcement of the Placing Price and the levels of indication of interest in the Placing to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com (Note 3) on or before	Monday, 9 December
Allotment of Placing Shares to placees on or before	Monday, 9 December
Deposit of Share certificates into CCASS on or before (Note 4)	Monday, 9 December
Dealings in the Shares on GEM to commence	at 9:00 a.m. on Tuesday, 10 December

Notes:

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in “Structure and Conditions of the Placing”. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com.
2. The Price Determination Date, being the date on which the Placing Price is to be determined, is expected to be on or around Wednesday, 4 December 2013 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of U Banquet (Cheung’s)) may agree. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung’s)) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse.
3. None of the websites or any information contained therein form part of this prospectus.
4. The share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or before Monday, 9 December 2013 for credit to the respective CCASS Participants’ or the CCASS Investor Participants’ stock accounts designated by the Underwriters, the placees or their agents (as the case may be). Our Company will not issue any temporary documents of title.

Share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms prior to 8:00 a.m. on the Listing Date.

For details of the structure of the Placing, including the conditions thereto, please refer to “Structure and Conditions of the Placing”.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, U Banquet (Cheung's), the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, U Banquet (Cheung's), the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Placing.

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SUMMARY

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

OVERVIEW

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

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

OUR BUSINESS

Our business can be classified into two major categories.

Restaurant operations

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

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

SUMMARY

Wedding Services

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

Raw materials and suppliers

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

Restaurant expansion strategy

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

MARKET POSITION AND COMPETITIVE LANDSCAPE

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

COMPETITIVE STRENGTHS

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

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

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

Highlight of combined statements of comprehensive income

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

Highlight of combined balance sheets

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

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

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

SUMMARY

REVENUE AND OPERATING MARGIN BY BUSINESS CATEGORY

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

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

Notes:

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

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

SUMMARY

KEY OPERATIONAL DATA OF OUR RESTAURANTS

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

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

Notes:

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

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

KEY FINANCIAL RATIOS

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

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

SUMMARY

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

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

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

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

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

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

SUMMARY

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

MATERIAL ADVERSE CHANGE

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

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

FUTURE PLANS AND USE OF PROCEEDS

Future plans

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

SUMMARY

Use of proceeds

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

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

SHAREHOLDER INFORMATION

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

THE PLACING

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

SUMMARY

STATISTICS OF THE PLACING

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

Notes:

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

RISK FACTORS — HIGHLIGHTS

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

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

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

DIVIDEND

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

SUMMARY

HISTORICAL NON-COMPLIANCE INCIDENTS

Non-compliance relating to our Group's operation

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

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

Non-compliance relating to the Companies Ordinance

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

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

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

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

SUMMARY

LEGAL PROCEEDING

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

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Accountant’s Report”	the accountant’s report on our Company set out in Appendix I to this prospectus
“ARSO”	the Amusement Rides (Safety) Ordinance (Chapter 449 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“AR(S)(O&M)R”	the Amusement Rides (Safety) (Operation and Maintenance) Regulation (Chapter 449B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 19 November 2013 and effective from the Listing Date, as amended from time to time, a summary of the current version of which is set out in Appendix III to this prospectus
“Asset Transfer Agreement”	the transfer agreement dated 16 October 2013 entered into between Billion Treasure as transferor and U Weddings Studio Ltd as transferee in relation to the transfer of, among other things, all rights, assets and contracts in connection with Billion Treasure’s provision of wedding services under the trade name of “ <i>U Weddings</i> ” from Billion Treasure to U Weddings Studio Ltd
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Billion Treasure”	Billion Treasure Property Development Limited (億采物業發展有限公司) (formerly Billion Treasure Development Limited (億采發展有限公司)), a company incorporated in Hong Kong with limited liability on 24 October 2007, and is owned as to approximately 53.1% by Mr. Cheung KH and approximately 46.9% by Mr. Cheung KK
“Board”	the board of Directors
“Buildings Department”	the Buildings Department of the Government
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business to public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of 348,925,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as set out in “Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 19 November 2013” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCTV”	closed circuit television
“Chinese wedding banquet specialist”	when used in the context of a restaurant, a Chinese wedding banquet specialist is an operator of Chinese restaurants designed and decorated particularly for wedding occasions, and such operator usually has experiences with traditional Chinese restaurants where normal Chinese dining services, instead of banquet services, are served, according to the Euromonitor Report
“ <i>Choi Fook Club</i> (彩福會)”	<i>Choi Fook Club</i> (彩福會), the trade name under which <i>Choi Fook Club</i> (Wan Chai) was operated
“ <i>Choi Fook Club</i> (Wan Chai)”	a club under “ <i>Choi Fook Club</i> (彩福會)” which was situated at 4/F, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong, the operation of which was carried out by Smiling Profit. It was closed in April 2013
“ <i>Choi Fook Group</i> ”	<i>Choi Fook Group Company Limited</i> (彩福集團有限公司) (formerly known as <i>Choi Fook Catering (Group) Company Limited</i> (彩福飲食(集團)有限公司), a company incorporated in Hong Kong with limited liability on 25 October 2004, which is owned as to 25% by Mr. Cheung KH, 25% by Mr. Cheung KK and an aggregate of 50% by the Ex-Partners. <i>Choi Fook Group</i> is not part of our Group
“ <i>Choi Fook Holdings</i> ”	<i>Choi Fook Holdings Limited</i> (彩福控股有限公司), a company incorporated in Hong Kong with limited liability on 25 June 2009, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Choi Fook Royal Banquet”	Choi Fook Royal Banquet Limited (彩福皇宴有限公司), a company incorporated in Hong Kong with limited liability on 6 July 2009, and an indirect wholly-owned subsidiary of our Company
“Choi Fook Seafood”	Choi Fook Seafood Restaurant Limited (彩福海鮮酒家有限公司), a company incorporated in Hong Kong with limited liability on 9 January 2002, and an indirect wholly-owned subsidiary of our Company
“Choi Fook Trademarks”	the trademarks “ <i>Choi Fook Royal Banquet</i> (彩福皇宴)”, “ <i>Choi Fook Choi Fook Seafood Restaurant</i> (彩福彩福海鮮酒家)” and “ <i>Choi Fook Group</i> (彩福集團)”, which are registered under Choi Fook Group
“Cleaning and Sanitary Materials Supply Agreement”	the product supply agreement dated 30 October 2013 entered into between Choi Fook Holdings and Tai Cheong Hong in respect of the supply of cleaning and sanitary materials
“Commissioner for Labour”	the Commissioner for Labour holding office under the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	U Banquet Group Holding Limited (譽宴集團控股有限公司), a company incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability
“Company’s Legal Advisers”	TC & Co., legal advisers to our Company as to Hong Kong law
“Confirmatory Deed”	the confirmatory deed dated 11 August 2013 entered into between Choi Fook Holdings and the Minority Shareholder
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	the transactions stipulated and specified in Rule 20.13 the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, refers to Mr. Cheung KH, Mr. Cheung KK and U Banquet (Cheung’s)
“CPI”	consumer price index, which measures the change over time in the price levels of consumer commodities and services that are usually purchased by households

DEFINITIONS

“Credit Bonus”	Credit Bonus Limited (資麗有限公司), a company incorporated in Hong Kong with limited liability on 1 November 2012, and an indirect wholly-owned subsidiary of our Company
“C(SOP)O”	the Clubs (Safety of Premises) Ordinance (Chapter 376 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“DCO”	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“DCR”	the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 25 November 2013 executed by the Controlling Shareholders in favour of our Company, particulars of which are set out in “Statutory and General Information — E. Other information — 14. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 19 November 2013 executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries)
“DEMS”	the Director of Electrical and Mechanical Services
“DEP”	the Director of Environmental Protection
“Department of Health”	Department of Health of the Government
“DFEH”	the Director of Food and Environmental Hygiene
“Director(s)”	the director(s) of our Company
“EatSmart Restaurant (有「營」食肆)”	an accreditation status granted by the Department of Health to restaurants that are committed to providing dishes in accordance with the nutrition benchmarks set by the Department of Health, such as dishes that have only vegetables and fruit as ingredients or where portions of vegetables and fruit are more than twice that of meat and dishes that use less fat or oil, salt and sugar in cooking or preparation
“Elite Rainbow”	Elite Rainbow Corporation Limited (韻彩有限公司), a company incorporated in Hong Kong with limited liability on 27 March 2009, and an indirect wholly-owned subsidiary of our Company
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“EMSD”	the Electrical and Mechanical Services Department of the Government
“EPD”	the Environmental Protection Department of the Government
“ERO”	the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“ERP”	enterprise resource planning
“ESDlife”	an online platform at www.esdlife.com which provides lifestyle information and public and commercial services online
“Euromonitor International”	Euromonitor International Limited, an independent research and analysis services provider from which we have commissioned the Euromonitor Report
“Euromonitor Report”	a report entitled “ <i>Chinese Full-service Restaurants and Wedding Banquets in Hong Kong</i> ” commissioned by us and issued by Euromonitor International on 28 November 2013
“Ex-Partners”	parties to the Settlement Agreement (excluding Mr. Cheung KH and Mr. Cheung KK)
“FBR”	the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“FEHD”	the Food and Environmental Hygiene Department of the Government
“Fire Services Department”	the Hong Kong Fire Services Department of the Government
“FIU(LALG)R”	the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“FS(FHA)R”	the Fire Services (Fire Hazard Abatement) Regulation (Chapter 95F of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“full-service restaurant(s)”	all sit-down establishments where the focus is on food rather than on drink and are characterised by table service and a relatively higher quality of food offering relative to quick-service units, which also include à la carte, all-you-can-eat and sit-down buffets within full-service restaurants
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market operated by the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“General Corporation”	General Corporation Limited (浩凌有限公司), a company incorporated in Hong Kong with limited liability on 16 August 2012, and is owned as to 50.005% by Modern Management and 49.995% by Mr. Yip. It is an indirect non-wholly-owned subsidiary of our Company
“Good Fortress”	Good Fortress Inc Limited (灃勝有限公司), a company incorporated in Hong Kong with limited liability on 11 December 2012, and an indirect wholly-owned subsidiary of our Company
“Government”	the government of Hong Kong
“Great Business”	Great Business (China & HK) Trading Limited (宏業(中港)貿易有限公司), a company incorporated in Hong Kong with limited liability on 17 April 2012, and an indirect wholly-owned subsidiary of our Company
“gross floor area”	in the context of this prospectus, the gross floor area as shown in the general restaurant licence of the relevant restaurant
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries, or where the context so requires in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries or the business which have since been acquired or carried on by them for the time being
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKQAA”	Hong Kong Quality Assurance Agency
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hot Pot Cuisine (涮得棧)”	Hot Pot Cuisine (涮得棧), the trade name under which Hot Pot Cuisine Restaurant is operated
“Hot Pot Cuisine Restaurant”	a restaurant under “Hot Pot Cuisine (涮得棧)” which is situated at 2nd Ground Floor, Tropicana Gardens, No.110 Lung Cheung Road, Kowloon, Hong Kong, the operation of which is carried out by Choi Fook Royal Banquet. It was launched in April 2013

DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are not connected (within the meaning of the GEM Listing Rules) with any Director, chief executive or substantial shareholder of our Company or any of our subsidiaries and/or their respective associates
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“ISO”	a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“Joint Bookrunners”	SBI E2-Capital Financial Services Limited and Brilliant Norton Securities Company Limited, being the joint bookrunners of the Placing
“Joint Lead Managers”	Quam Securities Company Limited, Brilliant Norton Securities Company Limited and SBI E2-Capital Financial Services Limited, being the joint lead managers of the Placing
“Ka Ho Educational Paper”	Ka Ho Educational Paper Company Limited (嘉豪文教紙業有限公司), a company incorporated in Hong Kong with limited liability on 26 September 2001 and is owned as to 50% by Mr. Lam Tsz Fung and 50% by Ms. Lam Hoi Yee, Candice, the brother-in-law and sister-in-law of Mr. Cheung KH
“Latest Practicable Date”	20 November 2013, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus prior to its publication
“Lease Agreement”	the lease agreement dated 1 July 2013 entered into between Choi Fook Holdings and Billion Treasure in respect of the lease of the Leased Property
“Leased Property”	a non-residential property located at Unit E2 on the 28th Floor of Block 1 and Unit F on the 28th Floor of Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date, expected to be Tuesday, 10 December 2013, on which dealings in our Shares first commence on GEM
“Listing Division”	the listing division of the Stock Exchange
“LLB”	the Liquor Licensing Board of Hong Kong
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM and which, for the avoidance of doubt, excludes GEM

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 19 November 2013 and effective from the Listing Date, as amended from time to time
“Million Talent”	Million Talent Investment Limited (百駿投資有限公司), a company incorporated in Hong Kong with limited liability on 4 November 2006, and an indirect wholly-owned subsidiary of our Company
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Minority Shareholder”	Century Great Investments Limited, a company incorporated in the BVI with limited liability on 15 November 2012 and is wholly-owned by Mr. Law
“Modern Management”	Modern Management (Restaurant) Limited (現代管理(飲食)有限公司), a company incorporated in Hong Kong with limited liability on 26 April 2013, and an indirect wholly-owned subsidiary of our Company
“Mr. Cheung KH”	Mr. Cheung Ka Ho (張家豪) (alias Cheung Tze Ho (張梓豪)), an executive Director and one of our Controlling Shareholders
“Mr. Cheung KK”	Mr. Cheung Ka Kei (張家驥), an executive Director and one of our Controlling Shareholders
“Mr. Law”	Mr. Law Sai Hung (羅世鴻), the shareholder holding the entire interest in the Minority Shareholder. For details of Mr. Law and his relationship with our Company, see “History, Reorganisation and Corporate Structure — Minority Shareholder”
“Mr. Yip”	Mr. Yip Wang Kwong (葉宏光), a shareholder holding 49.995% interests in each of Smart Award and General Corporation. For details of Mr. Yip and his relationship with our Company, see “Business — Raw materials and procurement — Procurement”
“New Shares”	the 50,000,000 new Shares to be offered for subscription pursuant to the Placing
“PHMSO”	the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company and U Banquet (Cheung’s) for cash at the Placing Price, as further described in “Structure and Conditions of the Placing”

DEFINITIONS

“Placing Price”	the final price per Placing Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$1.20 per Placing Share and is expected to be not less than HK\$1.00 per Placing Share, such price to be fixed on the Price Determination Date
“Placing Shares”	the 50,000,000 New Shares being offered for subscription and the 50,000,000 Sale Shares offered for purchase under the Placing
“PRC” or “China”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Price Determination Agreement”	the agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung’s)) on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date, expected to be on or before Wednesday, 4 December 2013 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of U Banquet (Cheung’s)) may agree, on which the Placing Price will be fixed for the purposes of the Placing
“Quam Capital” or “Sponsor”	Quam Capital Limited, a corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sponsor of the Listing
“Quam Securities”	Quam Securities Company Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and a fellow subsidiary of the Sponsor
“Reorganisation”	the corporate reorganisation of our Group effected in preparation for the Listing as described in “History, Reorganisation and Corporate Structure” and Appendix IV to this prospectus
“Sale Shares”	the 50,000,000 existing Shares to be offered for purchase by U Banquet (Cheung’s) pursuant to the Placing
“Settlement Agreement”	the settlement agreement dated 17 June 2009 entered into among Mr. Cheung KK, Mr. Cheung KH and the Ex-Partners relating to settlement of the disputes between Mr. Cheung KK and Mr. Cheung KH of one part and the Ex-Partners of the other part arising from their co-operation in the operation of certain Chinese restaurants in Hong Kong

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, the principal terms of which are summarised in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Smart Award”	Smart Award Limited (豐美有限公司), a company incorporated in Hong Kong with limited liability on 23 April 2012, and is owned as to 50.005% by Modern Management and 49.995% by Mr. Yip. It is an indirect non-wholly-owned subsidiary of our Company
“Smiling Profit”	Smiling Profit Limited (慶彩有限公司), a company incorporated in Hong Kong with limited liability on 11 December 2009, and an indirect wholly-owned subsidiary of our Company
“Stationery Supply Agreement”	the product supply agreement dated 30 October 2013 entered into between Choi Fook Holdings and Ka Ho Educational Paper in respect of the supply of stationery
“Step Up”	Step Up Corporation Limited (進展有限公司), a company incorporated in Hong Kong with limited liability on 2 December 2005, and an indirect wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Tai Cheong Hong”	Tai Cheong Hong (大昌行), a sole proprietorship set up in Hong Kong and run by Mr. Cheung KK
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two years ended 31 December 2012 and the seven months ended 31 July 2013

DEFINITIONS

“ <i>U Banquet</i> (譽宴)”	U Banquet (譽宴), the trade name under which U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Banquet (Tsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Causeway Bay), U Banquet (Wan Chai), U Banquet (Wong Tai Sin) and U Banquet (North Point) are operated
“U Banquet (Causeway Bay)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at 5th Floor and 5th Mezzanine Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong, the operation of which is carried out by Vast Rainbow
“U Banquet (Cheung’s)”	U Banquet (Cheung’s) Holdings Company Limited, a company incorporated with limited liability in the BVI on 18 March 2013, and is owned as to 58.5% by Mr. Cheung KH and 41.5% by Mr. Cheung KK, a Controlling Shareholder and the vendor of the Sale Shares
“U Banquet (HK)”	U Banquet Group Limited (譽宴集團有限公司), a company incorporated in Hong Kong with limited liability on 18 June 2010, an indirect wholly-owned subsidiary of our Company
“U Banquet (Kwun Tong)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at 2nd Floor, Crocodile Center, No.79 Hoi Yuen Road, Kowloon, Hong Kong, the operation of which is carried out by Elite Rainbow
“U Banquet (Mong Kok) (1)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at Shop No.402 on 4th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong, the operation of which is carried out by Step Up
“U Banquet (Mong Kok) (2)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at Shop No.602 on 6th Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong, the operation of which is carried out by Step Up
“U Banquet (North Point)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at 1st Floor of King’s Towers, No.480 King’s Road and 15-23A Tsat Tsz Mui Road, Hong Kong, the operation of which is carried out by Choi Fook Seafood
“U Banquet (Tsim Sha Tsui)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at 2nd and 3rd Floor, Chuang’s London Plaza, No. 219 Nathan Road, Kowloon, Hong Kong, the operation of which is carried out by Million Talent
“U Banquet (Wan Chai)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which was situated at 3rd Floor, Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong, the operation of which was carried out by Smiling Profit. It was closed in April 2013

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“U Banquet (Wong Tai Sin)”	a restaurant under “ <i>U Banquet</i> (譽宴)” which is situated at 2nd Ground Floor, Tropicana Gardens, No.110 Lung Cheung Road, Kowloon, Hong Kong, the operation of which is carried out by Choi Fook Royal Banquet. It was launched in April 2013
“ <i>U Weddings</i> ”	U Weddings, the trade name under which U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) are operated
“U Weddings Studio Ltd”	U Weddings Studio Limited (譽婚攝影有限公司), a company incorporated in Hong Kong with limited liability on 26 April 2013, and an indirect wholly-owned subsidiary of our Company
“U Weddings (Wedding Attire Shop)”	a shop under “ <i>U Weddings</i> ” which is situated at Shop 26 on the 4th Floor of Kowloonbay International Trade & Exhibition Centre, No.1 Trademart Drive, Kowloon, Hong Kong as at the Latest Practicable Date
“U Weddings (Wedding Photography Studio)”	a photography studio under “ <i>U Weddings</i> ” which is situated at Units 10 & 12 on the 4th Floor of Kowloonbay International Trade & Exhibition Centre, No.1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong as at the Latest Practicable Date
“Underwriters”	the underwriters of the Placing named in “Underwriting — Underwriters”
“Underwriting Agreement”	the conditional underwriting agreement dated 27 November 2013 entered into by our Company, our executive Directors, our Controlling Shareholders, U Banquet (Cheung’s), the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters relating to the Placing, brief particulars of which are summarised in “Underwriting”
“Vast Rainbow”	Vast Rainbow Limited (偉彩有限公司), a company incorporated in Hong Kong with limited liability on 16 August 2007, and an indirect wholly-owned subsidiary of our Company
“Wedding Services”	wedding services we offer to our customers from time to time, including wedding gown sales and rentals, hair and makeup, photography and video, venue design and decoration, car rental, hotel booking, wedding invitation design and printing, wedding master of ceremonies, marriage celebrant service, “good luck woman” service (大妗姐服務) and cake catering service
“WPCO”	the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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“YuYan Distribution”	YuYan Group Distribution Limited (譽宴集團批發有限公司), a company incorporated in the BVI with limited liability on 1 March 2013, and a direct wholly-owned subsidiary of our Company
“YuYan (HK)”	YuYan Group (Hong Kong) Investment Limited (譽宴集團(香港)投資有限公司), a company incorporated in the BVI with limited liability on 1 March 2013, and a direct wholly-owned subsidiary of our Company
“YuYan Trading”	YuYan Group Trading Limited (譽宴集團貿易有限公司), a company incorporated in the BVI with limited liability on 1 March 2013, and a direct wholly-owned subsidiary of our Company
“YuYan Wedding”	YuYan Group Wedding Limited (譽宴集團婚禮有限公司), a company incorporated in the BVI with limited liability on 1 March 2013, and a direct wholly-owned subsidiary of our Company
“HK\$” and “cents” or “HKD” or “Hong Kong dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“mm”	millimeter
“sq.m.” or “m ² ”	square meters
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

All times and dates refer to Hong Kong local times and dates.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will constitute continuing connected transactions of our Company under the GEM Listing Rules after the Listing. The Sponsor has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement requirements set out in Chapter 20 of the GEM Listing Rules for a continuing connected transaction. For further details of these continuing connected transactions and the waiver granted by the Stock Exchange, see “Continuing Connected Transactions”.

RISK FACTORS

Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment in the Placing Shares. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

We may not successfully open and operate new restaurants and our failure in doing so would affect our future growth.

We believe that our future growth depends on our ability to open and profitably operate new restaurants. Our ability to successfully open new restaurants in the future is subject to a number of risks and uncertainties, including, among others:

- difficulties in locating suitable new restaurant sites or securing leases on commercially reasonable terms;
- difficulties in obtaining sufficient funds for working capital and capital expenditures for the new restaurant;
- delays or difficulties in securing required governmental licences, permits and approvals;
- difficulties in hiring and retaining qualified and experienced operating personnel, especially restaurant managers (restaurant level) and the division head chefs (restaurant level);
- renovation delays or cost overruns;
- potential cannibalisation effects between existing and new restaurant locations; and
- competition.

In April 2013, we opened Hot Pot Cuisine Restaurant and U Banquet (Wong Tai Sin). To cope with the increased scale of operation and the promotion of our “Hot Pot Cuisine (涮得棧)” brand, we have invested more resources in operating these two restaurants which resulted in the increase of our overall operational costs. We cannot assure you that these two restaurants can break even or generate stable and considerable revenue to us in the short run. Our Hot Pot Cuisine Restaurant is marketed under our “Hot Pot Cuisine (涮得棧)” brand with the aim to diversify our offerings, attract more customers and broaden revenue streams. In the event that the restaurant itself or the establishment of the new brand does not achieve desirable results, our overall sales and financial condition will be adversely affected.

To further expand our operation, we currently plan to open one more new restaurant in November 2013 and one new restaurant in each of 2014 and 2015 under our “U Banquet (饗宴)” brand. The lease agreement for the restaurant planned to be opened in November 2013 was entered into in October 2013. We expect that lease agreements for the new restaurants to be opened in 2014 and 2015 will be entered into in the second quarter of 2014 and the first quarter of 2015, respectively. As we expect that opening more restaurants will be our central strategy in the future, we may incur significant capital expenditure in opening new restaurants, and the expansion may place substantial strain on our managerial, operational and financial resources. The overall results of our financial performance may fluctuate due to:

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- the pre-opening costs and expenses and operating costs of the new restaurants are comparatively greater during the first few months of operations; and
- the revenue generated during the first few months of operations are comparatively lesser as the customer base has not been built up maturely.

For each of our new restaurants, we would need to build a customer base by increasing awareness with promotion and advertising and become familiar with local tastes and preferences to be able to create a product assortment that can attract the surrounding community. The amount of time it takes for each new restaurant to reach planned operating levels, break even and reach payback vary. For details of the breakeven and payback periods of our restaurants, see “Business — Our restaurants”. We cannot assume that the new restaurants can generate stable and considerable revenue to us in the short run, or that the revenue generated from our new restaurants will be equal to or exceed those of our existing restaurants. Our new restaurants may operate at a loss, which could have an adverse effect on our overall financial performance and business.

The availability and price fluctuations of food ingredients may have an adverse effect on our business and financial performance.

Our business is highly dependent on a sufficient supply of food ingredients that meet our quality requirements. The availability of food ingredients may be affected by many factors beyond our control, including natural disasters such as droughts, floods and earthquakes, seasonal fluctuations, climate conditions, economic conditions, customer demand and governmental regulations. A material shortage in the supply of food ingredients will affect food production and operation of our restaurants which may adversely affect our financial performance and business. Suppliers may take into account many factors, among others, demand and supply when fixing the prices of their food ingredients. As such, fluctuations in the supply of food ingredients will in turn affect the market price of these food ingredients.

The major food ingredients we use are fresh seafood, fresh vegetables and fruits, fresh meat, dried food and frozen food. Most of our food ingredients and other restaurant supplies are sourced from local suppliers who, to the best of our knowledge, mainly source from the PRC. The prices of food ingredients in the PRC have experienced volatility and are affected by various factors, such as weather and harvest conditions of the food ingredients, the policies of the PRC government and market competition. Food prices are generally in a rising trend in the PRC in recent years. The appreciation of RMB in recent years has also contributed to increase in prices of food sourced from China. According to the National Bureau of Statistics of China, the PRC consumer price index, its key inflation indicator, rose by 3.2% and food price were up 6.5% year-on-year in October 2013. We experienced high fluctuations in the prices of some of our major food ingredients during the Track Record Period. For details, see “Business — Raw materials and procurement — Raw materials”. The fluctuation in the prices of our major food ingredients during the Track Record Period contributed to our volatile financial performance during the corresponding period. We incurred a loss of approximately HK\$2.9 million attributable to the owners of our Company for the year ended 31 December 2011, but turned around to a net profit of approximately HK\$22.2 million attributable to the owners of our Company for the year ended 31 December 2012. For the seven months ended 31 July 2012 and 2013, we recorded net profits of HK\$5.1 million and HK\$1.0 million attributable to the owners of our Company, respectively.

Despite the PRC government’s recent efforts to stabilise food prices in the PRC, we cannot be certain how long the current increase in price of food ingredients in the PRC may continue and to what extent it may affect the restaurant industry. We do not enter into long term contracts or framework agreements with our suppliers nor do we enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in food costs and other

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supplies as we purchase food and other supplies generally at prevailing market prices. We cannot assure you that food ingredient prices will not fluctuate or we will not experience any shortage of supply of food ingredients in the future or our suppliers will not decide to transfer any cost increment to us. We may be unwilling to source substitutes as it may affect the quality of our food offerings. For instance, suckling pigs are widely considered a main staple in Chinese wedding banquet menus and it will be difficult to find a substitute to satisfy the requirements of our customers. We may also be unwilling or unable to transfer the cost increment to our customers as frequent price increases may harm our reputation and adversely affect our competitiveness. Moreover, as we adopt an advanced booking system for our wedding banquets, the prices of wedding banquets held in any given year would be confirmed generally a year ahead in the agreements with our customers, and we could not increase the prices under such generally agreements in that particular year even though the payments were received by us in that same year. This effectively means that we would be unable to transfer any cost increment we face in any given year to wedding banquet customers who sign the agreements generally a year ahead to improve our revenue in that same year. We may also not be able to source substitutes in the market promptly as whether suitable substitutes will be readily available on comparable commercial terms is beyond our control.

We may not secure renewal of our existing leases on commercially acceptable terms, or if at all.

Our leases generally have a term of three years with options to renew for a further term of one to six years. In April 2013, we closed both U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) as the lease for these premises would expire in May 2013 and we were not able to renew leases for U Banquet (Wan Chai) and Choi Fook Club (Wan Chai). For details, see “Business — Our restaurants — Wan Chai operations”. For each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, revenue generated from U Banquet (Wan Chai) and Choi Fook Club (Wan Chai) in aggregate were approximately HK\$27.6 million, HK\$36.7 million and HK\$13.3 million, respectively, representing approximately 10.6%, 12.1% and 7.0% of our total revenue for the same periods. We incurred approximately HK\$652,000 in restoration expenses for these premises and we allocated resources in relation to the delivery of vacant premises to the landlord and staff reallocation arrangement. We cannot assure you that we will be able to renew our existing leases upon their expiry, or that the rental rates and the terms and conditions of the new agreements will be the same as our existing leases. In case the existing leases cannot be renewed, we may consider relocating the relevant restaurants to other suitable locations depending on the then restaurant network of our Group and our Directors and senior management may search for other new locations in place of the current ones.

If we fail to renew existing leases, the costs of leasehold improvement may have to be written-off, and we may have to incur additional costs in relocating our restaurants and shop outlets to other locations and renovating them accordingly. The carrying amount of leasehold improvement in relation to our restaurants as at 31 July 2013 was approximately HK\$19.1 million. The aggregate amount of our revenue attributable to the restaurants under the leases which expired in 2013 was approximately HK\$147.6 million, HK\$168.2 million and HK\$88.7 million for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively, and the aggregate carrying amount of our leasehold improvements attributable to such leases was approximately HK\$3.4 million as at 31 July 2013. New leases have been entered into in respect of all of the restaurants with leases which expired in 2013 (except for U Banquet (Wan Chai)). Of all our current restaurant leases as at the Latest Practicable Date, none will expire in 2013. The aggregate amount of our revenue attributable to the restaurants under the lease which is due to expire in 2014 was approximately HK\$67.1 million, HK\$79.4 million and HK\$43.0 million for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively, and the carrying amount of our leasehold improvements attributable to such lease was approximately HK\$0.3 million as at 31 July 2013. The aggregate amount of our revenue attributable to the restaurants under the leases which are due to expire in 2015 was approximately HK\$115.0 million, HK\$135.1 million and HK\$81.8 million for each of the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively, and the aggregate carrying amount of our leasehold improvements attributable to such leases was approximately HK\$5.1 million as at 31 July 2013.

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For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our property rentals and related expenses (excluding 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 total revenue during the same periods. We expect the rental costs for the current locations of our restaurants and shop outlets to continue to increase in the future, as all of them are located in prime locations in Hong Kong, which is expected to affect our financial performance after Listing. We have seen in media reports that some restaurants or eateries in Hong Kong closed down during the Track Record Period due to, among others, increase in rent prices. The continuous expansion of our restaurant network will also increase our rental costs in the future. If we encounter any substantial increase in rental costs in the future, we may experience cash flow problems and we may need to obtain financing or adjust our working capital, which may disrupt our business expansion and have a material and adverse impact on our business and financial condition. Any significant increase in rental costs may also be a factor for us to consider closing or relocating our restaurants, shop outlets or office premises and we may as a result incur relocating costs or suffer losses.

Any negative publicity or complaints on the quality of food or services could adversely impact our reputation, business and results of operations.

Given the nature of the restaurant industry, we face an inherent risk of food contamination and liability claims. Certain kinds of food including eggs, sauces, vegetables and various kinds of seafood have been found to contain hazardous substances to human's health. Any outbreak of contamination, allegations of poor standards of hygiene or cleanliness, adverse publicity resulting from publication of industry findings or research reports in relation to any food ingredients used by us could affect public confidence in our food products and may lead to a loss in consumer confidence and reduction in consumption of the food product concerned. There has been negative publicity against the restaurant industry in Hong Kong in relation to quality of food recently. It is alleged that beef meat balls sold in certain restaurants contained pork. There might be legal implications if a person sells food which is not of the nature, or not of the substance or not of the quality of the food demanded by a purchaser. Our customers may also allege the loss of personal property in our restaurants. We may also have to incur additional costs in placating any customers or salvaging our reputation or may have to look for alternative sources of food supply which may be more costly. Any such complaints, allegations or negative publicity, regardless of their validity, may damage our reputation and business.

During the Track Record Period, we received complaints from our customers relating to the quality of food or services at our restaurants (see "Business — Quality control — Customer service — Customer complaints"). We cannot assure you that the quality control measures we adopted will always be effective in the future, or that our staff will strictly adhere to the quality control policies and guidelines at all times, or that we can prevent all customer complaints in the future. Any complaints from our customers, regardless of their validity, could cause negative publicity, give rise to potential liability and adversely affect our reputation. In addition, we may have to divert management and other resources to address relevant complaints which may adversely affect our business and results of operations. In the event that our insurance coverage is inadequate, we may have to pay out of our own resources to compensate our customers for any illness or injuries suffered, or damage to personal property if we are found to be at fault. If any complaint escalates to become a claim against us, even unsuccessful, we may have to divert resources to address the claim. Liabilities in respect of such claims could adversely affect our financial position and results of operations.

We may not be able to renew, amend or transfer our licences or permits for operating our restaurants or obtain new licences for our new restaurants.

In order to operate our business in Hong Kong, we have to obtain various licences, permits and certificates. For details of the major licences we held during the Track Record Period and up to the Latest Practicable Date, see "Business — Licences and approvals".

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We encountered certain compliance issues with our restaurants during the Track Record Period. The holder of the general restaurant licence in respect of U Banquet (Tsim Sha Tsui) and U Banquet (North Point) was Mr. Cheung KH instead of their respective operating companies. As at the Latest Practicable Date, we transferred the general restaurant licences to their respective operating companies. In addition, when U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant commenced business, the holder of the general restaurant licence in respect of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant was an Independent Third Party, which, our Directors believe, is related to the restaurant previously located at the same location, instead of the operating company of such restaurants. As at the Latest Practicable Date, a general restaurant licence for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant was issued in the name of their operating company. If we are found to have been in breach of section 31(1) of FBR for the carrying on of restaurant business by a person who is not the named licensee of the relevant restaurant licence, the maximum penalty is a fine of HK\$50,000, imprisonment for six months to which the person who causes, permits or suffers to be carried on the restaurant business in such manner may be held liable and, in the case of continuing offences, an additional daily fine of HK\$900. The court may also impose a prohibition order prohibiting the use of the premises for the restaurant business or, in the case of a breach of the prohibition order, a closure order closing down the premises. In addition, during the Track Record Period, applications for the water pollution control licence were not made for U Banquet (Tsim Sha Tsui), U Banquet (Kwun Tong), U Banquet (Causeway Bay), U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Wai Chai) before commencing the discharge of trade effluents into specific water control zones. As at the Latest Practicable Date, we have obtained valid water pollution control licences for all our current restaurants. Pursuant to section 11(1) of the WPCO, if we are found to have been in breach of section 8(1), 8(2), 9(1) or 9(2) of the WPCO for any prohibited discharges thereunder, the maximum penalty is imprisonment for six months to which the person who commits the offence shall be liable and, in the case of a first offence, a fine of HK\$200,000, in the case of a subsequent offence, a fine of HK\$400,000, and in the case of a continuing offence, an additional daily fine of HK\$10,000. See “Business — Non-compliance — Non-compliance relating to our Group’s operation” for details.

We cannot assure that we will be able to renew or amend or transfer (as the case may be) any of the licences or permits required for operating our existing restaurants. If we fail to obtain and maintain all licences and permits required, our business may be interrupted or the continued operations of our restaurants may be subject to fines and penalties. In case of any non-compliance, we may have to incur expenses and divert resources to address and resolve the non-compliance issue. In addition, we plan to open new restaurants as part of our expansion plan and will have to obtain licences and permits accordingly. If we fail to obtain such licences or permits for our new restaurants, our expansion plan may be disrupted.

We may have to obtain specific permits and approvals for our restaurant design and decoration. We have obtained a permit to use and operate amusement ride for the operation of our passenger-carrying cart in U Banquet (Tsim Sha Tsui) granted by the EMSD. If we fail to maintain such permit or obtain the necessary licence or permit for our restaurant design and decoration in the future, our marketing strategies and expansion plan may be disrupted.

Our financial results are expected to be adversely affected by the expenses in connection with the share-based payment.

On 10 May 2013, Choi Fook Holdings allotted and issued 75,000 new shares to the Minority Shareholder for a consideration of HK\$75,000. As part of the Reorganisation, the Minority Shareholder would transfer its 75,000 shares in Choi Fook Holdings to our Group and in consideration thereof, our Company would allot and issue 75,000 new Shares to it. Immediately after completion of the Placing and the Capitalisation Issue, the Minority Shareholder will own 24,430,000 Shares, representing approximately 6.1% of the then total issue share capital of our

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Company. The issue of shares to the Minority Shareholder constitutes share-based payment according to HKFRSs. It is estimated that approximately HK\$3.8 million will be charged to our Group's consolidated statement of comprehensive income for each of the five full financial years after the Listing in connection with such share-based payment. For reasons of the share-based payment and other details, see "History, Reorganisation and Corporate Structure — Minority Shareholder". In view of the above, we anticipate that the net profit margin and net profit for the five years ending 31 December 2018 will be adversely affected.

We may have to suspend or cease the sale of liquor in our restaurants if the relevant employee who holds the relevant liquor licence fails to transfer the licence in a timely manner

As at the Latest Practicable Date, all holders of the liquor licence of each of our restaurants were our employees. Under regulation 15 of the DCR, any transfer of a liquor licence must be made on the form as determined by the LLB. For a transfer application, consent of the holder of liquor licence is required. Under regulation 24 of the DCR, in case of illness or temporary absence of the holder of liquor licence, the secretary to the LLB may in his discretion authorise any person to manage the licensed premises. The application under such regulation is required to be made by the holder of liquor licence. For any application for cancellation of the liquor licence made by the holder of liquor licence, an application for new issue of a liquor licence will be required to be made to the LLB. Under section 54 of the DCO, in case of death or insolvency of the holder of liquor licence, his/her executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence.

If the relevant employee refuses to give consent to a transfer application when we require a transfer, fails to make an application in respect of illness or temporary absence, or makes a cancellation application without our consent, or if an application for new issue of a liquor licence is required to be made to the LLB in case of death or insolvency of the relevant employee, it may cause the relevant restaurant to suspend or cease the sale of liquor for a certain period, which may adversely affect our business and profitability.

Our future success depends on our ability to meet customer expectations and anticipate and respond to changing customer preferences.

Our future success depends to a large extent on our ability to offer menu items, creatively-designed banquet venues and Wedding Services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of our target customers. The restaurant industry and the wedding services industry are characterised by the continuous introduction of new concepts and is subject to rapidly changing customer preferences. If we are unable to identify new customer trends or preferences and develop new products and services accordingly, or if we lag behind our competitors in introducing and developing new or popular products or services that appeal to our customers, our business and results of operations may be adversely affected. Moreover, changing customer preferences may require us to incur significant costs to survey and research customer trends and preferences as well as develop and market new menu items, banquet venues and wedding services, which may place substantial strain on our managerial and financial resources.

Our revenue generated during the Track Record Period was mainly derived from our restaurant business in Hong Kong.

For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our revenue generated from our restaurant business amounted to approximately HK\$255.5 million, HK\$297.4 million and HK\$182.0 million, respectively, representing approximately 98.6%, 97.8% and 96.2% of the total revenue generated. During the same period, our revenue generated from the provision of Wedding Services amounted to approximately HK\$3.6 million, HK\$6.2 million and HK\$3.3 million, respectively, representing approximately 1.4%, 2.0% and 1.8% of the total revenue generated. Our Directors expect our restaurant business in Hong Kong to be our principal

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source of revenue after the Listing. The success of our restaurant business operation is subject to various factors, such as changes in market trends, customers' preferences, regulation framework and economic conditions in Hong Kong, which are beyond our control. Any outbreak of severe contagious disease or pandemic in Hong Kong may have an adverse impact on our business. Any deterioration of the restaurant industry in Hong Kong may also have an adverse effect on our business. We have limited experience in business operation in other places other than Hong Kong, and may have difficulties in relocating our business to other geographic markets.

We rely on a few suppliers for the supply of food ingredients and we generally do not enter into long-term contracts with them.

We do not enter into long-term contracts with our food ingredient suppliers. For the two years ended 31 December 2012 and the seven months ended 31 July 2013, our total purchases attributable to our five largest suppliers amounted to approximately HK\$30.5 million, HK\$35.7 million and HK\$28.6 million, respectively, representing approximately 39.8%, 46.6% and 62.2% of our total costs of materials consumed, respectively. For the same periods, our total purchases attributable to our largest supplier amounted to approximately HK\$10.5 million, HK\$14.3 million and HK\$14.9 million, respectively, representing approximately 13.8%, 18.7% and 32.5% of our total costs of materials consumed, respectively.

We cannot assure that we will not have any dispute with our major suppliers or that we will be able to maintain business relationships with our existing suppliers, in particular, our five largest suppliers for the Track Record Period. Our suppliers may cease to supply food ingredients to us for any reason. Moreover, our suppliers may fail to meet the quality standards we require from time to time. If any of these events occur, we may not be able to locate alternative suppliers promptly and on comparable commercial terms. If we fail to source suitable suppliers in support of our business, our business operation could be interrupted or discontinued and, as a result, our financial performance and results of operations may be adversely affected.

We may encounter difficulty in sustaining profitability and our historical financial condition may not be treated as indication of our future profitability.

Our revenue for the two years ended 31 December 2012 and the seven months ended 31 July 2013 were approximately HK\$259.1 million, HK\$304.2 million and HK\$189.1 million, respectively. We experienced a sharp increase in our profitability level in the year ended 31 December 2012 by comparing a net profit of approximately HK\$22.2 million attributable to the owners of our Company for the same year to a net loss of approximately HK\$2.9 million for the year ended 31 December 2011. Our net loss in 2011 was mainly attributable to high food costs in 2011, which we had not anticipated and as such we had insufficient time to re-strategise our pricing. Moreover, as we adopt an advanced booking system for our wedding banquets, the prices of wedding banquets held in 2011 had been confirmed generally a year ahead in the agreements with our customers, and we could not increase the prices under such agreements and shift the cost increment to such customers even though the payments were received by us in 2011.

Our profit in 2012 was mainly due to: (i) the increase in revenue which was mainly attributable to the increase in revenue generated from our restaurant operations as a result of the increase in our number of diners due to 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; (ii) our upward adjustment of the prices of our wedding banquet menus for 2011 so that the revenue we recognised from wedding banquets increased for 2012; (iii) the purchase prices of some of our frequently used fresh seafood dropped in 2012 compared to 2011; (iv) we increased our volume of purchases for vegetables in 2012, the prices of which are generally lower than meats, and replaced the use of meats by vegetables in various of our food item offerings; (v) we replaced the shark's fin

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(which is a higher-valued food item) course of our wedding banquet menu with bird's nest or other food items for some of our customers; and (vi) we enjoyed a more competitive pricing in sourcing some frozen food after Mr. Yip became a shareholder of Smart Award in May 2012 (for details, see "Business — Raw materials and procurement — Procurement" and "Financial Information — Discussion and analysis of our financial condition and operations — Cost of materials consumed").

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. We cannot assure that we will attain similar growth in the future, if at all. Given the fluctuation in our profitability during the Track Record Period, it is difficult to evaluate our future prospects. As a result, our historical condition may not be indicative of our future profitability. If we fail to maintain the same amount of revenue and profit, our financial results may be adversely affected.

Our financial results are expected to be affected by the expenses in relation to the Listing.

Our financial results for the year ending 31 December 2013 will be affected by the non-recurring professional fee in relation to the Listing. The estimated total professional fee in relation to the Listing to be borne by our Company is approximately HK\$22.9 million (assuming a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range), of which approximately HK\$5.9 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. The remaining estimated listing expenses of approximately HK\$17.0 million is to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2013. Such professional fee in relation to the Listing have not been incurred during the two years ended 31 December 2012. Accordingly, our financial results for the year ending 31 December 2013 are expected to be materially and adversely affected by the estimated professional fee in relation to the Listing.

Decline in the quality of our food ingredients will adversely affect our business and financial performance.

We believe that our success relies heavily on a reliable supply of quality and fresh food ingredients. We cannot assure that the selection criteria we use to choose our food ingredient suppliers, or the inspections we conduct on the quantity and quality of all food ingredients upon their delivery, will always be effective. We also cannot assure that the quality of food ingredients used by us will not decline in the future. This may be due to certain factors which are beyond our control, including change in weather conditions, decline of quality of animal feed and change of feeding conditions and methods, which may adversely affect the quality of the food ingredients and in turn have an adverse effect on our business and financial results.

Any unforeseeable disruptions to our restaurants may materially and adversely affect our business, reputation and financial condition.

Our operations are vulnerable to interruption by accidents and natural disasters such as typhoons, fires, floods, earthquakes, power failures and power shortages, computer hardware and software failures, computer viruses and other events beyond our control. For example, any prolonged interruption to the operation of our restaurants due to blackouts or shortage of electricity and/or water may have a material adverse effect on our business and financial results. In March 2013, a lift accident happened in the building where U Banquet (North Point) is located. The lift dropped after it had passed the first floor on the way up, causing injuries to seven people. It was reported in the news that all four cables of the lift broke at the same time and the emergency brake also failed to work. It

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was also reported in the news that the cables did not undergo maintenance for at least a year. The said lift accident would not have given rise to any actual or potential liability on our part as (i) the lift does not form part of the premises rented by us under the tenancy agreement related to U Banquet (North Point) and therefore, we do not owe any liability such as occupier's liabilities thereof; and (ii) it is expressly provided in the tenancy agreement that we shall not be responsible for the maintenance nor to pay any costs for maintenance in respect thereof. Despite the aforesaid, our restaurant operations were affected by the accident, in that customer traffic had reduced, which in turn, among others, resulted in a drop in the monthly revenues of U Banquet (North Point) for the period from March to June 2013, compared to the same period in 2012. The revenue of U Banquet (North Point) for the period from March to June 2013 was approximately HK\$11.0 million, while the revenue for the period from March to June 2012 was approximately HK\$14.1 million. We cannot assure you that any similar accidents will not happen in the future and, if they happen, customer traffic may drop and we may need to close our restaurants. In addition, U Banquet (Kwun Tong) has an outdoor grass area, which will be closed for use during bad weather conditions. In case of frequent bad weather conditions, the area and the facilities built therein may become our idle resources. Building up of idle resources may have an adverse impact on our financial position in the long run.

Our business also relies on prompt delivery and quality transportation of our raw materials and food ingredients by our suppliers and the provision of services by certain third-party vendors. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays, non-cooperation of our suppliers or third-party vendors or their logistics partners and labour strikes, could lead to delayed or lost deliveries to our restaurants, which may result in the loss of revenue. Perishable goods such as fresh, chilled or frozen food ingredients may deteriorate in quality due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers and their logistics partners. Our failure to provide quality food and services to customers due to such events may materially and adversely affect our business operation and damage our reputation. Except for U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio), we do not carry business interruption insurance to compensate us for losses that may occur as a result of such events.

We experienced net current liabilities during the Track Record Period.

We had recorded net current liabilities of approximately HK\$24.4 million, HK\$2.5 million and HK\$17.7 million as at 31 December 2011, 31 December 2012 and 31 July 2013, respectively. For details, see "Financial Information — Net current liabilities". Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts will primarily depend on our ability to generate adequate cash inflows from our operations and sufficient external financing. We cannot assure you that we will not have net current liabilities in the future. If we fail to secure adequate funds as working capital, our financial condition and results of operations will be adversely affected.

Our current restaurant locations may become unattractive, and attractive new locations may not be available for a commercially reasonable price, if at all.

We cannot assure that our current restaurant locations will continue to be attractive since the demographics surrounding such locations may deteriorate or otherwise change due to certain events, such as the closing down of shopping malls or residential establishments. Any adverse changes to the surroundings of the areas where our restaurants are located may reduce customer traffic, which could adversely affect the revenue generated from those restaurants. As a result, we may consider closing or relocation of any current restaurant in the future. We will need to incur relocation costs and we

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cannot assure you that we will be able to identify and secure suitable locations and at commercially reasonable prices, if at all. If we fail to do so, our expansion plan will be materially disrupted which in turn may adversely affect our prospects.

One of our leased properties is subject to mortgage.

The leased property where U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant are located is currently subject to mortgage and the landlord rejected our request to obtain the mortgagee's consent for entering into the tenancy agreement with us. As advised by our Company's Legal Advisers, there is a risk that the tenancy agreement will not be binding on the mortgagee and if the landlord defaults on the mortgage, the mortgagee may exercise its right to repossess the property pursuant to the terms of the mortgage. We may then be requested to vacate the property and if this occurs, we may need to incur restoration costs and other expenses and write off leasehold improvements in an aggregate amount of approximately HK\$15.9 million. There is no assurance that vacating the property and closing of the said restaurants will not affect our revenue and financial performance.

Seasonality may affect our financial performance.

Chinese wedding banquets are generally less popular in the months from April to August as the Chinese qingming festival and ghost festival usually fall 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 wedding banquet services for these periods is usually lower. Our provision of Wedding Services for weddings hosted in these periods would also be affected. As such, the results of our financial performance may fluctuate from period to period and any comparison of different periods may not reflect our overall financial performance accurately due to seasonality.

We are heavily dependent on our key executives and personnel.

We believe that our future success depends, to a significant extent, on the continued services and the performance of our key management personnel. Competition for experienced management and operating personnel in the restaurant industry is intense, we cannot assure that we can maintain, develop and continually tap on the leadership skills of our key management personnel in the future. In addition, the growth in the hotel and tourism industry in Macau in recent years has created more employment and business opportunities for restaurant personnel. We cannot assure that our key executives will not join or establish restaurants or other eateries in Macau. It could pose difficulties for us to retain key individuals or we may need to incur higher manpower costs in doing so. As at the Latest Practicable Date, we did not maintain any key-man insurance for losses of our key management personnel. If one or more of our key management personnel are unable or unwilling to continue in their present positions due to any reason, and we are unable to find a competent and suitable replacement within a reasonable period of time or at all, our business and operations may be materially and adversely affected. In addition, if any Director or member of senior management or any other key personnel joins a competitor or forms a competing company, we may lose our established network of suppliers and customers. As such, the failure to retain our key executives and personnel could adversely affect our business and financial results.

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We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our staff, customers or other third parties.

As many of our customers pay cash to settle bills, our restaurants handle a significant amount of cash every day. There have been various publicised instances of fraud, theft, bribery, corruption and other misconduct concerning large restaurant chains in recent years. Such instances can be difficult to fully detect, deter and prevent, and could subject us to financial losses and damage our reputation. During Track Record Period, we had experienced an incident of theft by a restaurant staff manager (restaurant level) which involved a small amount of cash. For details, see “Business — Sales and marketing — Settlement — Cash management — Staff training and monitoring policies”.

We cannot assure you that the cash management system we have implemented will always be effective in the future, or that our staff will strictly adhere to the relevant cash handling policies at all times, or that we can prevent any misappropriation or illegal use of cash in the future. In the event we may be unable to prevent, detect or deter all such instances of fraud, theft, bribery, corruption or other misconduct, such fraud, corruption or other misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, financial condition and results of operations.

Our one-stop wedding banquet service business model is used by hotel groups and may be imitated by restaurant operators in Hong Kong.

Many hotel groups in Hong Kong offer one-stop wedding banquet and related services. Other restaurant operators in Hong Kong may also imitate our business model, in part or in full. As such, we cannot assure you that our business model will remain competitive or that we will be able to timely adjust our business model to include new and creative product and service offerings. Hotel groups or larger restaurant operators may also have greater financial resources for the implementation of a business model similar to ours. For example, hotel groups may provide more in-house wedding services without relying on third-party vendors, and larger restaurant operators may develop similar business model with a wider variety of creatively-designed restaurants if they have more restaurant outlets and adequate financial resources. Our sales and profitability may be adversely affected by these imitation business model and competition.

We may be unable to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our reputation, business and financial performance.

We market our core business operations under three brands, namely “*U Banquet* (譽宴)”, “*U Weddings*” and “*Hot Pot Cuisine* (涮得棧)”. As at the Latest Practicable Date, we had registered four trademarks and submitted four trademark applications in Hong Kong. For further details, see “Statutory and General Information — B. Further information about the business of our Group — 8. Intellectual property rights of our Group and the Controlling Shareholder” in Appendix IV to this prospectus. We cannot assure that the pending trademark applications would be successful. If we fail to apply for the trademarks described above, or if it is held by any court or tribunal that our trademarks have infringed any trademark of others, our business may be adversely affected.

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In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our business, financial condition or operating results. For example, our competitors or other restaurants may pass themselves off as part of our Group by using the same or similar names of our restaurants. As a result, we may, from time to time, have to initiate litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Moreover, even if any such litigation is resolved in favour of us, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated related losses, whether tangible or intangible.

In addition, we may face claims of infringement that could interfere with our use of our proprietary know-how, concepts, recipes or trade secrets. We may have to incur a substantial amount of costs in defending against such claims and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future or be forced to pay damages, royalties or other fees for using such proprietary information. If we are prohibited to use the trademarks in carrying out our core business operations, the continuity of our business may be disrupted and our financial performance and reputation will be adversely affected.

We are exposed to litigation claims including employees' compensation claims and common law personal injury claims.

As at the Latest Practicable Date, we faced potential liabilities in relation to one work-related accident. We are unable to quantify the total amount of our liabilities, if any, at this stage. For further information, see "Business — Legal proceeding". In Hong Kong, employees who suffer work-related injuries may claim for employee's compensation under Employees' Compensation Ordinance or claim for damages under common law. Due to the nature of our business, we may also face other miscellaneous litigation claims from our employees or third parties from time to time, including third parties who suffer personal injuries at premises where we provide our services. While we maintain insurance policies for employees' compensation (HK\$100 million for one event) and public liability (HK\$10 million to HK\$20 million for one accident), we cannot assess the outcome of any claim and we cannot assure that the insurance company will not challenge any such claims on the ground that they fall outside the scope and/or limit of our insurance coverage or counterclaim us for any breach of the terms and conditions of the relevant policy. The public liability insurance maintained by our Group covers us against any claims of illness, injuries or damage to personal property by a third party. If our insurance fails to cover all our liabilities in relation to claims or litigations against us for whatever reason, we may need to pay out of our own resources if we are liable for compensation under such claims, which may adversely affect our financial conditions. Regardless of the merits of any claims or litigations we face, we may have to divert management resources and incur costs to handle these claims. Negative publicity may also be resulted, which may affect our corporate image and reputation.

We experienced incidents of non-compliance with the Companies Ordinance.

Some of our Hong Kong incorporated subsidiaries have on various occasions not fully complied with certain statutory requirements in the Companies Ordinance with respect to matters such as timely convening of annual general meeting and adoption of audited financial statements. See "Business — Non-compliance — Non-compliance with the Companies Ordinance" for details. If the Registrar of Companies in Hong Kong takes any action against the relevant subsidiaries in our Group, including the assessment of fines or other penalties and/or if our Controlling Shareholder(s) fail to indemnify us in full, our reputation, cash flow and results of operation may be adversely affected.

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Our Company is a holding company and relies on dividend payments from its subsidiaries.

Our Company is a holding company and conducts substantially all of its business through its operating subsidiaries. As a result, our Company's ability to pay dividends depends on dividends and other distributions received from its subsidiaries. If the subsidiaries incur debt or loss, it may impair their ability to pay dividends or other distributions to our Company, which could adversely affect its ability to pay dividends to our Shareholders. In addition, restrictive covenants in bank credit facilities, indentures, joint venture agreements or other arrangements that our Group may enter into in the future may also restrict the ability of the subsidiaries to pay dividends or make distributions to our Company. These restrictions could reduce the amount of dividends or other distributions our Company receives from its subsidiaries, which in turn would restrict its ability to pay dividends to our Shareholders.

RISKS RELATING TO THE INDUSTRY

We operate in a highly competitive industry.

We operate in a highly competitive industry in Hong Kong. There were more than 4,000 Chinese full-service restaurants in Hong Kong in 2012, among which approximately 700 restaurants are chained restaurants. We face intense competition from large Chinese restaurant chain operators which offer different kinds of Chinese cuisine and a variety of restaurant locations as wedding banquet venues, hotel groups and other Chinese restaurant operators which offer one-stop wedding banquet and dining services like we do, independent single-outlet Chinese restaurants, Chinese restaurants in hotel premises or private club premises, banquet catering companies and boutique banquet venue providers. In addition, there are many restaurants and other types of eateries in Hong Kong offering non-Chinese cuisine, such as Asian cuisine and international cuisine. In the local wedding market, we face competition from domestic and international companies of various scales which provide different types of wedding services in Hong Kong. Some of our competitors may have longer operating histories, more restaurant and retail outlets, larger customer bases, more established brand recognition, more established relationships with suppliers, and greater financial, marketing and public relations resources. There are no significant barriers of entry into the restaurant business other than initial capital outlay, a new entrant's ability to satisfy various general licensing requirements and to incur higher rental costs to open outlets at desirable locations. The wedding service industry is also an industry with comparatively low entrance barriers as substantial initial capital investment, industry-specific licence and professional qualification are not required. We compete on the basis of quality of food, quality of services, price, location, dining environment and reputation. As we compete with other competitors as well as new market entrants, our business and results of operations may be adversely affected in the event that we are not competitive in terms of our pricing, or there is deterioration in the quality of our food and services. We notice several companies operating in the restaurant industry in the PRC and Hong Kong were listed in Hong Kong in the past few years. We believe that the rise in the number of listed restaurant-operating companies in Hong Kong will continue and will intensify the competition in the areas of modern managing mechanisms, quality control mechanism, brand recognition and business scale.

As it is our strategy to expand our restaurant network, we may also have to compete with other retailers for securing prime shop spaces or experienced managerial and operational staff. The competition for prime locations may increase the bargaining power of landlords seeking to lease out their properties. Consequently, we may not be able to rent these prime locations on terms which are comparable to our existing restaurants, or our competitors may offer terms more favourable to the landlord than we can. We may also have to offer experienced managerial and operational personnel staff higher wages in order to recruit or retain them. Such instances will increase our operating costs, thereby affecting our financial performance. With increasing competition within the industry, there can be no assurance that we can continue to maintain or achieve our target profitability levels in the future.

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The changes in the macro-economic situation in Hong Kong may have an adverse effect on our business, finance condition and results of operations.

All our revenue generated during the Track Record Period was derived in Hong Kong. Our results of operations are heavily dependent on the Hong Kong economy and, in particular, the local restaurant industry and wedding services industry. Macro-economic factors, such as changes in global and local economic and political conditions, general market sentiment, changes in the regulatory environment, fluctuations in interest rates, consumer preferences and spending patterns and employment levels, are prone to affecting the overall performance of the Hong Kong economy. Unforeseen circumstances such as economic downturn, natural disaster and significant changes in consumers' spending pattern which are beyond our control may affect our business. If there occurs any significant decline in the Hong Kong economy and we are unable to divert our business to other geographic locations, our revenue, profitability and business prospects will be materially affected.

According to the composite consumer price index (“**Composite CPI**”), a key inflation indicator, released by the Census and Statistics Department, overall consumer prices rose by 4.3% in October 2013 over the same month a year earlier. Netting out the effects of all Government's one-off relief measures, the year-on-year rate of increase in the Composite CPI in October 2013 was 4.0%. Any significant increase in inflation, which is beyond our control, will increase our costs of business, reduce the disposable incomes of our customers and create uncertainty over future inflation, which may have an adverse effect on our business, financial condition and results of operations.

The restaurant business in Hong Kong may be subject to stringent licensing requirements, environmental protection regulations and hygiene standards which can increase our operating costs.

There can be no assurance that the requirements for obtaining general restaurant licences, water pollution control licences and liquor licences or other permits for restaurant premises and installations in Hong Kong will not become more stringent. Operations of food and beverage establishments, including restaurants, are required to comply with environmental protection regulations. The requirements for obtaining the relevant hygiene permits, the approvals on fire protection and the permits for discharging polluting materials in Hong Kong may also become more stringent.

Any failure to comply with existing regulations, or future legislative changes, could require us to incur significant compliance costs or expenses or result in the assessment of damages, imposition of fines against us or a suspension of any part of our business, which could materially and adversely affect our financial condition and results of operations. We may have to incur more costs in complying with any changing laws and regulations in relation to the restaurants industry on hygiene, fire and safety standards. In addition, should we fail to comply with more stringent licensing requirements, our restaurants may be required to cease operation, and our profitability could be adversely affected.

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Labour shortages or increases in labour costs could slow our growth, harm our business, financial condition and results of operations.

As our business operations are highly service-oriented, our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified and experienced staff, including restaurant managers (restaurant level), kitchen staff and wait staff, all of which are necessary to meet the needs of our existing restaurants and keep pace with our anticipated expansion plan. To sustain the growth of our business, we are required to increase work force of skilled personnel. It is anticipated that our staffing requirements can be satisfied through internal transfers and local hiring. There is a short supply of qualified individuals in the restaurant industry and competition for these personnel is intense. Therefore, there is no assurance that we will be able to recruit all necessary personnel. If we fail to recruit and retain qualified individuals in the future, our expansion plan may be delayed and could adversely impact our existing restaurants. Any such delays, any material increases in staff turnover rates in existing restaurants or any widespread staff dissatisfaction could have a material adverse effect on our business and results of operations.

In addition, competition for qualified personnel could also require us to pay higher wages which could result in higher labour costs. As at the Latest Practicable Date, we employed a total of 554 full-time employees working at our offices and restaurants in Hong Kong. For the two years ended 31 December 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 during the same periods. It is expected that our employee benefits expense will increase as a result of the expected expansion of our business. The failure to attract experienced personnel at a desirable level of labour costs could adversely affect our business, financial condition and results of operations.

In addition, since the enactment of the Minimum Wage Ordinance on 1 May 2011, the statutory minimum wage was set to HK\$28 per hour which was then increased to HK\$30 per hour with effect from 1 May 2013. We are required to comply with the statutory minimum wage requirements. 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 cannot assure you that the Government will not increase the statutory minimum wage rate again in the future. Our failure to pass the increased staff costs onto our customers by increasing our prices in the future may adversely affect our business and results of operations.

Our business may be negatively affected by outbreaks of food-borne diseases and illnesses and other health epidemics.

Our business operation is susceptible to outbreaks of food-borne diseases and illnesses and other health epidemics, such as swine influenza (also known as pig flu), avian influenza (also known as bird flu), severe acute respiratory syndrome (also known as SARS), Bovine Spongiform Encephalopathy (also known as BSE), Salmonella or mad cow disease. Such outbreak or epidemic, whether or not traced to our restaurants, may lead to a loss in consumer confidence and reduce customer traffic and restaurant sales. In addition, any negative publicity relating to these and other health-related matters may affect consumers' perception of our restaurants and our food products, reduce customer traffic of our restaurants and negatively impact our sales. We do not have any specific insurance coverage for any loss of our Group as a result of any outbreak of the abovementioned contagious disease.

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RISKS RELATING TO THE PLACING

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of the Shares may be volatile.

The Listing is by way of the Placing and our Shares have not been listed or quoted on any stock exchange or open market before completion of the Placing. We cannot assure you that there will be an active trading market of the Shares on GEM upon Listing, or if it exists, that it can be sustained following the completion of the Placing. In addition, the market price of our Shares to be traded on GEM may differ from the Placing Price and investors should not treat the Placing Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and market price of our Shares may be volatile. Such volatility in the price of our Shares may be caused by a number of factors from time to time, including but not limited to, the income, profit and cash flow of our Group, new products, services and/or investments of our Group, changes of senior management of our Group, and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares.

Issue of new Shares under the Share Option Scheme may decrease Shareholders' value of investment

Our Company has conditionally adopted the Share Option Scheme. Following the grant of any options under the Share Option Scheme in the future and the allotment and issue of new Shares upon exercise of the options to be granted under the Share Option Scheme, there will be a dilution or reduction of shareholding of the then Shareholders and it may also result in a dilution or reduction of the earnings per Share or net asset value per Share.

Under the HKFRS 2 Share-based Payment, the costs of the share options granted to employees under the Share Option Scheme will be charged to our Group's combined statement of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme (as the case may be). As a result, our Group's profitability and financial results may be adversely affected.

Purchasers of the Placing Shares will experience an immediate dilution and may experience further dilution if we issue additional Shares or other securities in the future.

Based on the Placing Price range, the Placing Price is expected to be higher than the net tangible asset value per Share immediately prior to the Placing. As a result, the purchasers of the Placing Shares will experience an immediate dilution in unaudited pro forma adjusted net tangible asset value to HK\$0.21 per Share and HK\$0.18 per Share based on the Placing Price of HK\$1.20 per Placing Share and HK\$1.00 per Placing Share, respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of our Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

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Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

There is no assurance that the substantial shareholders of our Company or Controlling Shareholder(s) will not dispose of the Shares held by them. We cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholder of our Company or Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our Company is incorporated in the Cayman Islands and our corporate affairs are governed by our Memorandum and Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those of Hong Kong or other jurisdictions where minority shareholders may be located. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. Certain relevant aspects of the Companies Law are set out in Appendix III to this prospectus.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Statistics and facts in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any material information has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, U Banquet (Cheung's), the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors or any other party involved in the Placing and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

Forward-looking statements in this prospectus may prove inaccurate.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. Our actual financial results, performance or achievements may differ materially from those discussed in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Placing Shares are offered for subscription and purchase solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, U Banquet (Cheung's), the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Placing.

Printed copies of this prospectus are available, for information purposes only, at the offices of (1) Quam Securities Company Limited at 18/F, China Building, 29 Queen's Road Central, Hong Kong; (2) Brilliant Norton Securities Company Limited at Room 804, 8/F, Jubilee Centre, 46 Gloucester Road, Wan Chai, Hong Kong; (3) SBI E2-Capital Financial Services Limited at Unit A2, 32/F, United Centre, 95 Queensway, Hong Kong; (4) Astrum Capital Management Limited at 11/F, 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong; (5) Convoy Investment Services Limited at 1/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong; (6) Great Roc Capital Securities Limited at Suite 3712, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong; (7) RHB OSK Securities Hong Kong Limited at 12th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong; and (8) Goldin Equities Limited at 23/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal office hours from 9:00 a.m. to 5:00 p.m. from Thursday, 28 November 2013 up to and including Friday, 6 December 2013 (both dates inclusive).

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing which is sponsored by the Sponsor and is managed by the Joint Lead Managers. The Placing Shares are fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement and also subject to the Placing Price being fixed pursuant to the Price Determination Agreement). For further information relating to the Underwriters and the underwriting arrangements, see "Underwriting".

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price, which is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) on the Price Determination Date, which is expected to be on or around Wednesday, 4 December 2013 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company (for itself and on behalf of U Banquet (Cheung's)) may agree. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, U Banquet (Cheung's), the Joint Lead Managers, the Joint Bookrunners, the Sponsor, the Underwriters, any of their respective directors or any other parties involved in the Placing.

Each person subscribing for or purchasing the Placing Shares will be required to, or be deemed by his subscription or purchase of Placing Shares, to confirm that he is aware of the restrictions on offers of the Placing Shares described in this prospectus and that he is not subscribing for or purchasing, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Placing including any Shares which may be issued pursuant to the Capitalisation Issue and any Shares which fall to be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 100,000,000 Placing Shares, representing 25% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Placing (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Placing.

Under section 44B(1) of the Companies Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

ELIGIBILITY FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by our principal share registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong branch share registrar, Union Registrars Limited, in Hong Kong.

Unless we determine otherwise, dividends will be paid in Hong Kong dollars to our Shareholders, as recorded in our branch register, by ordinary post at our Shareholders' risk, to the registered address of each Shareholder.

STAMP DUTY

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

PROFESSIONAL TAX ADVICE RECOMMENDED

Prospective investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, U Banquet (Cheung's), the Joint Lead Managers, the Joint Bookrunners, the Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Placing accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

STRUCTURE OF THE PLACING

Details of the structure of the Placing, including its conditions, are set out in "Structure and Conditions of the Placing".

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 10 December 2013. Shares will be traded in board lots of 2,000 Shares each. The GEM stock code for our Shares is 8107.

LANGUAGE

The English language version of this prospectus has been translated into the Chinese language. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Cheung Ka Ho (張家豪) (alias Cheung Tze Ho (張梓豪)) (Chairman)	Flat A, 48/F, Block T1 Bellagio, 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
Mr. Cheung Ka Kei (張家驥)	12/F No 249, Prince Edward Road West Kowloon City Kowloon Hong Kong	Chinese
Mr. Kan Yiu Pong (簡耀邦)	Flat G, 45/F, Block 2 The Apex Wo Yi Hop Road Kwai Chung New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chung Kong Mo (鍾港武) <i>JP</i>	Flat B, 12/F, Block 1 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
Ms. Wong Tsip Yue, Pauline (王婕妤)	Room 11A, Kiu Wang Mansion 3 Hok Yu Lane Mong Kok Kowloon Hong Kong	Chinese
Mr. Wong Sui Chi (黃瑞熾)	Flat E, 18/F, Block 5 Ocean Shores Tseung Kwan O New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor

Quam Capital Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Joint Lead Managers

Quam Securities Company Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Brilliant Norton Securities Company Limited
Suite 804, 8/F, Jubilee Centre
46 Gloucester Road, Wan Chai
Hong Kong

SBI E2-Capital Financial Services Limited
Unit A2, 32/F, United Centre
95 Queensway
Hong Kong

Joint Bookrunners

SBI E2-Capital Financial Services Limited
Unit A2, 32/F, United Centre
95 Queensway
Hong Kong

Brilliant Norton Securities Company Limited
Suite 804, 8/F, Jubilee Centre
46 Gloucester Road, Wan Chai
Hong Kong

**Legal advisers to our Company
as to Hong Kong law**

as to Hong Kong law
TC & Co.
Units 2201-03, 22/F., Tai Tung Building
8 Fleming Road, Wan Chai
Hong Kong

as to Cayman Islands law
Appleby
2206-19 Jardine House
1 Connaught Place, Central
Hong Kong

**Legal advisers to the Sponsor and the
Underwriters as to Hong Kong law**

as to Hong Kong law
Pinsent Masons
50th Floor, Central Plaza
18 Harbour Road, Wan Chai
Hong Kong

Reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Offshore Incorporations (Cayman) Limited Floor 4, Willow House, Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Head office and principal place of business in Hong Kong	Unit F, 28/F, Block 2 Vigor Industrial Building 49-53 Ta Chuen Ping Street Kwai Chung, New Territories Hong Kong
Company's website	<u>www.u-banquetgroup.com</u> <i>(Contents in this website do not form part of the prospectus)</i>
Company secretary	Mr. Chan Fung Man <i>CPA</i>
Compliance officer (for the purpose of the GEM Listing Rules)	Mr. Kan Yiu Pong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Kan Yiu Pong Flat G, 45/F, Block 2 The Apex Wo Yi Hop Road Kwai Chung New Territories Hong Kong
	Mr. Chan Fung Man <i>CPA</i> Room 2605, Heng Yan House Tin Heng Estate Tin Shui Wai New Territories Hong Kong
Audit committee	Mr. Wong Sui Chi (<i>Chairman</i>) Mr. Chung Kong Mo <i>JP</i> Ms. Wong Tsip Yue, Pauline
Remuneration committee	Mr. Wong Sui Chi (<i>Chairman</i>) Mr. Cheung Ka Ho Ms. Wong Tsip Yue, Pauline
Nomination committee	Mr. Cheung Ka Ho (<i>Chairman</i>) Mr. Chung Kong Mo <i>JP</i> Ms. Wong Tsip Yue, Pauline
Principal share registrar and transfer office in the Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street P.O. Box 1350, Grand Cayman KY1-1108 Cayman Islands

CORPORATE INFORMATION

**Branch share registrar and transfer office
in Hong Kong**

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wan Chai
Hong Kong

Compliance adviser

Quam Capital Limited
18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

Principal bankers

Hang Seng Bank
83 Des Voeux Road Central
Hong Kong

Bank of China
1 Garden Road
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, the Euromonitor Report, prepared by Euromonitor International, for purposes of this prospectus. See “— About this section”. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. The information has not been independently verified by us, U Banquet (Cheung’s), the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters or any other party involved in the Placing, and no representation is given as to the accuracy or completeness of such information. Accordingly, such information should not be unduly relied upon.

ABOUT THIS SECTION

General

This section contains information extracted from the commissioned Euromonitor Report prepared by Euromonitor International for the purposes of preparing this prospectus. We paid a total of USD45,000 to Euromonitor International for the preparation and use of the Euromonitor Report.

Research methodology

Euromonitor International undertook top-down central research and bottom-up intelligence with a view to present a comprehensive and accurate picture of the Chinese full-service restaurant and wedding banquet industries. The following research methodologies were utilised. The information extracted from the Euromonitor Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. Research by Euromonitor International should not be considered as the opinion of Euromonitor International as to the value of any security or the advisability of investing in our Company.

Primary research

Euromonitor International has conducted independent trade-level interviews with trade associations and industry experts, Chinese full-service restaurant operators, hotels and wedding banquet specialists that are involved in the Chinese full-service restaurant and wedding banquet industries. Trade interviews and official published data were used to ensure industry consensus and accuracy.

Secondary research

Euromonitor International utilised Chinese full-service restaurant operators, hotels and wedding banquet specialists’ annual reports, industry reports and Euromonitor International’s syndicated database “Passport” to support findings.

Quality of research

Euromonitor International has utilised data from both primary and secondary researches to validate all data and information collected, with no reliance on any single source. Furthermore, a test of each respondent’s information and views against those of others and any official published data is applied to ensure reliability and eliminate bias from these sources. Where irregularities are found between data collected, supplementary research is conducted to confirm or amend those findings.

INDUSTRY OVERVIEW

Projection

Euromonitor International deployed its standard practice of both quantitative and qualitative analysis of market size, growth trends on the basis of a comprehensive and in-depth review of the market's historical and postulated performance, with data cross-checked with established industry figures, trade interviews and statistical tools where applicable.

About Euromonitor International

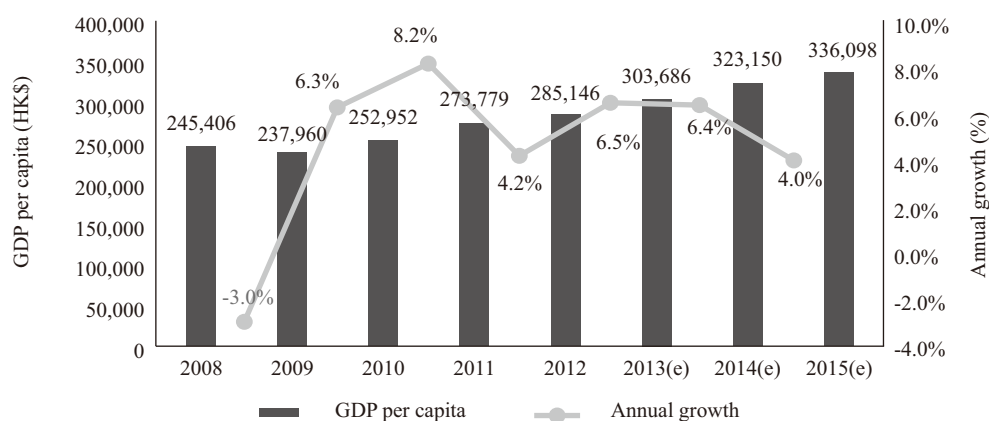
Established in 1972, Euromonitor International is a global research organisation with offices in London, Chicago, Singapore, Shanghai, Vilnius, Dubai and Cape Town. Euromonitor International's mission is to build on its position as the leading provider of quality international market intelligence on consumer products, services and lifestyle. Euromonitor International's policy of continuous innovation, new product development and embracing new technologies ensures it remains at the cutting edge of information solutions. Euromonitor International researches a range of consumer, industrial, service and business-to-business markets and remains independent and privately owned.

OVERVIEW OF HONG KONG ECONOMY

GDP per capita

As a result of the economic crisis in 2008 which caused a fall in general trade and export levels, Hong Kong's GDP per capita decreased by approximately 3.0% in 2009. Despite the economic contraction in 2009, Hong Kong's GDP per capita rebounded by approximately 6.3% in 2010 and approximately 8.2% in 2011. This was because of the increased demand for Hong Kong's exports and the Government's initiatives to boost the Hong Kong economy. However, as a result of the Eurozone crisis, demand from western countries slowed down, affecting the level of Hong Kong exports and decreased the amount of financial activities in Hong Kong. Hong Kong's growth in GDP per capita eased to approximately 4.2% in 2012. According to the Euromonitor Report, GDP per capita in Hong Kong is expected to reach about HK\$336,098 in 2015, representing a CAGR of approximately 5.2% from 2013 to 2015.

The following chart illustrates the growth trend of GDP per capita in Hong Kong from 2008 to 2012 and projected growth from 2013 to 2015:



Source: Census and Statistics Department, Hong Kong

Note: "e" denotes forecasted figures.

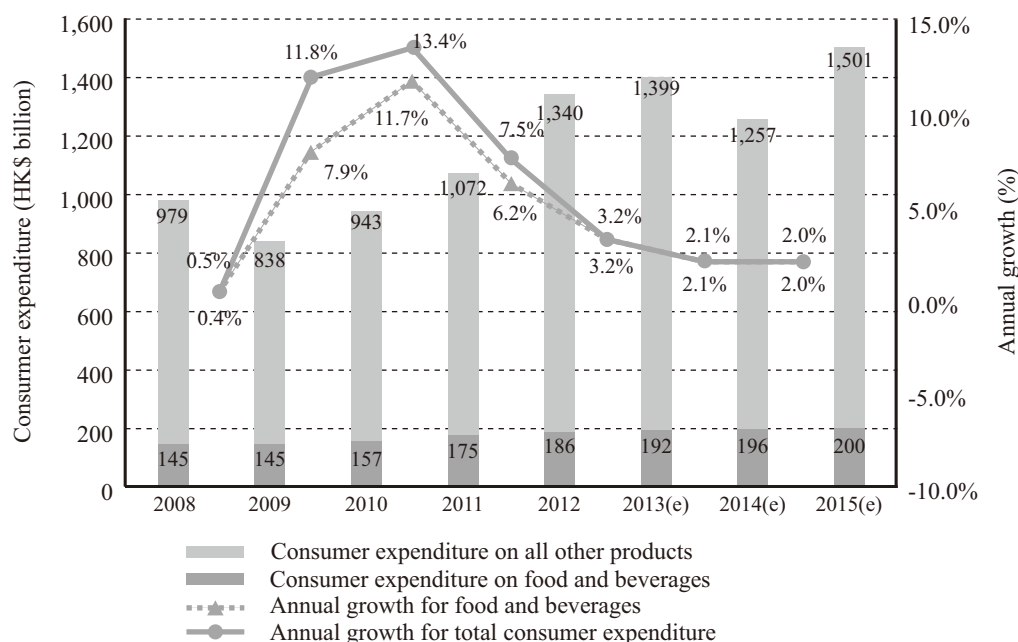
INDUSTRY OVERVIEW

Consumer expenditure

According to the Euromonitor Report, total consumer expenditure in Hong Kong grew at a CAGR of approximately 8.2% from 2008 to 2012, totalling about HK\$1,340 billion in 2012. In spite of the financial crisis in 2008, total consumer expenditure in 2009 still recorded a positive growth level of about 0.5%. Although growth rebounded quickly in subsequent years, it then tapered down to about 7.5% in 2012 due to a decrease in consumer confidence, as a result of the Eurozone crisis.

According to the Euromonitor Report, consumer expenditure on food and beverages grew from 2008 to 2012 at a CAGR of approximately 6.5%. Consumers were more cautious in their spending and cut their expenditure on food and beverage services due to a poor economic outlook in 2008, leading to a growth of only approximately 0.4% in 2009. Consumer confidence gradually increased over the years with consumer expenditure on food and beverages registering a growth of about 6.2% in 2012.

The following chart illustrates the growth trend of total consumer expenditure and consumer expenditure on food and beverages in Hong Kong from 2008 to 2012 and projected growth from 2013 to 2015:



Source: The Euromonitor Report

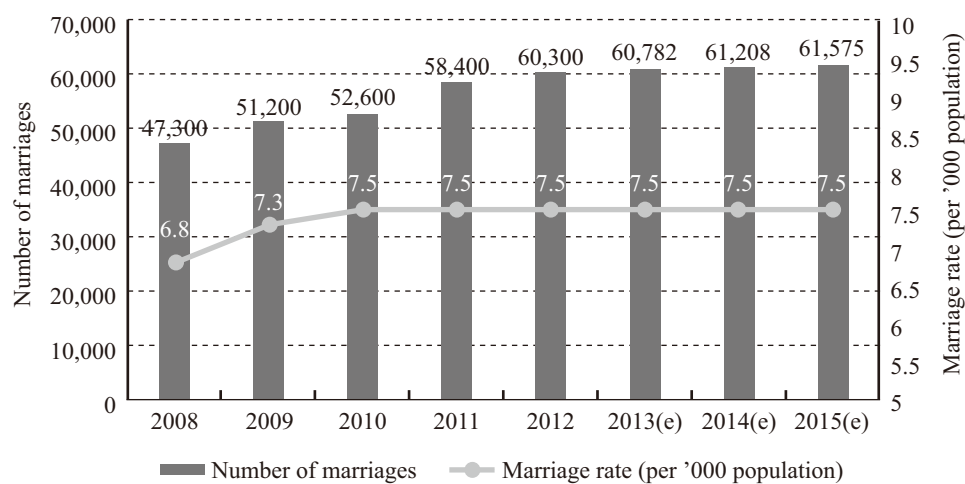
Note: "e" denotes forecasted figures.

Number of marriages and marriage rate

According to the Euromonitor Report, the number of marriages increased at a CAGR of approximately 6.3% over the period from 2008 to 2012, reaching around 60,300 marriages in 2012. However, the marriage rate of Hong Kong has stagnated at 7.5 marriages per 1,000 population since 2010, according to the Euromonitor Report. This is due to the increasing number of citizens who are staying longer in education and prioritising their career development, thus placing less importance in getting married or starting a family. Euromonitor International expects that the increase in the number of marriages in the future will be proportional to the increases in Hong Kong's population, rather than the increase in marriage rate of Hong Kong.

INDUSTRY OVERVIEW

The chart below illustrates the marriage numbers and rates in Hong Kong from 2008 to 2012 and projected marriage numbers and rates in Hong Kong from 2013 to 2015:



Source: *The Euromonitor Report*

Note: "e" denotes forecasted figures.

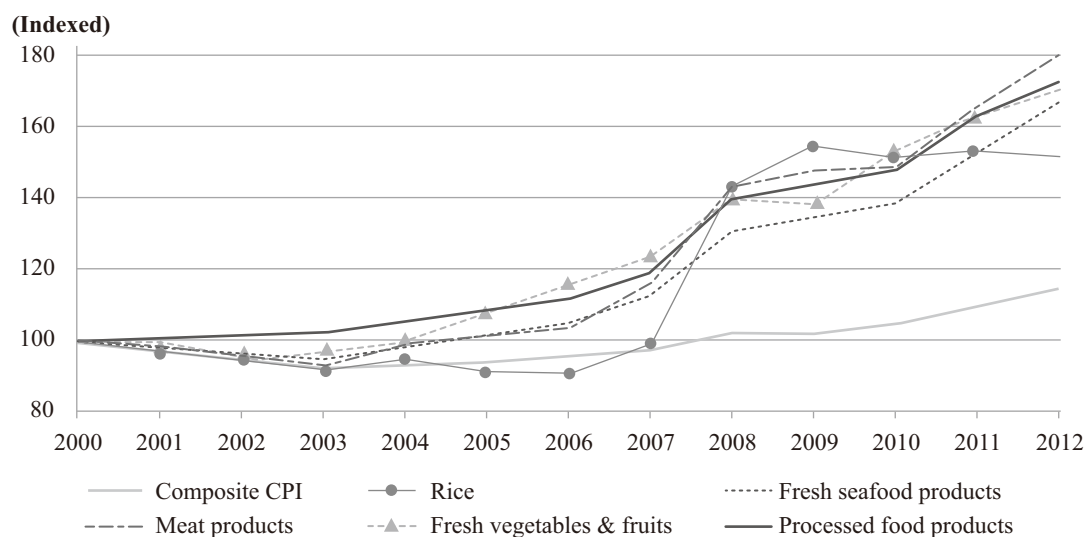
CPI

As many of the products are imported from mainland China, the appreciation of Renminbi has an impact on the CPI of food ingredients in Hong Kong. During the period between 2000 and 2012, CPIs of food ingredients increased at a rate higher than the overall inflation rate in Hong Kong. According to the Euromonitor Report, prices of meat, vegetables and fruits and processed food products showed the greatest increases, climbing more than 60% over the past 12 years.

Euromonitor International expects rising CPI will likely add to cost of living for Hong Kong consumers. Although food and beverage operators' cost of operation will increase, it is expected that some of the cost increases might be transferred to consumers via higher foodservice prices.

INDUSTRY OVERVIEW

The chart below illustrates the CPI and prices of food ingredients in Hong Kong from 2000 to 2012:



Source: *The Euromonitor Report*

CONSUMER FOODSERVICE MARKET IN HONG KONG

Overview

According to the Euromonitor Report, the consumer foodservice industry in Hong Kong consists of all eating places that are available to consumers. The different types of eating establishments covered within the consumer foodservice industry includes, full-service restaurants, fast food shops, bars, as well as other eating and drinking places. Full-service restaurants encompass all sit-down establishments where the focus is on food rather than on drink. They are characterised by table service and a relatively higher quality of food offering relative to quick-service units. They also include à la carte, all-you-can-eat and sit-down buffets within full-service restaurants. Full-service restaurants in Hong Kong serve a wide range of cuisines, from Chinese, other Asian cuisines like Japanese, Korean and Thai, along with Western and European cuisines. Chinese full-service restaurants include Hong Kong-style tea cafés, Guangdong cuisine full-service restaurants, full-service restaurants featuring the cuisine of Beijing, Sichuan or Shanghai, vegetarian food shops and Chinese full-service restaurants serving other Chinese cuisines.

The Chinese full-service restaurants are also reviewed by price positioning in the Euromonitor Report. Euromonitor International considers Chinese full-service restaurants can be divided into mass-market Chinese full-service restaurants and mid-range to high-end Chinese full-service restaurants. Mass-market Chinese full-service restaurants include casual dining restaurants or Hong Kong-style tea cafés, which are also known as Cha Chaan Teng, where the average spending is less than HK\$80 per meal. Mid-range to high-end Chinese full-service restaurants, on the other hand, provide full services and serve general Chinese cuisine or provincial cuisines such as those found in Guangdong, Shanghai or Beijing. These restaurants — positioned in the mid-to high-level range, with guest checks averaging more than HK\$80 per meal — serve dim sum, hotpots, mid-priced Chinese dishes and premium delicacies with food materials or ingredients such as abalone, shark's fin and sea cucumber. Banquets are occasionally held in these restaurants with average spending of HK\$3,000 or more per table. Our Group's restaurants are classified as mid-range to high-end Chinese full-service restaurants.

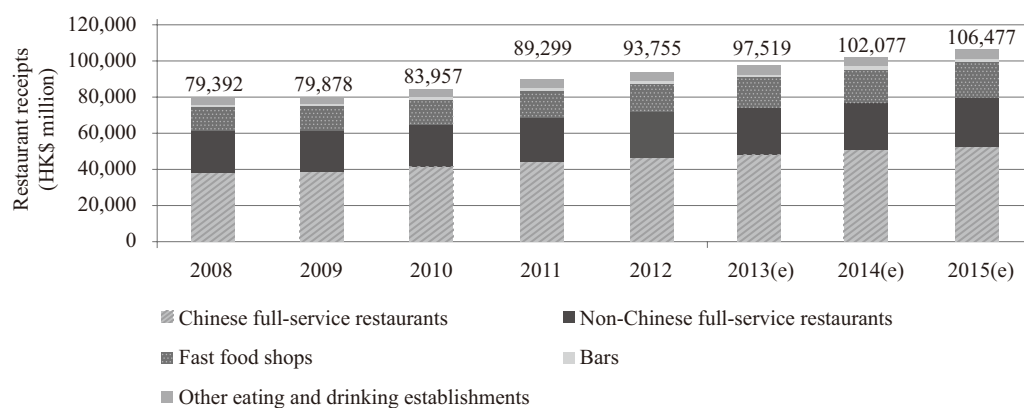
INDUSTRY OVERVIEW

Restaurant receipts

According to the Euromonitor Report, the total restaurant receipts in the consumer foodservice industry grew at a CAGR of about 4.2%, from approximately HK\$79 billion in 2008 to approximately HK\$94 billion in 2012. The economic crisis in 2008 resulted in a low growth rate from 2008 to 2009 across all groups within the consumer foodservice industry, and total restaurant receipts grew by only approximately 0.6% during the period. However, increased consumer confidence and tourist arrivals led to a quick recovery of the consumer food service industry, and total restaurant receipts registered healthy annual growth rates from 2009 to 2012. The total full-service restaurant receipts in the consumer foodservice industry is expected to grow at a CAGR of approximately 4.5% from approximately HK\$97,519 million in 2013 to approximately HK\$106,477 million in 2015, according to Euromonitor International.

According to the Euromonitor Report, Chinese full-service restaurants revenue recorded a higher than market CAGR of approximately 4.5% from about HK\$38,291 million in 2008 to about HK\$45,730 million in 2012. Euromonitor International considers the high tourists traffic from mainland China as well as their increasing spending power is the key growth drivers to the sales of Chinese full-service restaurants. The Chinese full-service restaurant receipts continuously accounts for the largest segment of total restaurant receipts from approximately 48.2% in 2008 to approximately 48.8% in 2012. Euromonitor International expects this trend will continue and Chinese full-service restaurant receipts will account for about 48.9% of total restaurant receipts in 2015.

The following chart illustrates the trend of consumer foodservice industry receipts in Hong Kong from 2008 to 2012 and projected growth from 2013 to 2015:



Source: The Euromonitor Report

Note: "e" denotes forecasted figures.

INDUSTRY OVERVIEW

Number of Chinese full-service restaurants in Hong Kong

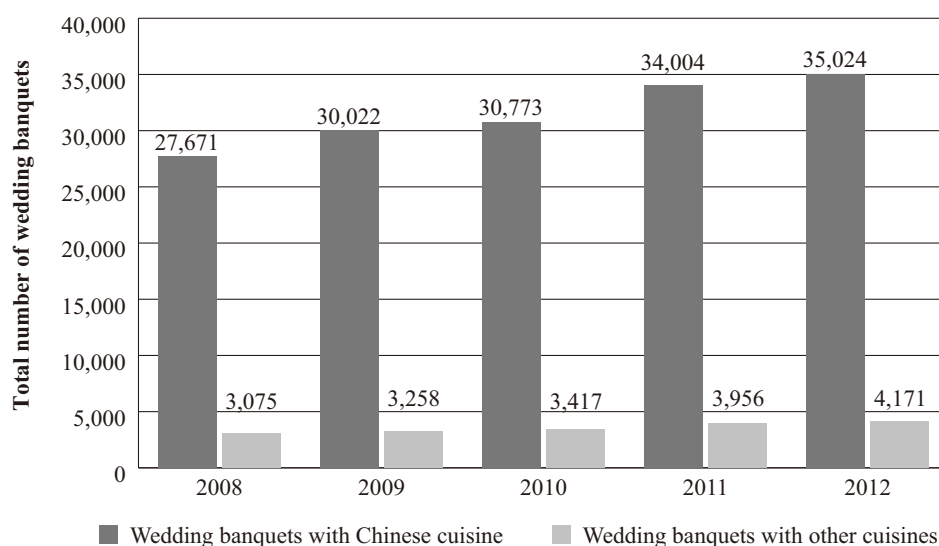
According to the Euromonitor Report, there were 4,781 Chinese full-service restaurants located within Hong Kong in 2012. Of which, majority of these outlets were owned by independent single outlet operators, making up about 84.6% of the number of Chinese full-service restaurants in 2012. However, in an environment of increasing rental and manpower costs, there are a growing percentage of outlets operated by chained operators or large dining groups. Percentage of chained Chinese full-service restaurants increased from about 13.6% in 2008 to about 15.4% in 2012, growing at a CAGR of approximately 8.7% due to their higher tolerance to hiking expenses on the back of more solid financial background. Chained operators will also fare better than independent operators in terms of economies of scale and a more systematic management, leading to lower food cost by a centralised purchasing team and superior staff training mechanisms. Large dining groups also have closer relationships with major landlords in Hong Kong, offering them better access to key traffic locations and beneficial rental rates. As a result, Euromonitor International expects that more independent stand-alone restaurants will be replaced by chain operations which will also drive the growth of total Chinese full-service restaurant industry revenue to be driven by chain operations.

WEDDING BANQUET MARKET IN HONG KONG

Wedding banquets are the celebrations of a new marriage and usually involve the newlywed couples families and friends attending parties where meals are served. According to the Euromonitor Report, about 70% of wedding couples in Hong Kong choose to organise wedding banquets while the remaining would opt to celebrate their marriage in other forms, for instance wedding holiday. Wedding banquets in Hong Kong can be classified by cuisine, consisting of Chinese banquets and non-Chinese banquets. Chinese banquets are wedding banquets served with Chinese cuisine in more traditional venues such as traditional Chinese full-service restaurants, Chinese wedding banquet specialists, hotels or club houses. Non-Chinese wedding banquets are held in formations that do not follow Chinese tradition, including buffet, cocktail parties or served banquets in other cuisines. These banquets are mostly held in hotels and club houses and occasionally specialised restaurants.

According to Euromonitor International, due to the cultural and demographic background, about 87.1% of the wedding banquets are Chinese banquets. Chinese banquets are generally held with 20 to 35 round tables, seating 10 to 12 people per table and serving traditional Guangdong delicacies with average spending per Chinese banquet of about HK\$147,000 in 2012.

The chart below illustrates the total number of Chinese and non-Chinese wedding banquets held in Hong Kong from 2008 to 2012:

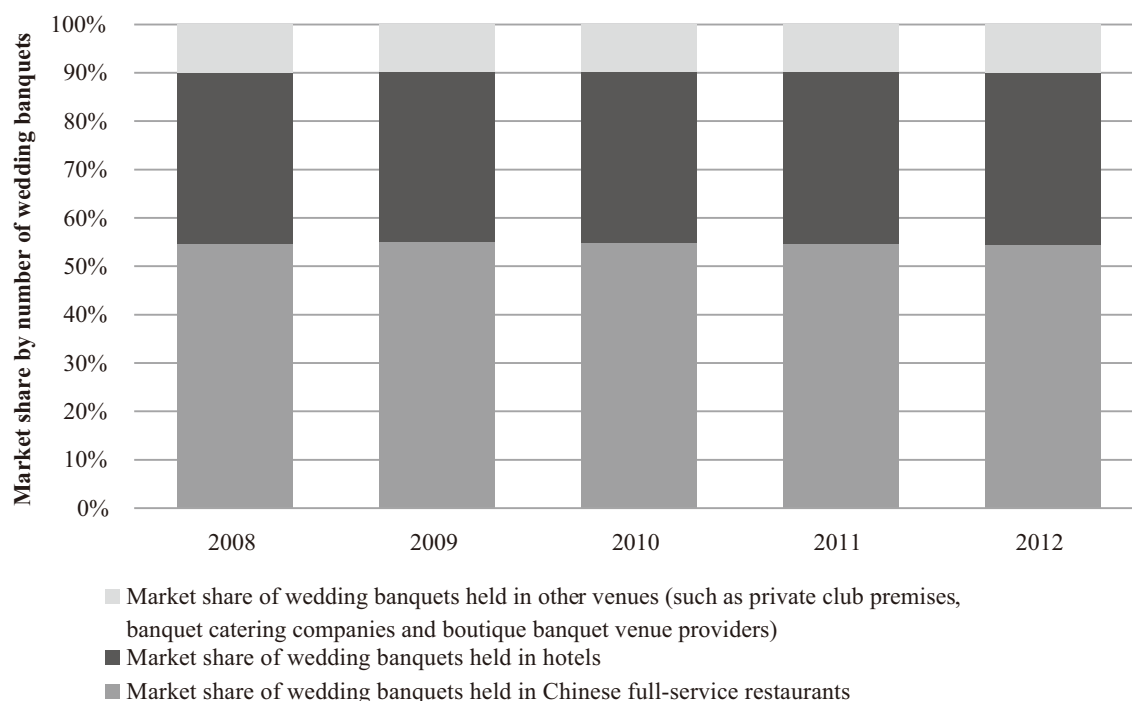


Source: The Euromonitor Report

INDUSTRY OVERVIEW

Beginning in the 1990s, the trend of organising wedding banquets in hotels developed. This trend was supported by an improving economy which made couples more willing to spend on their weddings. In addition, couples started focusing more on the quality of service as well as the grandness of the wedding banquets hosted. According to Euromonitor International, the CAGR of the number of wedding banquets held in hotels from 2008 to 2012 is about 6.4% which is slightly above the CAGR of the number of wedding banquets held in Chinese full-service restaurants of about 6.2% in the corresponding period. In 2012, holding wedding banquets in Chinese full-service restaurants is still very popular in Hong Kong, representing approximately 54.5% of the total number of wedding banquets held in Hong Kong, compared to approximately 35.5% of that of hotels. Among wedding banquets held in hotels in 2012, more than 80% of the banquets are based on Chinese tradition, with the remainder non-Chinese.

The chart below illustrates the market share of Chinese full-service restaurants, hotels and other venues by number of wedding banquets in Hong Kong.



In the past, wedding banquets were usually held in traditional Chinese full-service restaurants or catered at destined locations such as open area of estates or the back yard of homes with table numbers as many as 100. However, as family size in Hong Kong shrinks and the cost per table increases, the average number of tables in banquets has decreased to about 20 to 35 nowadays.

In the recent decades, wedding couples tend to enjoy organising weddings in 5 to 6 stars and middle-class hotels with modernised decorations and attentive services. In recent years, the popularity of Chinese wedding banquet specialists has grown. These specialists are usually traditional Chinese full-service restaurant operators who refurbished their restaurants with modernised decorations and setting suited for wedding celebrations. Some of the specialists also included thematic concepts and set-ups within the location. Modern wedding banquet specialists also focus on hotel-like services on table waiting while serving traditional Chinese cuisine.

INDUSTRY OVERVIEW

This kind of banquet venues has gain popularity in the 2000's with the aggressive entrance of market participants, stealing the market shares from hotels and traditional Chinese full-service restaurants and also helped boost the market share of Chinese wedding banquets. The success of wedding banquet specialists has attracted other traditional Chinese full-service restaurants to follow suit in developing some of their branches into thematic wedding venues. Wedding banquet specialists attract newlywed couples by modernised and thematic decoration compared to traditional Chinese full-service restaurants and a more affordable pricing and sometimes quality of food compared to hotels. They also provide aggressive promotion to attract potential clients. According to the Euromonitor Report, Chinese wedding banquet specialists and traditional Chinese full-service restaurants account for 50 to 55% of the wedding banquets held annually in Hong Kong by number of wedding banquets.

COMPETITIVE LANDSCAPE

Competitive landscape for Chinese full-service restaurants

Euromonitor International considered the key entry barriers for the Chinese full-service restaurant industry are (i) large capital investment required for setup, (ii) difficulty in acquiring desirable locations when core districts have been developed and managed by major landlords with significant rental surges, and (iii) difficulty to remain in business due to the increase in rental, human resources expenses and rising food costs.

The following table sets forth the market share of the top five mid-range to high-end Chinese full-service restaurant brands in Hong Kong in the entire Chinese full-service restaurant market in terms of sales receipts:

Rank	Brand	2010	2011	2012
1	Brand A	4.1%	4.1%	4.2%
2	Brand B	2.5%	2.7%	3.1%
3	Brand C	2.2%	2.1%	2.0%
4	Brand D	1.7%	1.7%	1.7%
5	Brand E	1.7%	1.7%	1.6%
Others		87.8%	87.7%	87.4%
Total		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: The Euromonitor Report

The competitive landscape of Chinese full-service restaurants moved towards consolidation from 2010 to 2012, with the top five brands' combined market share increasing from approximately 12.2% in 2010 to approximately 12.6% in 2012. Each of the top two brands operates more than 40 and 30 outlets, respectively. The market share of "U Banquet (譽宴)" was approximately 0.6% in each of 2010, 2011 and 2012.

Euromonitor International expects chained Chinese full-service restaurant brands will continue to gain market share going forward despite facing increasing saturation among Chinese full-service restaurants. Small and independent operators will find it even harder to compete, leading to the shuttering down of small and independent outlets and their replacement by chained stores.

INDUSTRY OVERVIEW

Competitive landscape for wedding banquets

Euromonitor International identified key entry barriers for the wedding banquet industry are (i) large capital investment required for banquet halls and large-scale thematic decor, (ii) difficulty in renting appropriate locations because major landlords are reluctant to lease out large areas rather than split up an area to multiple tenants, and (iii) the pre-requisite of previous large-scale catering experience for better management of banquet operations.

The wedding banquet market is competitive with chained banquet operators representing the top five players, taking about 12.6% of market share in 2012 (based on the total number of banquets held). We are unable to obtain information on the market share landscape of the wedding banquet market in Hong Kong in terms of the amount of sales receipt. The following table sets forth the market share of the top five Chinese full-service restaurant brands in Hong Kong in terms of the number of wedding banquets in the wedding banquet market (including all full-service restaurants, hotels and club houses):

Rank	Brand	2010	2011	2012
1	Brand F	3.2%	4.0%	5.1%
2	Brand G	3.5%	2.9%	2.2%
3	U Banquet 譽宴	2.4%	1.8%	1.8%
4	Brand H	1.7%	1.7%	1.8%
5	Brand I	1.6%	1.5%	1.7%
Others		87.6%	88.1%	87.4%
Total		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: The Euromonitor Report

Note: In building its estimates, Euromonitor International applied key metrics such as number of outlets per player, average wedding banquets held per week by player/outlet, number of outlet growth through trade interviews with the key players for the past three years. Additionally, Euromonitor International sourced official records such as number of marriages from Hong Kong Census and Statistics Department as a logic check on the number of wedding banquets held. Euromonitor International assessed relevant background information that is publicly available and compared these sources against any existing information and knowledge from us.

Euromonitor International expects the wedding banquet market to remain fragmented going forward. Due to better profitability and easier management, more existing Chinese full-service restaurant operators are expected to tap into the wedding banquet specialist market. In the future, there should be an increased number of chained or independent non-Chinese wedding banquet operators who are able to offer customised and non-conventional banquet solutions.

CURRENT MARKET DRIVERS AND DEVELOPMENT TRENDS

Chinese full-service restaurant market

Customers seeking higher quality and attentive services

Diners continue to demand higher quality and more attentive services. This trend comes along as the number of restaurants increases, resulting in higher competition and increased bargaining power of customers within the restaurant industry. Euromonitor International considers competition leads to difficulty in acquiring appropriate talent. As a result, there is a drop of human resource and service quality within the industry. Customers now prefer restaurants with stable service quality compared to those with declining ones. This need to maintain service quality would result in higher manpower costs for restaurant operators. However, restaurants that exert outstanding quality in this aspect should outperform its peers.

INDUSTRY OVERVIEW

Higher-end and specialised Chinese cuisines are growing segments

Upon the entrance of Michelin Guide into Hong Kong in 2008, diners have another well regarded guide for their dining experience where better-ranked restaurants tend to enjoy popularity and better businesses. Chinese restaurant operators have increasing interest in higher-end position by obtaining the acknowledgement from the Michelin Guide or other awards and developing a more classy cuisine niche to attract a new group of diners.

Sales growth steamed by tourists from mainland China

With the further relaxation of the Individual Visit Scheme in mainland China, Euromonitor International expected tourists from mainland China will continue to increase constantly and support the growth of Chinese full-service restaurants. Furthermore, the spending pattern of mainland Chinese tourists is expected to change from shopping to leisure, and in turn benefit high-end Chinese full service restaurants, particularly with special dish offerings such as Sichuan, Shanghai, Beijing and other Chinese cuisines. Euromonitor International expected higher spending per meal in Chinese full-service restaurants will translate into growth in foodservice sales, with an estimated CAGR of about 4.6% from 2013 to 2015, with total foodservice value sales amounting to approximately HK\$52 billion in 2015.

Increase in labour cost

In May 2011, Hong Kong saw the implementation of a Minimum Wage Ordinance of HK\$28 per hour. The amount has been further increased to HK\$30 per hour in 2013. Euromonitor International considers the cost of operation for restaurant operators rose due to increased labour costs and several restaurants were even forced to shut down outlets or branches which were no longer profitable. The effect is more pronounced in Chinese restaurants, where salaries are usually lower than that of other cuisines and would hence see a more direct cost increment upon implementation of such law. The impact was mitigated in the case of some larger operators which managed to keep prices low and benefited from strong demand. Euromonitor International considered most companies chose to pass on these higher costs to consumers, thereby inflating prices and resulting in higher restaurant receipts collected.

Resource constraints and high rental costs

The property market rally in Hong Kong has come with the expense of a hiking rental rate. Despite rental terms being generally as long as 4 to 6 years, Euromonitor International considered shops that are renewing their rents in the coming years will find a large increase in rental expenses and may have to be forced to seek for alternative locations. Although rents are fixed in the contract period, landlords can still increase management fees without mutual consent.

Ingredient costs are driven up by the inflation of food prices, mainly in China. As most of the basic food ingredients are imported from mainland China, the appreciation of Renminbi also implies a higher cost for local restaurants.

Therefore, even if a relatively stable growth in the receipts of restaurants, an erosion of profit margins is possible going forward in consideration of the rising cost factors. Euromonitor International expected it will result in a market consolidation where large restaurant dining groups can survive with ample capital used to tolerate increase in cost, wiping out smaller players, while small independent and niche operators can survive under good cost controls and flexible management styles.

INDUSTRY OVERVIEW

Wedding banquet market

Growth in number of wedding banquets in line with population and auspicious years

With the marriage rate in Hong Kong stable at 7.5 marriages per 1,000 population, the growth in number of marriages is expected to be directly proportional with the growth of the city's population in the long run. In the more immediate future, due to the demographic dominance of Chinese, the number of marriages will be largely influenced by the effect of fortunate years according to the Chinese tradition. For example, 2013 is considered a 'blind year' according to the lunar calendar, deeming marriage unfavourable. Therefore, growth in the number of marriages is not expected to be high in 2013. In contrast, 2014 will be a fortunate year for weddings and consequently growth should rise. Similarly, growth in the number of wedding banquets is expected to be low at about 0.5% in 2013 and to pick up to about 3.5% in 2014. Growth in wedding banquet numbers is expected to be approximately 2.2% in 2015, in line with general population growth.

The use of social media for promotion

With a wider use of online resources, wedding couples rely more on the Internet to choose their banquet venues. One of the most popular wedding intelligence websites is ESDLife. The website had a penetration rate of 92% among engaged couples in 2012, providing a single-stop, comprehensive wedding and marriage information channel, as well as a platform for couples to share tips and ideas. Gourmet websites Openrice.com also provides information on full-service restaurants and wedding venues with various diners rating their enjoyment of the food and experience.

Evolution of the Chinese banquet menu

As Hong Kong citizens gain increasing awareness about environmentally friendly behaviour, there are changes to the traditional Chinese banquet menu. For example, some wedding couples have given up their demand for shark's fin dish (a traditionally dish considered to be a precious delicacy and showing of generosity of host family) at banquets nowadays. To cope with this trend, Chinese wedding banquet operators have incorporated alternative delicacies, such as bird's nest soup or seafood soup, to replace the use of shark's fin. Another example is some wedding operators provide menu choices without main dishes of fried rice or noodles, as these dishes are usually unfinished and ending up as waste. This not only supports the environment, but operators also benefit from lower costs for food and waste handling.

Threats to the higher margin of banquet operator

Banquet operations usually generate a higher profit margin than traditional Chinese dining operations, turning in a gross margin of 60% versus 20% from Chinese full-service restaurant operations, for example. Due to banquets' highly manageable nature of operations with a predetermined number of attendants, it is easier to control the amount of food portions, providing better management of food costs. Manpower is also managed more efficiently as temporary staff members are usually hired for banquets, incurring a lower human resource expense and higher degree of personnel flexibility.

Despite the lower impact from rising labour costs compared to traditional Chinese full-service restaurants, the implementation of a higher minimum wage will increase operational expenses for banquet operations. The skyrocketing rental market has harmed full-service restaurant operations, more specifically on the banquet industry due to the need for ample business floor space, eroding the profit margins of operators.

REGULATORY OVERVIEW

LICENCES AND PERMITS

The following sets forth the major areas of Hong Kong laws and regulations in relation to the licences and permits which are required for the operation of our business in Hong Kong during the Track Record Period:

- (a) a general restaurant licence granted by the DFEH of the FEHD;
- (b) a water pollution control licence granted by the DEP of the EPD;
- (c) a liquor licence granted by the LLB;
- (d) a design approval and a permit to use and operate amusement ride granted by the DEMS;
- (e) certificate of results of thorough examinations in the preceding twelve months under FIU(LALG)R;
- (f) certificate of test and thorough examination of lifting appliances (except cranes, crabs and winches) under FIU(LALG)R;
- (g) certificate of compliance for club-houses granted by the Secretary for Home Affairs; and
- (h) club liquor licence granted by the LLB.

General restaurant licence

In Hong Kong, any person carrying on a restaurant business is required to obtain a restaurant licence granted by the DFEH under the PHMSO and FBR before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant except with a restaurant licence. Generally, the general restaurant licence will be granted subject to fulfilment of various pre-requisites in relation to the premises at which where the restaurant is proposed to be operated relating to health, ventilation, hygiene, structural features, building safety and means of escape. In assessing the suitability of premises for use as a restaurant, the FEHD will consult the Buildings Department and Fire Services Department for advice on the building and fire safety aspects, respectively. The DFEH may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending completion of all outstanding requirements for the issue of a full restaurant licence.

Any person who contravenes section 31(1) of the FBR shall be liable on summary conviction to a fine of HK\$50,000 and imprisonment for 6 months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day.

A provisional restaurant licence is valid for a period of six months or a lesser period and a general restaurant licence is valid generally for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable on one occasion and a full restaurant licence is renewable annually.

REGULATORY OVERVIEW

Under section 30 of the FBR, no person shall, except with the permission in writing of the DFEH, sell or offer or expose any restricted food as specified in Schedule 2 to the FBR. Under Schedule 2 to the FBR, sashimi is categorised as restricted food. The applicant for a restaurant licence shall indicate at the time of submitting his application that he intends to sell restricted food in the restaurant, the FEHD will process the application for sale of restricted food together with the application for a restaurant licence. Upon compliance with the licensing requirements by the applicant, including the requirements for sale of restricted food, permission will be endorsed free of charge on the restaurant licence.

Any person who contravenes section 30 of the FBR shall be liable on summary conviction to a fine of HK\$50,000 and imprisonment for 6 months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day.

Demerit points system

FEHD operates a demerit points system (the “**Demerit Points System**”) under which prescribed points are registered against a restaurant licence in respect of violations of the PHMSO and its subsidiary legislation. Under the Demerit Points System:

- (i) on conviction of an offence under sections 52 and 54 of PHMSO (which includes selling any food or drug which is not of the quality demanded by the purchaser and selling any food which is unfit for human consumption), a total of 5 points will be registered against the restaurant licence;
- (ii) if a total of 15 points or more are accumulated within a period of 12 months, the restaurant licence will be subject to a suspension period of seven days;
- (iii) if a total of 15 points or more are accumulated within a period of 12 months on a subsequent occasion, the restaurant licence will be subject to a suspension period of 14 days;
- (iv) if a total of 15 points or more are accumulated within a period of 12 months on a third occasion, the restaurant licence is subject to cancellation; and
- (v) the prescribed demerit points for a particular offense will be doubled and trebled if the same offense is committed for the second and the third time within a period of 12 months, respectively.

Hygiene Manager and Hygiene Supervisor Scheme

To strengthen food safety supervision in licensed food premises, the FEHD has introduced the Hygiene Manager (“**HM**”) and Hygiene Supervisor (“**HS**”) Scheme (the “**Scheme**”).

(A) The requirements

Under the Scheme, all large food establishments and food establishments producing high risk food are required to appoint an HM and an HS; and all other food establishments are required to appoint an HM or an HS. General restaurants which accommodate over 100 customers are required to appoint an HM plus an HS.

REGULATORY OVERVIEW

(B) Training / Appointment of HM and HS

Food business operators are required to train up their staff or appoint qualified persons to take up the post of HM or HS.

According to “A Guide to Application for Restaurant Licences” of the FEHD (January 2012 Edition), one of the criteria for the issuance of a provisional licence/full general restaurant licence is the submission of a duly completed nomination form for HM and/or HS together with a copy of the relevant course certificate(s).

Water pollution control licence

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control and the discharger is required to obtain a water pollution control licence granted by the DEP under the WPCO before commencing the discharge. Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matter into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. A person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of \$10,000 for each day during which the offence has continued. Under section 12(1)(b) of the WPCO, a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence. Generally, a water pollution control licence will be granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

A water pollution control licence may be granted for a period of not less than two years and generally five years, subject to payment of the prescribed licence fee and continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control licence is renewable.

Liquor licence

In Hong Kong, any person who intends to operate a business which involves the sale or supply of liquor must obtain a liquor licence from the LLB under the DCR before commencement of such business. It is provided under section 17(3B) of the DCO that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor licence. Any person who contravenes section 17(3B) of the DCO commits an offence and is liable on conviction to a fine of HK\$1,000,000 and to imprisonment for 2 years. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. Such licence is applied by and granted to an individual. A liquor licence will only be issued when the relevant premises have also been issued with a full or provisional restaurant licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licences are referred to the Commissioner of Police and the District Officer concerned for comments.

REGULATORY OVERVIEW

A liquor licence is valid for a period of one year or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations. A liqueur licence is renewable.

Design approval and permit to use and operate amusement ride

In Hong Kong, an owner of an amusement ride shall obtain the approval for installation and a permit to operate by the DEMS before commencing the operation of the ride. Under section 6 of the ARSO, a person wishing to install an amusement ride shall not carry out any part of the installation works until the designs and specifications (including any plans and calculations) connected with the ride, together with the method and programme of installation of the ride, are approved by the DEMS. In addition, section 10 of the ARSO provides that the owner of an amusement ride (other than an existing amusement ride) shall not operate the ride for the use of members of the public until the DEMS has approved the commencement of operation of the ride and the owner has paid to the DEMS the prescribed fee for such approval. Any person who contravenes section 10 of the ARSO commits an offence and is liable to a fine of HK\$10,000 and to imprisonment for 6 months. Under section 8(1) of the AR(S)(O&M)R, the owner of an amusement ride shall not operate the ride unless he has at all times employed a competent person in respect of the ride and such number of operators to perform such duties as approved by the DEMS. Any owner of an amusement ride who contravenes section 8(1) of the AR(S)(O&M)R commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 6 months. Pursuant to sections 1.3 and 4 of the Code of Practice for Amusement Rides issued by the EMSD, the owner of an amusement ride must also appoint an independent surveyor to thoroughly inspect, examine, test and certify the integrity of the ride upon completion of the installation works. After the permit is issued, under section 18(1) of the AR(S)(O&M)R, the owner of an amusement ride shall ensure that the ride is examined by a surveyor not less than once every 12 months or anytime as required by the DEMS, the examination to include any structure, electrical, mechanical and safety equipment that may be necessary to ascertain the integrity and safe operation of the ride. Any owner of an amusement ride who contravenes section 18(1) of the AR(S)(O&M)R commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 2 years.

The licensing processes on design approval before construction and “permit to use and operate” upon completion of installation of any amusement ride are required on a “one-off” basis. Renewal or re-submission is not necessary until such time that a major alteration involving modifications on the safety-critical elements is required.

Certificate of results of thorough examinations in the preceding 12 months

A person who owns a lifting appliance in Hong Kong must ensure that such appliance is examined by a competent examiner before it is used. Under regulation 5(1) of the FIU(LALG)R, an owner of a lifting appliance shall ensure that it is not used unless it has been thoroughly examined by a competent examiner at least once in the preceding 12 months. In addition, the owner must obtain a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order. A competent examiner must be a registered professional engineer registered under the ERO within a relevant discipline specified by the Commissioner of Labour, and by reason of his qualifications, training and experience, competent to carry out the test and examination. The certificate does not have an expiration date.

REGULATORY OVERVIEW

Regulation 5(4) of the FIU(LALG)R provides that if any lifting appliance which has been thoroughly examined or tested and thoroughly examined as required under regulation 5(1) of the FIU(LALG)R but has since undergone substantial repair, re-erection, failure, overturning or collapse, the owner of the lifting appliance shall ensure that it is not used unless it has been further tested and thoroughly examined by a competent examiner, and there has been obtained from him in respect of the test and thorough examination a certificate in the approved form in which he has made a statement to the effect that it is in safe working order.

Certificate of test and thorough examination of lifting appliances (except cranes, crabs and winches)

Under regulation 5(2) of the FIU(LALG)R, an owner of a lifting appliance other than a crane, crab or winch shall ensure that it is not used unless it has been tested and thoroughly examined by a competent examiner in the manner prescribed in Schedule 1 to the FIU(LALG)R. In addition, the owner must obtain a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order. A competent examiner must be a registered professional engineer registered under the ERO within a relevant discipline specified by the Commissioner of Labour, and by reason of his qualifications, training and experience, competent to carry out the test and examination. The certificate does not have an expiration date.

Regulation 5(4) of the FIU(LALG)R provides that if any lifting appliance which has been thoroughly examined or tested and thoroughly examined as required under regulation 5(2) of the FIU(LALG)R but has since undergone substantial repair, re-erection, failure, overturning or collapse, the owner of the lifting appliance shall ensure that it is not used unless it has been further tested and thoroughly examined by a competent examiner, and there has been obtained from him in respect of the test and thorough examination a certificate in the approved form in which he has made a statement to the effect that it is in safe working order.

Any owner who contravenes any of the provisions of regulation 5 of the FIU(LALG)R shall be guilty of an offence and be liable to a fine of HK\$200,000.

Club liquor licence

In Hong Kong, any person who intends to operate a business which involves the supply of liquor at any premises used by a club for the purpose of the club must obtain a club liquor licence from the LLB under the DCR before commencement of such business. It is provided under section 17(3B) of the DCO that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor licence. Regulation 26 of the DCR prohibits the supply of liquor at any premises used by any club for the purposes of the club to any member of the club except with a club liquor licence. Such licence is applied by and granted to an individual. Application for a club liquor licence must be made by the secretary of the respective club and a person nominated by the club if the proposed licence holder is not the club secretary. All applications for club liquor licences are referred to the Commissioner of Police and the District Officer concerned for comments.

If any liquor is supplied to a member of a club in contravention of regulation 26 of the DCR, the secretary of the club or other person nominated under regulation 26 shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000 and to imprisonment for 6 months.

A liquor licence is valid for a period of one year or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations. A club liquor licence is renewable.

REGULATORY OVERVIEW

Certificate of compliance for club-houses

Under section 4 of the C(SOP)O, any person who on any occasion operates, keeps, manages or otherwise has control of a club-house commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 2 years and to a fine of HK\$20,000 for each day during which the offence continues, unless a certificate of compliance has been issued in respect of the club-house. Section 5 of the C(SOP)O provides that an application by a person for a certificate of compliance shall be made to the Secretary for Home Affairs in such form and manner as the Secretary for Home Affairs may determine. Applicants may either be an individual (who is an office-bearer of the club or the appointed person representing the club), or a body corporate. The certificate of compliance is issued by the Secretary for Home Affairs.

A certificate of compliance for club-houses is valid for a period of one year, subject to the continuous compliance with the requirements under the relevant legislation and regulations. A certificate of compliance for club-houses is renewable annually.

We held a club liquor licence and certificate of compliance for club-houses for the operation of Choi Fook Club (Wan Chai) during the Track Record Period. Choi Fook Club (Wan Chai) was closed in April 2013. For details, see “Business — Our restaurants — Wan Chai operations”.

OTHER APPLICABLE LAWS AND REGULATIONS

In addition to the aforementioned licences and permits, our Group’s business in Hong Kong is also generally regulated by the following major ordinances and regulations, which include but not limited to:

- (A) Food and Drugs (Composition and Labelling) Regulations (Cap. 132W)
- (B) Waste Disposal Ordinance (Cap. 354)
- (C) Employees’ Compensation Ordinance (Cap. 282)
- (D) Employment Ordinance (Cap. 57)
- (E) Immigration Ordinance (Cap. 115)
- (F) Minimum Wage Ordinance (Cap. 608)
- (G) Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Cap. 59V)
- (H) Occupational Safety and Health Ordinance (Cap. 509)
- (I) Occupiers Liability Ordinance (Cap. 314)
- (J) Trade Descriptions Ordinance (Cap. 362)

REGULATORY OVERVIEW

Food labelling

The Food and Drugs (Composition and Labelling) Regulations (Cap. 132W) (“**FDR**”) regulates nutrition facts labels on packaged foods sold in Hong Kong.

Regulation 4A(1) of the FDR stipulates that all prepackaged food should be labelled in either English or Chinese or in both languages with its food name or designation, list of ingredients, indication of “best before” or “use by” date, statement of special conditions for storage or instructions for use, count, weight or volume and name and address of manufacturer or packer.

Regulation 4B(1) states that, the prepackaged food shall be legibly marked or labelled with a list of nutrients setting out the energy value of the food, the content of certain nutrients contained in the food and if applicable, the content of any other nutrient contained in the food for which a nutrition claim is made on the food label.

Under Regulation 5(1AA), any person who advertises for sale, sells or manufactures for sale any prepackaged food which is not marked or labelled in compliance with Regulation 4A(1) or 4B(1); or has on its label any nutrition claim that does not conform to the statutory requirements set out in Schedule 5, commits an offence and is liable on conviction to a fine of HK\$50,000 and to imprisonment for 6 months.

Environmental regulations

The Waste Disposal Ordinance (Cap. 354) (“**WDO**”) provides for the control and regulation of the production, storage, collection and disposal including the treatment, reprocessing and recycling of waste of any class or description, the licensing and registration of places and persons connected with any such activity, the protection and safety of the public in relation to any such activity and to provide for matters incidental thereto. Under section 16 of the WDO, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the DEP. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable on conviction to a fine of HK\$200,000 and imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and imprisonment for 2 years for the second or subsequent offence.

Fire safety

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Cap. 59V) (“FIU(F)R”)

The FIU(F)R ensures that the proprietor of every workplace shall maintain a means of escape from the workplace in good condition and free from obstruction.

Under Regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire. Regulation 14(5) of the FIU(F)R stipulates that the proprietor of any notifiable workplace who contravenes regulation 5(1) without reasonable excuse commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months.

Buildings Ordinance (Cap. 123)

The Building Ordinance provides for the planning, design and construction of buildings and associated works; rendering safe of dangerous buildings and land; regular inspections of buildings and the associated repairs to prevent the buildings from becoming unsafe.

REGULATORY OVERVIEW

Occupational Safety and Health Ordinance (Cap. 509) (“OSHO”)

OSHO is purported to ensure the safety and health of employees when they are at work and improves the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces.

The employer shall ensure the safety and health at works of all his employees by:—

- (i) providing and maintaining plant and work systems that do not endanger safety or health;
- (ii) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a safe and healthy work environment.

Under section 9(1) of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening OSHO, or has contravened in circumstances that make it likely that the contravention will be continued or repeated. Section 9(2)(e) of the OSHO stipulates that an improvement notice must require the employer or occupier either to remedy the contravention within a period specified in the notice, or to refrain from continuing or repeating the contravention.

Section 9(5) of the OSHO stipulates that an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 12 months.

General compliance

Employees’ Compensation Ordinance (Cap. 282) (“ECO”)

This ordinance establishes a no-fault, non-contributory employee compensation system for work injuries and lays down the respective rights and obligations of employer and employee in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

REGULATORY OVERVIEW

Employment Ordinance (Cap. 57) (“EO”)

The EO provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith.

Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than 7 days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of \$350,000 and to imprisonment for a maximum of 3 years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) are not paid within 7 days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of \$10,000.

Minimum Wage Ordinance (Cap. 608) (“MWO”)

The MWO, which came into effect on 1 May 2011, which provides a statutory minimum wage level for employees in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage, which was HK\$30 as at the Latest Practicable Date. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the MWO is void.

Occupiers Liability Ordinance (Cap. 314) (“OLO”)

The OLO regulates the obligations of a person occupying or having control of premises on injury or damage resulting to persons or goods lawfully on the land or other property from dangers.

Trade Descriptions Ordinance (Cap. 362) (“TDO”)

TDO is one of the key legislations regulating advertising and promotion practices in Hong Kong. A trade description includes an indication of quantity, composition, and fitness for purpose, performance, physical characteristics and place of origin with respect to any goods. It is an offence under the TDO for any person to apply a false or misleading trade description to goods or to supply goods to which false trade descriptions have been applied. The TDO also prohibits the use of false and misleading trade descriptions of goods in advertisements.

In order to enhance protection of consumers against other commonly seen unfair trade practices in consumer transactions and prohibit false trade descriptions to both goods and services, the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 has come into operation on 19 July 2013 and brought various amendments to the TDO. The key changes include:

- the expansion of the definition of “trade description” in respect of goods to mean any indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods such as price indication;
- the extension of the prohibition on false trade descriptions to services made in consumer transactions, and to define “services” under any consumer contract;
- the creation of new offences on practices such as misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment; and
- an introduction of a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law on 20 June 2013 in preparation for the Listing and is the holding company of our Group.

Over the past years, the shareholdings of some of our subsidiaries have undergone changes, and as a result of which, immediately following the completion of the Reorganisation, our Company was owned entirely by Mr. Cheung KH and Mr. Cheung KK through U Banquet (Cheung's) and the Minority Shareholder. For further details on the changes in the shareholding structure of our operating subsidiaries and our corporate structure, see “— Corporate history of our operating subsidiaries”.

Immediately following the completion of the Capitalisation Issue and the Placing, Mr. Cheung KH and Mr. Cheung KK, will together through U Banquet (Cheung's), control approximately 68.9% and the Minority Shareholder will own 6.1% of the voting rights in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of the options which may be granted under the Share Option Scheme).

OUR BUSINESS DEVELOPMENT

Our history and origin

Co-operation with Ex-Partners

In 2000, Mr. Cheung KH and Mr. Cheung KK of one part, and the Ex-Partners of the other part formed a company for operating a restaurant in Fortress Hill, which signified the commencement of the co-operation (the “**Co-operation**”) between Mr. Cheung KH, Mr. Cheung KK and the Ex-Partners (the “**Parties**”). Under the Co-operation, a chain of restaurants was established across various districts in Hong Kong, some of which later became our Group's restaurants. Over the few years after 2000, four additional restaurants were opened in North Point, Hung Hom, North Point and Tai Po successively in the course of the Co-operation.

In 2006, two additional restaurants were opened in Mong Kok under the Co-operation. At or about the same time, the Parties started to rebrand their image as a Chinese wedding banquet specialist which, apart from serving quality traditional Cantonese cuisine to cater for all-day dining needs, also provided Chinese wedding banquet services in modern and creatively-designed restaurant environment, so as to distinguish their restaurants from other local traditional Chinese restaurants.

In the next three years that follow, three other restaurants were opened in Tsim Sha Tsui, Causeway Bay and Jordan in the course of the Co-operation. In 2009, Choi Fook Group, being the ultimate holding company of the companies carrying out the business and operations of the then restaurants, was owned as to 25% by Mr. Cheung KH, 25% by Mr. Cheung KK and an aggregate of 50% by the Ex-Partners.

Settlement Agreement

In 2009, Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-Partners of the other part went into disputes which had subsequently escalated into three legal proceedings in the same year, and the Co-operation then ceased. All the legal proceedings were finally discontinued with the consent of the Parties. The Parties agreed to split and allocate the restaurants then in operation between them by drawing lots. Pursuant to the Settlement Agreement which, among others, dealt with such allocation of restaurants among the Parties, Mr. Cheung KH and Mr. Cheung KK took up the restaurants respectively located in Mong Kok, Tsim Sha Tsui, Causeway Bay and North Point and the Ex-Partners took up the remaining restaurants respectively located in Tai Po, Hung Hom, Jordan and Fortress Hill (the “**Allocation**”).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Allocation was mainly implemented by way of transfer of the share capital of the relevant company(ies) which operated the restaurant(s) from Choi Fook Group to the relevant Party according to the results of the drawing lots. Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-Partners of the other part expressly acknowledged in the Settlement Agreement that Choi Fook Group owned the eight restaurants respectively located in Tai Po, Hung Hom, Jordan, Fortress Hill, Mong Kok (located on two separate floors of the same commercial building), Tsim Sha Tsui, Causeway Bay and North Point. These eight restaurants were firstly divided into four groups with two restaurants for each group. The Parties were then invited to draw lots to determine the groups of restaurants to be allocated to each of them.

Apart from setting out the mechanism for the allocation of restaurants to the Parties set out above, the Settlement Agreement also contained, inter alia, the following key terms:—

- Choi Fook Group should repay all outstanding bank loans and accrued interests, debts and liabilities due and owing by it and the companies operating the eight restaurants set out above as well as the salaries and severance payments of the staff of Choi Fook Group up to completion of the Allocation;
- Once the result of the drawing lots was known, the relevant Party shall be responsible for all the business and affairs of those restaurants allocated to him, including paying the amounts due from the restaurant to its suppliers, payment of rental and utilities deposit, filing of tax return, payment of salaries and severance payments, if any, to the employees of the restaurant;
- The balance in the bank accounts held by Choi Fook Group and the money kept at the companies operating the eight restaurants set out above after deduction of the loans due to the banks shall be distributed to Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-Partners of the other part in equal shares;
- After the result of the drawing lots was known, the Parties should procure the transfer of the relevant restaurant licence and liquor licence and the transfer of shares and directorship of the respective companies to the relevant Party according to the result of the drawing lots and terminate all personal guarantees in favours of the banks for Choi Fook Group accordingly;
- Upon completion of the Allocation, the Parties shall apply for the discontinuance of all the two ongoing legal proceedings between them and bear their own legal costs;
- After completion of the Allocation, the Parties shall have the right to continue to use the trade name of the relevant restaurant to carry on business. However, the Settlement Agreement was silent as to the distribution of the Choi Fook Trademarks; and
- The Parties shall apply for the winding-up of Choi Fook Group and share the costs incurred thereof as soon as after completion of the Allocation.

Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-Partners of the other part took steps to comply with all the terms of the Settlement Agreement. However, dispute had subsequently arisen related to the distribution of the balance in Choi Fook Group's bank accounts and the money kept at the companies operating the restaurants, which had been escalated to the third legal proceeding between the Parties. This third legal proceeding, which was finally settled by consent of the Parties, had impeded the voluntary winding-up of Choi Fook Group as contemplated in the Settlement Agreement. In light of the above, as at the Latest Practicable Date, all terms and conditions of the Settlement Agreement have been complied with save and except for the winding-up of Choi Fook Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Winding-up proceedings against Choi Fook Group and the stay of the winding-up order

After completion of the Allocation, Choi Fook Group has not carried on any business. Choi Fook Group terminated the services of those employees whose employments were not taken up by any of the eight restaurants. A few ex-employees of Choi Fook Group claimed against Choi Fook Group at the Labour Tribunal due to their disagreements with Choi Fook Group on the calculation of long service payments, paid holidays and payments in lieu of notice of termination payable to them by Choi Fook Group. The Controlling Shareholders advised that the dispute between the Parties, who had together made up the board of directors of Choi Fook Group at that time, hindered the board of directors of Choi Fook Group in handling both the ex-employees' claims to the Labour Tribunal and the subsequent winding-up petition against Choi Fook Group on a timely basis. As a result, a winding-up order was made against Choi Fook Group on 10 March 2010 (the "**Winding-up Order**"). Mr. Cheung KH and Mr. Cheung KK, together with other contributories, injected sufficient fund into Choi Fook Group to pay off all its debts due to its creditors. Upon the application of Mr. Cheung KH and Mr. Cheung KK and two other contributories on 7 August 2012 and on satisfaction that all the then outstanding debts of Choi Fook Group had been duly settled and Choi Fook Group was solvent, an order for stay of the Winding-up Order without imposing any time limit was granted by the court on 27 September 2012. Hence, as at the Latest Practicable Date, the Winding-up Order against Choi Fook Group and all proceedings in relation thereto were effectively stayed and the liquidator appointed pursuant to the Winding-up Order had been duly released and discharged following the stay of the Winding-up Order. Our Company's Legal Advisers opined that once a winding-up against a company is sealed, the court does not have jurisdiction to order a rescission or withdrawal of the Winding-up Order and thus, the contributories can only seek a permanent stay of the winding-up proceedings pursuant to section 209(1) of the Companies Ordinance. Our Company's Legal Advisers opined that as a result of the permanent stay of the Winding-up Order, Choi Fook Group was no longer in liquidation. Our Company's Legal Advisers also opined that once the Winding-up Order has been stayed permanently, the Winding-up Order cannot be reactivated or restored. As at the Latest Practicable Date, Choi Fook Group remained to be owned as to 25% by Mr. Cheung KH, 25% by Mr. Cheung KK and an aggregate of 50% by the Ex-Partners.

Restaurants opened after termination of the Co-operation

In December 2009, we opened a restaurant in Kwun Tong, namely U Banquet (Kwun Tong). It was the first restaurant opened after cessation of the Co-operation.

In 2010, we opened U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), both of which ceased operations in April 2013. For details, see "Business — Our restaurants — Wan Chai operations".

In 2011, we established and promoted our "*U Banquet* (譽宴)" brand and started consolidating and promoting our restaurants under this brand.

During the Track Record Period, all our restaurants were operated under our "*U Banquet* (譽宴)" brand save and except for U Banquet (North Point) which had been operated under the trade name of "*Choi Fook Royal Banquet* (彩福皇宴)" until May 2013. Since May 2013, all our restaurants have been operated under our "*U Banquet* (譽宴)" and "*Hot Pot Cuisine* (涮得棧)" brands.

Our use of the Choi Fook Trademarks

Though the Settlement Agreement was silent as to the distribution of the Choi Fook Trademarks, according to the advice of our Company's Legal Advisers, as it was expressly provided in the Settlement Agreement that Mr. Cheung KH and Mr. Cheung KK can continue to operate the restaurants allocated to them, namely, U Banquet (North Point), U Banquet (Mong Kok)(1), U Banquet (Mong Kok)(2), U Banquet (Tsim Sha Tsui) and U Banquet (Causeway Bay) using their then trade names, we were therefore entitled to use the trade name of "*Choi Fook Royal Banquet* (彩福皇宴)" for these restaurants during the Track Record Period. As for the two restaurants we opened after the date of the Settlement Agreement, i.e. U Banquet (Kwun Tong) which was opened in December 2009 and U Banquet (Wan Chai) which was opened in June 2010, we had used the trade

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

name of “*Choi Fook Royal Banquet* (彩福皇宴)” in order to associate these two new restaurants with the other restaurants operated by us at that time as a chain of restaurants, before we changed their respective trade name to “*U Banquet* (譽宴)” in January 2011. Our use of the trade name of “*Choi Fook Royal Banquet* (彩福皇宴)”, which was registered under the name of Choi Fook Group, for these two restaurants was therefore not covered by the Settlement Agreement.

Notwithstanding the above and the fact that the Choi Fook Trademarks are currently registered under Choi Fook Group, to the best knowledge of our Directors, Choi Fook Group had ceased the use of these Choi Fook Trademarks following the cessation of all of its restaurant business in June 2009. In particular, since then, it has not taken any action to restrain or restrict both our Group and the Ex-Partners in using the Choi Fook Trademarks in all respects. To the best knowledge and belief of Mr. Cheung KH and Mr. Cheung KK who are currently the 50% shareholder of Choi Fook Group and directors of Choi Fook Group and pursuant to the underlying arrangement and spirit of the Settlement Agreement, Choi Fook Group has no intent to resume the use of the Choi Fook Trademarks in restaurant business in the future.

As such, after the date of the Settlement Agreement, both our Group and, to the best knowledge of our Directors, the Ex-Partners had been using the Choi Fook Trademarks for their restaurants concurrently beyond the scope of the Settlement Agreement without any restriction or restraint from Choi Fook Group. As opined by our Company’s Legal Advisers, Choi Fook Group’s exclusive right on the use of the Choi Fook Trademarks set out above shall be deemed to have been lost and thus, our use of the trade name “*Choi Fook Royal Banquet* (彩福皇宴)” from December 2009 to January 2011 for U Banquet (Kwun Tong) and U Banquet (Wan Chai) should not have constituted any infringement of the intellectual property rights of Choi Fook Group. In light of the above, as opined by our Company’s Legal Advisers, we should have complied with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date insofar as our use of our brand name “*U Banquet* (譽宴)” and the trade name of “*Choi Fook Royal Banquet* (彩福皇宴)” is concerned.

Our Company’s Legal Advisers further opined that our use of the trade name “*Choi Fook Royal Banquet* (彩福皇宴)” for the operation of U Banquet (Kung Tong) and U Banquet (Wan Chai) from December 2009 to January 2011 should not be regarded as having infringed the intellectual property rights of Choi Fook Group or the Ex-Partners, including the passing off action of the trademarks of the restaurants operated by them in view of the above reasons, in particular the facts that Choi Fook Group had ceased using the Choi Fook Trademarks since the completion of the Settlement Agreement and we had been using the trade name of “*Choi Fook Royal Banquet* (彩福皇宴)” concurrently with the similar trade name bearing “*Choi Fook* (彩福)” of the Ex-Partners after the date of the Settlement Agreement without any restraint or restriction from Choi Fook Group. Thus, based on (i) the term of the Settlement Agreement which expressly authorised us to use the trade name of “*Choi Fook Royal Banquet* (彩福皇宴)” for U Banquet (North Point), U Banquet (Mong Kok) (1), U Banquet (Mong Kok) (2), U Banquet (Tsim Sha Tsui) and U Banquet (Causeway Bay); (ii) the concurrent use of the relevant Choi Fook Trademarks by our Group and the Ex-Partners which were beyond the scope of the Settlement Agreement without any restriction or interference from Choi Fook Group and the Ex-Partners; and (iii) Choi Fook Group’s cessation of business and the use of the Choi Fook Trademarks following the Settlement Agreement in 2009, our Company’s Legal Advisers opined that our Company will not be subject to any liability as a result of the use of the relevant Choi Fook Trademarks after the Settlement Agreement and up to January 2011.

Despite the aforesaid, Mr. Cheung KH and Mr. Cheung KK, each a Controlling Shareholder and an executive Director, together with U Banquet (Cheung’s), a Controlling Shareholder, have undertaken to indemnify us, on a joint and several basis, against any costs, expenses, claims, liabilities, penalties, loss and damages incurred or suffered by us in respect of any liability which might be payable by us arising from our use of the trade name “*Choi Fook Royal Banquet* (彩福皇宴)” from December 2009 to January 2011.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Establishment of “U Weddings” and “Hot Pot Cuisine (涮得棧)” brands

Our “*U Banquet (譽宴)*” brand denotes that we are committed to integrate innovative ideas into traditional Chinese wedding banquets. By virtue of our experiences in providing innovative and stylish wedding banquet services, we also market ourselves as “*new era wedding expert (新世代婚宴專家)*” to position our brand with our target customers.

In 2010 and 2012, we started providing Wedding Services through U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) under our “*U Weddings*” brand, respectively.

In 2013, we opened two new restaurants in Wong Tai Sin namely, U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant. U Banquet (Wong Tai Sin) is currently the largest restaurant of our Group in terms of gross floor area and can accommodate 70 12-seat banquet-style tables. Hot Pot Cuisine Restaurant, which is under our new “*Hot Pot Cuisine (涮得棧)*” brand, can accommodate 20 12-seat banquet-style tables.

Apart from advertising our wedding banquet services and other Wedding Services in mass media, we also participate in different competitions in culinary and wedding banquets to enhance the acceptability and recognition of our “*U Banquet (譽宴)*” brand in the market. Our Group won the Hong Kong Emerging Service Brand in 2011 and has been awarded the Hong Kong Top Service Brand since 2012 by the Hong Kong Brand Development Council and The Chinese Manufacturers’ Association of Hong Kong.

Besides, our Group also won the 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 three consecutive years from 2011 to 2013. Our Group also won the following prizes of the Best of the Best Culinary Awards 2011 by the Hong Kong Tourism Board and Hong Kong and China Gas Company:

- Gold with Distinction Award — Dim Sum Category,
- King of Shrimp Dumplings, and
- Most Creative Dessert

Mr. Cheung KH and Mr. Cheung KK have led our Group to expand into a chain operation of eight full-service Chinese restaurants as at the Latest Practicable Date. All of them are located in densely populated areas with high number of pedestrian flow, under our “*U Banquet (譽宴)*” and “*Hot Pot Cuisine (涮得棧)*” brands.

Milestones of our Group

The key events of the development of our “*U Banquet (譽宴)*” and “*Hot Pot Cuisine (涮得棧)*” brands are as follows:

- | | |
|---------------|--|
| November 2004 | Opened U Banquet (North Point) under the trade name of “ <i>Superior Choice Restaurant (彩臨門酒家)</i> ”, which was subsequently changed to “ <i>Choi Fook Royal Banquet (彩福皇宴)</i> ” in 2010, and was further changed to “ <i>U Banquet (譽宴)</i> ” in May 2013 |
| April 2006 | <ul style="list-style-type: none">• Opened U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) both under the trade name of “<i>Choi Fook Royal Banquet (彩福皇宴)</i>”, which was subsequently changed to “<i>U Banquet (譽宴)</i>” in January 2011• Rebranded as full-service Chinese restaurants specialised in Chinese wedding banquet services |

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

May 2007	Opened U Banquet (Tsim Sha Tsui) under the trade name of “ <i>Choi Fook Royal Banquet</i> (彩福皇宴)”, which was subsequently changed to “ <i>U Banquet</i> (譽宴)” in January 2011
September 2008	Opened U Banquet (Causeway Bay) under the trade name of “ <i>Choi Fook Royal Banquet</i> (彩福皇宴)”, which was subsequently changed to “ <i>U Banquet</i> (譽宴)” in January 2011
December 2009	Opened U Banquet (Kwun Tong), being the first restaurant opened after the cessation of the Co-operation under the trade name of “ <i>Choi Fook Royal Banquet</i> (彩福皇宴)”, which was subsequently changed to “ <i>U Banquet</i> (譽宴)” in January 2011
June 2010	Opened U Banquet (Wan Chai) under the trade name of “ <i>Choi Fook Royal Banquet</i> (彩福皇宴)”, which was subsequently changed to “ <i>U Banquet</i> (譽宴)” in January 2011, and Choi Fook Club (Wan Chai), both of which ceased business in April 2013
August 2010	Started providing Wedding Services under our “ <i>U Weddings</i> ” brand
April 2013	Opened U Banquet (Wong Tai Sin) under the trade name of “ <i>U Banquet</i> (譽宴)” and Hot Pot Cuisine Restaurant under the trade name of “ <i>Hot Pot Cuisine</i> (涮得棧)”

CORPORATE HISTORY OF OUR OPERATING SUBSIDIARIES

Details of our Group’s major subsidiaries which contributed materially to our results during the Track Record Period are set out below.

Choi Fook Seafood

Choi Fook Seafood was incorporated with limited liability in Hong Kong on 9 January 2002 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. The issued share capital of Choi Fook Seafood was initially owned as to 50% by Mr. Cheung KH and as to 50% by a member of the Ex-Partners. In June 2004, Choi Fook Seafood increased its authorised share capital to HK\$800,000 divided into 800,000 shares of HK\$1 each and allotted 199,999 shares to Mr. Cheung KH, 200,000 shares to Mr. Cheung KK and 399,999 shares to the Ex-Partners in July 2004.

On 14 January 2005, Mr. Cheung KK and the Ex-Partners transferred their entire shares in Choi Fook Seafood to Choi Fook Group, and Mr. Cheung KH transferred 199,999 shares in Choi Fook Seafood to Choi Fook Group. In consideration thereof, each of them was allotted and issued shares in Choi Fook Group in the same proportion as that in Choi Fook Seafood.

Pursuant to the underlying arrangement under the Settlement Agreement, Choi Fook Group should transfer its entire shareholding interest or beneficial interest in each of Choi Fook Seafood, Step Up, Million Talent and Vast Rainbow to Mr. Cheung KH and Mr. Cheung KK, and Choi Fook Group should transfer its entire shareholding in the subsidiaries operating the remaining four restaurants to the Ex-Partners. The consideration was therefore determined on arm’s length basis among the parties. Accordingly, on 19 June 2009, Choi Fook Group transferred its (a) 407,999 shares in Choi Fook Seafood, representing approximately 51.0% interest in Choi Fook Seafood, to Mr. Cheung KH at a nominal consideration of HK\$1; and (b) 392,000 shares in Choi Fook Seafood, representing approximately 49.0% interest in Choi Fook Seafood, to Mr. Cheung KK at a nominal consideration of HK\$1. The transfers were properly and legally completed and settled.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 10 August 2009, each of Mr. Cheung KH and Mr. Cheung KK transferred their respective shareholding interests in Choi Fook Seafood to Choi Fook Holdings for a consideration of HK\$1.

Following the completion of the transfers, Choi Fook Seafood became a wholly-owned subsidiary of Choi Fook Holdings.

Choi Fook Seafood is principally engaged in the operation of U Banquet (North Point).

Step Up

Step Up was incorporated with limited liability in Hong Kong on 2 December 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. The entire issued share capital of Step Up was owned by Mr. Cheung KH initially. On 15 December 2006, the authorised capital of Step Up was increased from HK\$10,000 divided into 10,000 shares of HK\$1 each to HK\$3,000,000 by the addition of 2,990,000 shares of HK\$1 each. Step Up allotted and issued 2,999,999 shares to Choi Fook Group at par value. On 2 January 2008, Mr. Cheung KH transferred his one share in Step Up to Choi Fook Group for a consideration of HK\$1.

Pursuant to the underlying arrangement under the Settlement Agreement as set out above, on 19 June 2009, Choi Fook Group transferred its (a) 1,530,000 shares in Step Up, representing 51% of the issued share capital of Step Up, to Mr. Cheung KH for a nominal consideration of HK\$1; and (b) 1,470,000 shares in Step Up, representing 49% of the issued share capital of Step Up, to Mr. Cheung KK for a nominal consideration of HK\$1. The transfers were properly and legally completed and settled.

On 13 August 2009, each of Mr. Cheung KH and Mr. Cheung KK transferred his respective shareholding interests in Step Up to Choi Fook Holdings for a consideration of HK\$1. The transfers were properly and legally completed and settled.

Following completion of the transfers, Step Up has become a wholly-owned subsidiary of Choi Fook Holdings.

Step Up is principally engaged in the operation of U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2).

Million Talent

Million Talent was incorporated with limited liability in Hong Kong on 4 November 2006 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. The issued share capital of HK\$1 was initially owned by Mr. Cheung KH.

On 12 March 2008, (a) Mr. Cheung KH transferred his one share in Million Talent to Choi Fook Group at a consideration of HK\$1 which was properly and legally completed and settled; and (b) the authorised share capital of Million Talent was then increased from HK\$10,000 divided into 10,000 shares of HK\$1 each to HK\$4,000,000 by the addition of 3,990,000 shares of HK\$1 each. In March 2008, Million Talent allotted and issued 3,999,999 shares to Choi Fook Group at par value.

Pursuant to the underlying arrangement under the Settlement Agreement as set out above, on 19 June 2009, Choi Fook Group transferred its (a) 2,040,000 shares in Million Talent to Mr. Cheung KH for a nominal consideration of HK\$1; and (b) 1,960,000 shares in Million Talent to Mr. Cheung KK for a nominal consideration of HK\$1. On 10 August 2009, Mr. Cheung KH and Mr. Cheung KK transferred their entire shareholding interests in Million Talent to Choi Fook Holdings at a consideration of HK\$1. All of these transfers were properly and legally completed and settled.

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Following the completion of the transfers, Million Talent became a wholly-owned subsidiary of Choi Fook Holdings.

Million Talent is principally engaged in the operation of U Banquet (Tsim Sha Tsui).

Vast Rainbow

Vast Rainbow was incorporated with limited liability in Hong Kong on 16 August 2007 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each initially. The issued share capital of HK\$1 was initially held by Mr. Cheung KH on behalf of Choi Fook Group, Choi Fook Group's ownership in Vast Rainbow was acknowledged by Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-partners of the other part in the Settlement Agreement.

According to the result of drawing lots under the Settlement Agreement, Vast Rainbow, which operated U Banquet (Causeway Bay), was allocated to Mr. Cheung KH and Mr. Cheung KK. As the entire issued share capital had already been issued to Mr. Cheung KH solely since incorporation, pursuant to the underlying arrangement under the Settlement Agreement, Mr. Cheung KH should continue to hold the share issued to him and he no longer hold the share for and on behalf of Choi Fook Group as from 19 June 2009.

On 12 August 2009, the authorised share capital of Vast Rainbow was increased from HK\$10,000 divided into 10,000 shares of HK\$1 each to HK\$5,000,000 by the addition of 4,990,000 shares of HK\$1 each. Vast Rainbow then allotted and issued 4,999,999 shares to Choi Fook Holdings at par value. On 23 August 2013, as part of the Reorganisation, Mr. Cheung KH as trustee transferred his one share in Vast Rainbow to Choi Fook Holdings at nil consideration, and the transfer was properly and legally completed and settled.

Following the completion of the transfer, Vast Rainbow became a wholly-owned subsidiary of Choi Fook Holdings.

Vast Rainbow is principally engaged in the operation of U Banquet (Causeway Bay).

Elite Rainbow

Elite Rainbow was incorporated with limited liability in Hong Kong on 27 March 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each initially. Its entire issued share capital was at first owned as to 51% by Mr. Cheung KH and as to 49% by Mr. Cheung KK.

As part of the Reorganisation, on 2 July 2013, Mr. Cheung KH transferred his entire shareholding interest in Elite Rainbow to Choi Fook Holdings at a consideration of HK\$51 and Mr. Cheung KK transferred his entire shareholding interests in Elite Rainbow to Choi Fook Holdings at a consideration of HK\$49, and these transfers were properly and legally completed and settled. Thus, Elite Rainbow became a wholly-owned subsidiary of Choi Fook Holdings.

Elite Rainbow is principally engaged in the operation of U Banquet (Kwun Tong).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Choi Fook Royal Banquet

Choi Fook Royal Banquet was incorporated with limited liability in Hong Kong on 6 July 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Its entire issued share capital was at first held as to 51% by Mr. Cheung KH and 49% by Mr. Cheung KK. As part of the Reorganisation, on 6 November 2013, Mr. Cheung KH and Mr. Cheung KK transferred their entire shareholding interests in Choi Fook Royal Banquet to Choi Fook Holdings and in consideration thereof, Choi Fook Holdings allotted and issued one consideration share to U Banquet (HK), and these transfers were properly and legally completed and settled. Thus, Choi Fook Royal Banquet became a wholly-owned subsidiary of Choi Fook Holdings.

Choi Fook Royal Banquet is principally engaged in the operations of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant.

Smiling Profit

Smiling Profit was incorporated with limited liability in Hong Kong on 11 December 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Its entire issued share capital was at first owned as to 51% and 49% by Mr. Cheung KH and Mr. Cheung KK, respectively.

As part of the Reorganisation, on 6 November 2013, Mr. Cheung KH and Mr. Cheung KK transferred their entire shareholding interests in Smiling Profit to Choi Fook Holdings and in consideration thereof, Choi Fook Holdings allotted and issued one consideration share to U Banquet (HK), and these transfers were properly and legally completed and settled. Thus, Smiling Profit became a wholly-owned subsidiary of Choi Fook Holdings.

Smiling Profit was principally engaged in the operation of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), both of which ceased business in April 2013.

Choi Fook Holdings

Choi Fook Holdings was incorporated with limited liability in Hong Kong on 25 June 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Its entire issued share capital was owned by Mr. Cheung KH. On 13 July 2009, Choi Fook Holdings allotted and issued 50 and 49 shares to Mr. Cheung KH and Mr. Cheung KK respectively at par value. On 21 August 2009, the authorised share capital of Choi Fook Holdings was increased from HK\$10,000 to HK\$1,000,000 by the addition of 990,000 shares of HK\$1 each. Choi Fook Holdings then allotted and issued 509,949 shares and 489,951 shares to Mr. Cheung KH and Mr. Cheung KK respectively at par value. At this stage, the issued share capital of Choi Fook Holdings was owned as to 51% by Mr. Cheung KH and as to 49% by Mr. Cheung KK.

For the purpose of retaining the key employees to continue to work for our Group after our co-operation with the Ex-Partners had ceased, in September 2009, Mr. Cheung KH transferred an aggregate of 55,000 shares in Choi Fook Holdings to Mr. Fung Wing Kwong (馮榮光), Mr. Ma Wing Tak (馬榮德) and Mr. To Tak Wing, Genness (杜德榮) who were employees of our Group for a nominal consideration of HK\$1.00 each for each transfer. Also in September 2009, for the purpose of retaining the key employees to continue to work for our Group after our co-operation with the Ex-Partners had ceased, Mr. Cheung KK transferred an aggregate of 60,000 shares in Choi Fook Holdings to six transferees, namely Mr. Cheng Chiu Ho (鄭照豪), Ms. Lam Ka Ying (林珈瑩) (currently known as Lam Cheuk Hei, Elki (林倬希)), Mr. Law Chi Man (羅志文), Mr. Suen Chi Keung (孫志強), Mr. Wong Hok Chung (黃學松) and Mr. Wong Kar Leung (黃家良), who were the employees of our Group members for a nominal consideration of HK\$1.00 for each transfer. These

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

transfers were properly and legally completed and settled. Pursuant to each of the transfer agreements entered into between Mr. Cheung KH or Mr. Cheung KK (as the case may be) as transferor and each of the aforesaid employees as transferee, the transferee agreed to, among other things, vote at the general meetings of Choi Fook Holdings according to the instruction of the transferor and transfer back his respective shares in Choi Fook Holdings to the transferor for a nominal value of HK\$1 if his employment with our Group is terminated due to whatever reasons.

During the period between April 2010 and February 2013, the above transferees transferred the aggregate of 115,000 shares in Choi Fook Holdings back to Mr. Cheung KH and Mr. Cheung KK following their cessation of employment with our Group save for two employees, one of them had volunteered to transfer back the Shares to the Controlling Shareholders due to his personal reasons while the other transferred back the Shares to the Controlling Shareholders upon the Controlling Shareholders' requests. These transfers were properly and legally completed and settled. As a result, Choi Fook Holdings was owned as to 51% by Mr. Cheung KH and 49% by Mr. Cheung KK.

On 10 May 2013, 75,000 new shares in Choi Fook Holdings were allotted and issued to the Minority Shareholder pursuant to the Confirmatory Deed entered into between Choi Fook Holdings and the Minority Shareholder. The Minority Shareholder, its shareholder(s) and director(s) are Independent Third Parties.

As part of the Reorganisation, on 6 November 2013, Mr. Cheung KH and Mr. Cheung KK and the Minority Shareholder transferred their respective shareholding interest in Choi Fook Holdings to U Banquet (HK) and in consideration thereof, U Banquet (HK) procured to YuYan (HK) to issue proportionate number of shares in YuYan (HK) to each of Mr. Cheung KH, Mr. Cheung KK and the Minority Shareholder. These transfers were properly and legally completed and settled. Choi Fook Holdings is the immediate holding companies of all our subsidiaries which operate full-service Chinese restaurants in Hong Kong, namely, Elite Rainbow, Smiling Profit, Step Up, Million Talent, Vast Rainbow, Choi Fook Seafood, Choi Fook Royal Banquet and Good Fortress.

U Weddings Studio Ltd

U Weddings Studio Ltd was incorporated with limited liability in Hong Kong on 26 April 2013 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. It is wholly-owned by YuYan Wedding.

On 16 October 2013, U Weddings Studio Ltd as transferee entered into the Asset Transfer Agreement with Billion Treasure as transferor, a company owned as to approximately 53.1% by Mr. Cheung KH and approximately 46.9% by Mr. Cheung KK, which was engaged in the provision of Wedding Services including shooting of wedding photos, rental and sale of wedding gowns and decoration and rental of wedding halls under the trade name of "*U Weddings*" (the "**Business**") and property investment. Pursuant to the Asset Transfer Agreement, Billion Treasure transferred all its tangible and intangible rights, assets and contracts under the Business to U Weddings Studio Ltd for a consideration of HK\$1. In addition, pursuant to the Asset Transfer Agreement, Billion Treasure should surrender the premises where U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) are respectively located to the landlord and terminate the tenancy agreements with the landlord. U Weddings Studio Ltd will thereafter execute a new tenancy agreement in similar terms with these tenancy agreements in respect of the two premises with the landlord. As at the Latest Practicable Date, Billion Treasure and the landlord had executed a surrender agreement. U Weddings Studio Ltd and the landlord had entered into the new tenancy agreement thereof. The Asset Transfer Agreement was completed on 25 November 2013.

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Smart Award

Smart Award was incorporated with limited liability in Hong Kong on 23 April 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. On 22 April 2013, Smart Award increased its authorised share capital to HK\$10,001 divided to 10,001 shares of HK\$1 each and allotted one share to Mr. Cheung KH. It was owned as to 50.005% by Mr. Cheung KH and as to 49.995% by Mr. Yip. On 6 November 2013, as part of the Reorganisation, Mr. Cheung KH transferred his entire 50.005% shareholding interests in Smart Award to Modern Management, which was properly and legally completed and settled. In consideration thereof, Modern Management allotted and issued one new share to YuYan Distribution at the direction of Mr. Cheung KH.

Smart Award is engaged in the distribution and sale of frozen food and high value dried food to local restaurants in Hong Kong.

General Corporation

General Corporation was incorporated with limited liability in Hong Kong on 16 August 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. It was owned as to 50.005% by Mr. Cheung KH and as to 49.995% by Mr. Yip. On 26 July 2013, General Corporation increased its authorised share capital to HK\$10,001 divided to 10,001 shares of HK\$1 each and allotted one share to Mr. Cheung KH. On 6 November 2013, as part of the Reorganisation, Mr. Cheung KH transferred his entire 50.005% shareholding interests in General Corporation to Modern Management, which was properly and legally completed and settled. In consideration thereof, Modern Management allotted and issued one new share to YuYan Distribution at the direction of Mr. Cheung KH.

General Corporation is engaged in the distribution and sale of fresh vegetables and fruits and fresh seafood to mainly local restaurants and other food ingredient suppliers in Hong Kong.

We set out below particulars of all our subsidiaries as at the Latest Practicable Date:

Name of subsidiary	Principal business activities	Date and place of incorporation	Interest attributable to our Group	Authorised share capital	Issued share capital
Choi Fook Seafood	Operation of U Banquet (North Point)	9 January 2002 (Hong Kong)	100%	HK\$800,000 divided into 800,000 shares of HK\$1 each	HK\$800,000 divided into 800,000 shares of HK\$1 each
Step Up	Operation of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	2 December 2005 (Hong Kong)	100%	HK\$3,000,000 divided into 3,000,000 shares of HK\$1 each	HK\$3,000,000 divided into 3,000,000 shares of HK\$1 each
Million Talent	Operation of U Banquet (Tsim Sha Tsui)	4 November 2006 (Hong Kong)	100%	HK\$4,000,000 divided into 4,000,000 shares of HK\$1 each	HK\$4,000,000 divided into 4,000,000 shares of HK\$1 each

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Name of subsidiary	Principal business activities	Date and place of incorporation	Interest attributable to our Group	Authorised share capital	Issued share capital
Vast Rainbow	Operation of U Banquet (Causeway Bay)	16 August 2007 (Hong Kong)	100%	HK\$5,000,000 divided into 5,000,000 shares of HK\$1 each	HK\$5,000,000 divided into 5,000,000 shares of HK\$1 each
Elite Rainbow	Operation of U Banquet (Kwun Tong)	27 March 2009 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$100 divided into 100 shares of HK\$1 each
Choi Fook Royal Banquet	Operation of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant	6 July 2009 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$100 divided into 100 shares of HK\$1 each
Smiling Profit	Operation of U Banquet (Wan Chai) and Choi Fook Club (Wan Chai), both of, which ceased business in April 2013	11 December 2009 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$100 divided into 100 shares of HK\$1 each
Choi Fook Holdings	Investment holding	25 June 2009 (Hong Kong)	100%	HK\$1,100,000 divided into 1,100,000 shares of HK\$1 each	HK\$1,075,003 divided into 1,075,003 shares of HK\$1 each
U Banquet (HK)	Investment holding	18 June 2010 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$100 divided into 100 shares of HK\$1 each
Great Business	Distribution and sale of fixtures and furniture	17 April 2012 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$10,000 divided into 10,000 shares of HK\$1 each
Smart Award	Distribution and sale of frozen food and high value dried food	23 April 2012 (Hong Kong)	50.005% (Note 1)	HK\$10,001 divided into 10,001 shares of HK\$1 each	HK\$10,001 divided into 10,001 shares of HK\$1 each

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Name of subsidiary	Principal business activities	Date and place of incorporation	Interest attributable to our Group	Authorised share capital	Issued share capital
General Corporation	Distribution and sale of fresh vegetables and fruits and fresh seafood	16 August 2012 (Hong Kong)	50.005% (Note 2)	HK\$10,001 divided into 10,001 shares of HK\$1 each	HK\$10,001 divided into 10,001 shares of HK\$1 each
Credit Bonus	Owner of motor vehicle	1 November 2012 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	One share of HK\$1
Good Fortress	Not yet commence business	11 December 2012 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	HK\$100 divided into 100 shares of HK\$1 each
YuYan Distribution	Investment holding	1 March 2013 (BVI)	100%	US\$50,000 divided into 50,000 shares of US\$1 each	One share of US\$1
YuYan (HK)	Investment holding	1 March 2013 (BVI)	100%	US\$50,000 divided into 50,000 shares of US\$1 each	10,000 shares of US\$1
YuYan Trading	Investment holding	1 March 2013 (BVI)	100%	US\$50,000 divided into 50,000 shares of US\$1 each	One share of US\$1
YuYan Wedding	Investment holding	1 March 2013 (BVI)	100%	US\$50,000 divided into 50,000 shares of US\$1 each	One share of US\$1
Modern Management	Investment holding	26 April 2013 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	Four shares of HK\$1
U Weddings Studio Ltd	Studio business	26 April 2013 (Hong Kong)	100%	HK\$10,000 divided into 10,000 shares of HK\$1 each	One share of HK\$1

Note 1: The remaining 49.995% shareholding interests in Smart Award is held by Mr. Yip, an Independent Third Party.

Note 2: The remaining 49.995% shareholding interests in General Corporation is held by Mr. Yip, an Independent Third Party.

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MINORITY SHAREHOLDER

On 10 May 2013, Choi Fook Holdings allotted and issued 75,000 new shares to the Minority Shareholder for a consideration of HK\$75,000. Upon completion of the allotment, Choi Fook Holdings was owned as to 47.44% by Mr. Cheung KH, 45.58% by Mr. Cheung KK and 6.98% by the Minority Shareholder. Details of the above arrangements were set out in the Confirmatory Deed.

The following table sets out a summary of the details of the Minority Shareholder's investment:

Name of Minority Shareholder	Century Great Investments Limited
Date of investment	10 May 2013
Amount of consideration paid	HK\$75,000
Number of shares subscribed	75,000 shares of Choi Fook Holdings
Payment date of the consideration	4 May 2013
Cost per Share paid by the Minority Shareholder	Approximately HK\$0.003
Discount to the Placing Price	Based on the indicative Placing Price range, the investment cost of the Minority Shareholder represents a discount of 99.69% to HK\$1.00 per Share, being the lower end of the indicative Placing Price range, and a discount of 99.74% to HK\$1.20 per Share, being the upper end of the indicative Placing Price range.
Use of proceeds from the investment	The proceeds from the investment have been fully utilised for our Group's general working capital.
Strategic benefits	We aim to leverage the experience and business network of the Minority Shareholder and its associates to reach out to potential investors.
Number of Shares held and shareholding in our Company after the Reorganisation	75,000 Shares, representing approximately 6.98% of the total issued share capital of our Company
Number of Shares held and shareholding in our Company immediately after the Placing and the Capitalisation Issue	24,430,000 Shares, representing approximately 6.1% of the total issued share capital of our Company

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The Minority Shareholder is an investment holding company incorporated under the laws of the BVI and is wholly-owned by Mr. Law, who controls and operates a number of companies which provide a wide range of corporate services including accounting and taxation services, company secretarial services, valuation services and marketing services to corporations in Hong Kong. Other than being our Shareholder, the Minority Shareholder and its ultimate beneficial owner are Independent Third Parties. A company controlled by Mr. Law entered into a consultancy agreement with U Banquet (HK) in January 2013 for the provision of strategic planning consultancy services. Another company controlled by Mr. Law also provides secretarial services to us. Mr. Law is a shareholder and director of Brilliant Norton Securities Company Limited, one of the Joint Lead Managers and Joint Bookrunner. Save as the aforesaid, Mr. Law did not have any other relationship with our Company and/or our Controlling Shareholders or any business transaction with our Company as at the Latest Practicable Date.

The consideration of HK\$75,000 was determined based on the costs of issuing the shares of Choi Fook Holdings, being the paid-up capital of the shares. The issue of 75,000 shares of Choi Fook Holdings to the Minority Shareholder was arrived at after arm's length negotiations between the Minority Shareholder and our Group taking into account the services to be rendered by the Minority Shareholder or its associates to our Group for a term of five full financial years after the Listing, which include, inter alia, reviewing our Group's business operation and development and management policy(ies) from time to time, devising our Group's marketing plan(s), seeking strategic investors for our Group through the connections and business network of the Minority Shareholder and its associates and arranging for regular training for our Directors and members of the senior management (the "Services"). The number of shares issued to the Minority Shareholder was determined with an intention to make the Minority Shareholder become a significant shareholder of our Company immediately after the Reorganisation, the Placing and the Capitalisation Issue, in order to provide the Minority Shareholder sufficient incentive to work towards the objective of adding value to our Shareholders after Listing. If the Minority Shareholder or its associates fails to provide the Services to our Group at any time within five full financial years after the Listing, the Minority Shareholder shall be liable to compensate our Group for all loss and damages resulted from its failure pursuant to the common law rules. These loss and damages should represent an amount which is sufficient to put our Group in the same financial position as if the Minority Shareholder or its associates has fully provided the Services during the term set out in the Confirmatory Deed. The amount of damages would be subject to the ruling of the court. To this end, once we have proved on the balance of probabilities that the Minority Shareholder or its associates has failed or is anticipated to fail to provide the Services to our Group at any time within five full financial years after the Listing, the Minority Shareholder shall be liable to pay to us an amount of damages which shall represent all or part of the fair value of 6.1% of the then share capital of our Company as at Listing (the quantum of which would depend on, among other things, the extent of the breach of the Confirmatory Deed by the Minority Shareholder and the loss we have suffered as a result of the Minority Shareholder's breach, etc), and if the said amount is not sufficient to cover the damages suffered by us and/or the expenditure actually incurred by us in engaging another service provider to provide the Services, the Minority Shareholder shall be liable to compensate us with further amount and such additional expenditure, if any, so as to put us in the same financial position as if the Confirmatory Deed has been fully performed.

No special right is granted to the Minority Shareholder in connection with its investment.

The investment made by the Minority Shareholder is subject to lock-up. The Minority Shareholder has undertaken to our Group that for a period of six months after Listing, it shall not sell, dispose of, nor enter into any agreement to dispose of or otherwise create any interests or encumbrances in respect of any of the Shares which are beneficially owned by it upon the Listing. The Minority Shareholder further undertakes that within the five full financial years after the Listing, it will not, for each year, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any interests or encumbrances for more than 20% of the entire Shares which are beneficially owned by it upon the Listing. The Shares held by the Minority Shareholder will form part of our Company's public float upon Listing.

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The investment constitutes share-based payment according to Hong Kong Financial Reporting Standard 2 (“HKFRS2”).

Under HKFRS2, the fair value of the services received in exchange for the equity shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity shares. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

As our Company is not a listed company which market price is not available, our Company shall estimate the fair value of the equity instruments issued using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm’s length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

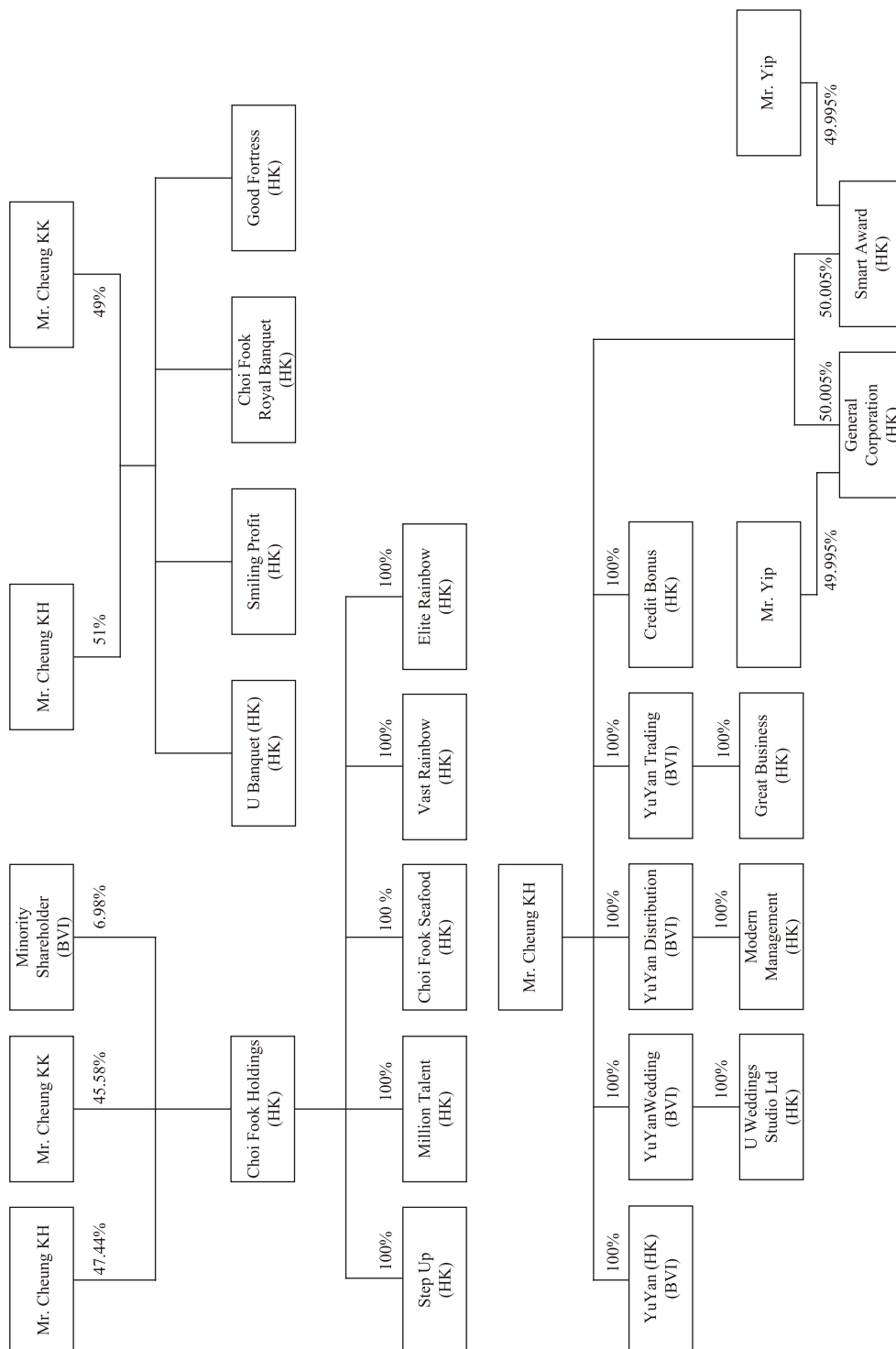
By virtue of the allotment and issue of new Shares to the Minority Shareholder set out above, share-based payment expenses of approximately HK\$3.8 million will be charged to our Group’s consolidated statement of comprehensive income for each of the five full financial years after the Listing.

Our Directors consider the share-based payment as part of our Group’s overall corporate strategic plan which allows us to receive the Services rendered by the Minority Shareholder (or its associates) to us for a fixed period (i.e. five full financial years after the Listing), which include, inter alia, seeking strategic investors for our Group through the connections and business network of the Minority Shareholder and its associates and to align the interest of the Minority Shareholder and the Shareholders without affecting our Company’s immediate cash reserves. Our Directors consider that in view of the experience of Mr. Law in corporate services, the services to be provided by the Minority Shareholder (or its associates), including reviewing our Group’s business operation development policies, devising our Group’s marketing plans and seeking strategic investors, are expected to help expand our Group’s business and to promote our Company among potential investors, which are important to our Company as a newly listed company. Our Directors consider that the issue of Shares provides incentive to the Minority Shareholder to work towards the objective of adding value to our Shareholders. In view of the foregoing, our Directors consider the share-based payment to the Minority Shareholder is in the interest of our Company despite that it will adversely impact our financial performance after Listing.

Given that (i) no special rights have been granted to the Minority Shareholder in respect of its investment; (ii) our Directors confirmed that the terms of the investment by the Minority Shareholder (including the consideration) were determined on arm’s length basis; and (iii) the investment of the Minority Shareholder was completed on 10 May 2013, which is more than 28 clear days before the date of submission of application for the Listing, the Sponsor is of the view that the issue of the Shares to the Minority Shareholder was conducted in a fair and orderly manner and the Minority Shareholder is not exposed to risks significantly different from those assumed by investors investing in the Placing. Therefore, the Sponsor confirms that the Minority Shareholder’s investment is in compliance with the guidance letters HKEx-GL29-12 (January 2012) and HKEx-GL43-12 (October 2012) (Updated in July 2013) issued by the Stock Exchange.

SHAREHOLDING STRUCTURE OF OUR GROUP IMMEDIATELY BEFORE AND AFTER COMPLETION OF THE REORGANISATION, THE PLACING AND THE CAPITALISATION ISSUE

Shareholding structure of our Group immediately before the Reorganisation



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

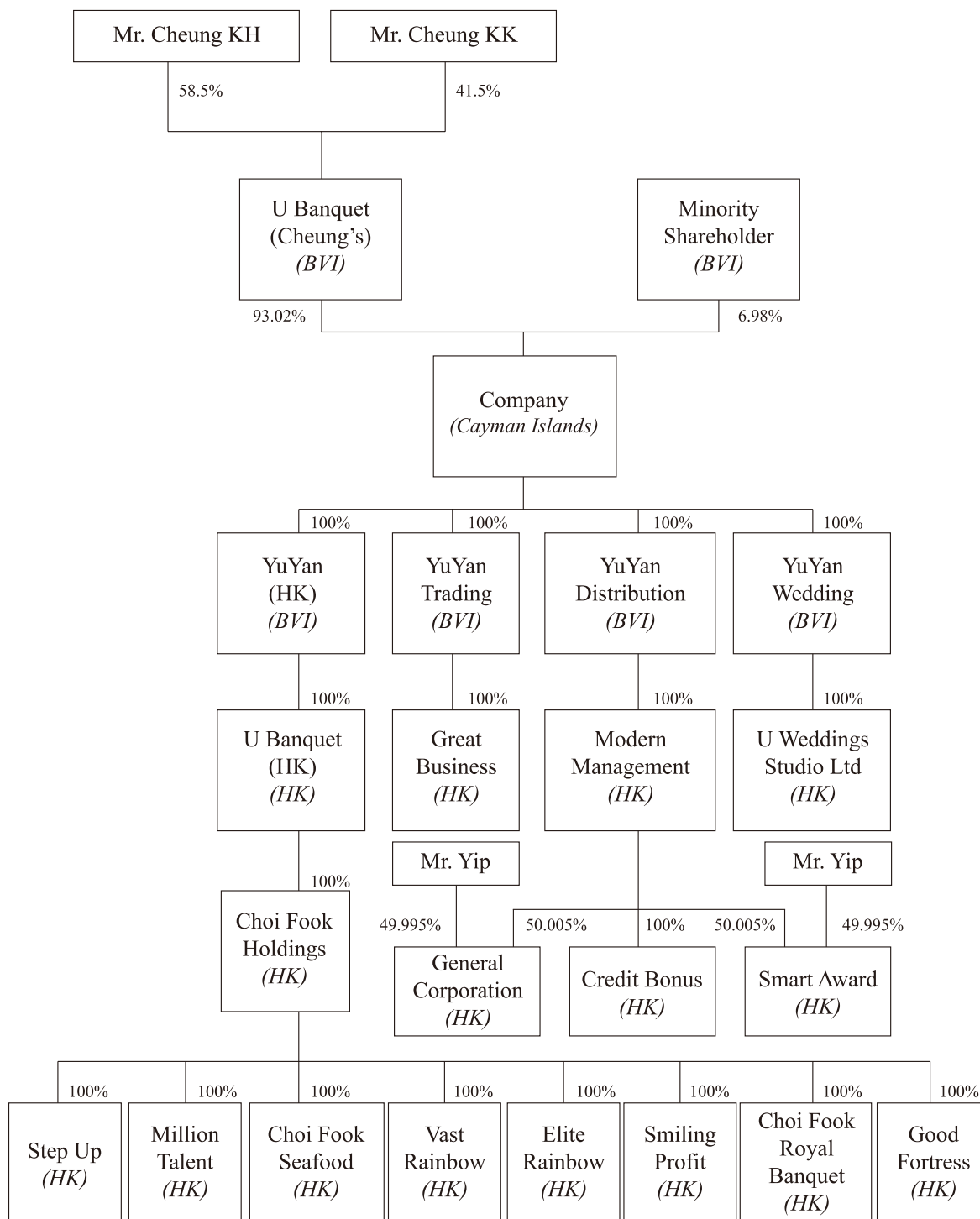
Our Group underwent the Reorganisation in preparation for the Listing. The principal steps involved in the Reorganisation are summarised as follows:

- (a) On 6 November 2013, YuYan (HK) acquired the entire issued share capital of U Banquet (HK) from each of Mr. Cheung KH and Mr. Cheung KK. In consideration thereof, YuYan (HK) allotted and issued 50 consideration shares and 49 consideration shares in YuYan (HK) to Mr. Cheung KH and Mr. Cheung KK, respectively. After such acquisition, U Banquet (HK) became a wholly-owned subsidiary of YuYan (HK) and YuYan (HK) was owned as to 51% by Mr. Cheung KH and 49% by Mr. Cheung KK.
- (b) On 6 November 2013, U Banquet (HK) acquired the entire issued share capital of Choi Fook Holdings from each of Mr. Cheung KH, Mr. Cheung KK and the Minority Shareholder. In consideration thereof, U Banquet (HK) procured YuYan (HK) to issue and allot 4,693 consideration shares to Mr. Cheung KH, 4,509 shares to Mr. Cheung KK and 698 shares to the Minority Shareholder. After such acquisition, Choi Fook Holdings became a wholly-owned subsidiary of U Banquet (HK).
- (c) On 6 November 2013, Choi Fook Holdings acquired the entire issued share capital of each of, Smiling Profit, Choi Fook Royal Banquet and Good Fortress from each of Mr. Cheung KH and Mr. Cheung KK. In consideration thereof, Choi Fook Holdings allotted and issued one consideration share in Choi Fook Holding to U Banquet (HK) for each transfer at the direction of Mr. Cheung KH and Mr. Cheung KK. After such acquisition, each of, Smiling Profit, Choi Fook Royal Banquet and Good Fortress became a wholly-owned subsidiary of Choi Fook Holdings.
- (d) On 6 November 2013, Modern Management acquired 50.005% shareholding interest in each of General Corporation and Smart Award from Mr. Cheung KH. In consideration thereof, Modern Management allotted and issued one consideration share in Modern Management to YuYan Distribution for each acquisition at the direction of Cheung KH. After such acquisition, each of General Corporation and Smart Award was owned as to 50.005% by Modern Management and 49.995% by Mr. Yip.
- (e) On 6 November 2013, Modern Management acquired the entire issued share capital in Credit Bonus from Mr. Cheung KH. In consideration thereof, Modern Management allotted and issued one consideration share in Modern Management to YuYan Distribution at the direction of Mr. Cheung KH. After such acquisition, Credit Bonus became a wholly-owned subsidiary of Modern Management.
- (f) On 20 June 2013, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$100,000,000 divided into 1,000,000,000 Shares with par value of HK\$0.10 each. On the same day, one subscriber share with par value of HK\$0.10 was transferred to Mr. Cheung KH. On 15 November 2013, each of the issued and unissued share of HK\$0.10 each in the share capital of our Company was subdivided into 10 Shares of HK\$0.01 each. Upon completion of the share subdivision, the authorised share capital of our Company was HK\$100,000,000 divided into 10,000,000,000 Shares.
- (g) Pursuant to the reorganisation agreement dated 19 November 2013, our Company acquired the entire issued share capital of each of YuYan Distribution, YuYan Trading and YuYan Wedding from Mr. Cheung KH and the entire issued share capital of YuYan (HK) from Mr. Cheung KH, Mr. Cheung KK and the Minority Shareholder and in consideration of which, our Company allotted and issued 999,990 Shares, credited as fully paid to U Banquet (Cheung's), and 75,000 Shares credited as fully paid to the Minority Shareholder.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding structure of our Group immediately after the Reorganisation but prior to completion of the Placing and the Capitalisation Issue.

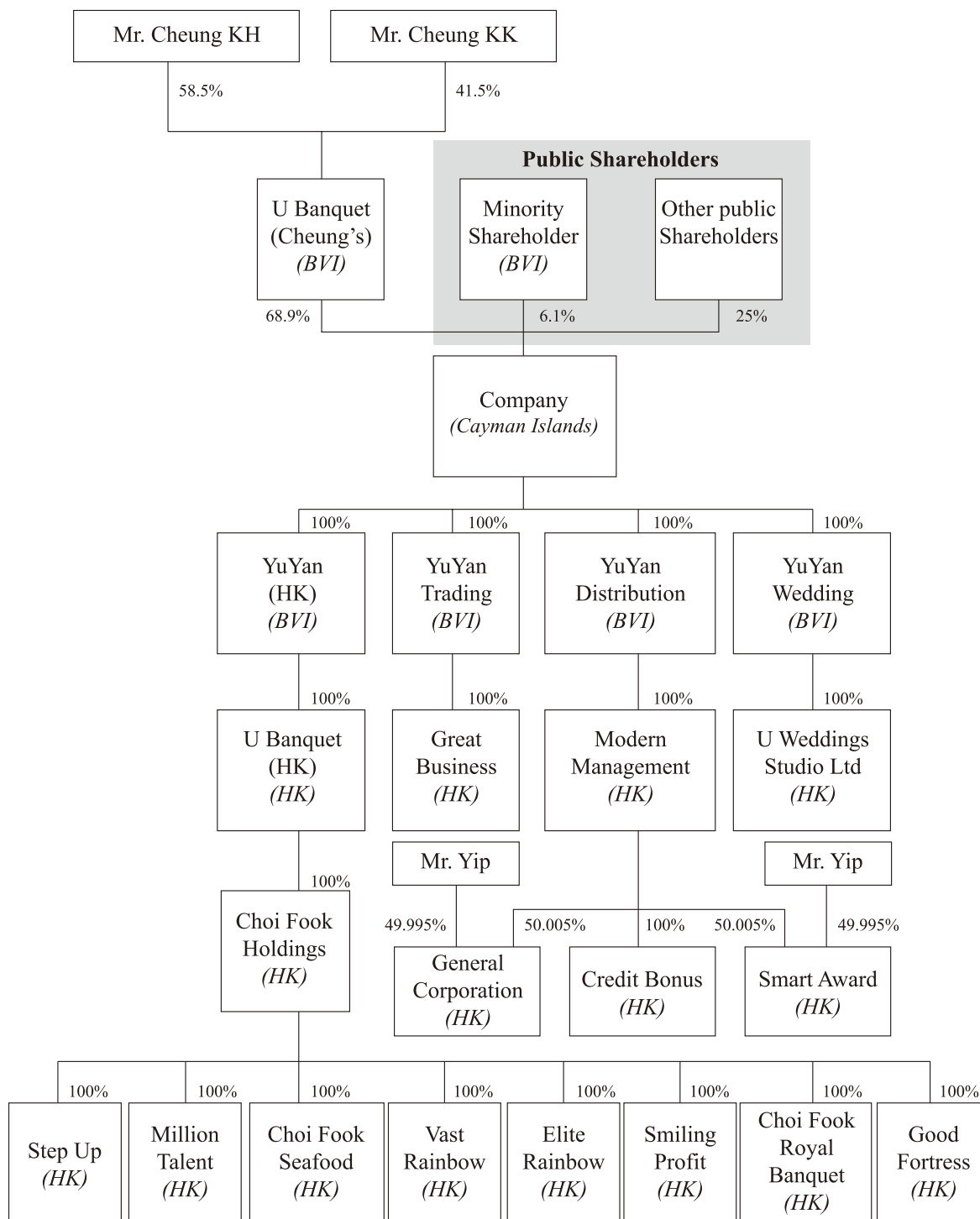
Shareholding structure of our Group immediately after the Reorganisation but prior to completion of the Placing and the Capitalisation Issue



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group after the Reorganisation and immediately following the Placing and the Capitalisation Issue:

Shareholding structure of our Group after the Reorganisation and immediately following the Placing and the Capitalisation Issue



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OVERVIEW

We are a full-service Chinese restaurant chain operator in Hong Kong specialising in the provision of one-stop Chinese wedding banquet services. We have various atmospheric, creatively-designed venues suitable for hosting wedding banquets and events. We are one of the top three Chinese wedding banquet specialists in the wedding banquet market in Hong Kong (including all full-service restaurants, hotels and club houses), in terms of market share by number of wedding banquets, for three consecutive years from 2010 to 2012, according to the Euromonitor Report.

Our business can be classified into two major categories:

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

The history of our restaurant operations dates back to 2000. In 2011, we started consolidating all our then restaurants under our “*U Banquet* (譽宴)” brand. As at the Latest Practicable Date, we operated a total of eight restaurants, seven of which under our “*U Banquet* (譽宴)” brand and one of which under our “*Hot Pot Cuisine* (涮得棧)” brand. We open Hot Pot Cuisine Restaurant under our “*Hot Pot Cuisine* (涮得棧)” brand with the aim to diversify our offerings, attract more customers and broaden revenue streams. To provide one-stop wedding solutions to our customers, we offer Wedding Services through our U Weddings (Wedding Attire Shop) and U Weddings (Wedding Photography Studio) under our “*U Weddings*” brand.

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

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

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

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

COMPETITIVE STRENGTHS

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

Innovative business and management approach in the wedding banquet industry

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

One-stop wedding banquet capabilities

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

Modern management style

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

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High standards of quality control in all food service processes

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

Procurement

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

Food preparation and meal service

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

Customer service at all levels

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

Restaurant environment

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

Strong and experienced senior management team

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

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

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

Our dining services and food

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

Cantonese food and dim sum

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

Hot pot

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

Take-away and pre-packaged food

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

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

Our wedding banquet services

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

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

Our Wedding Services

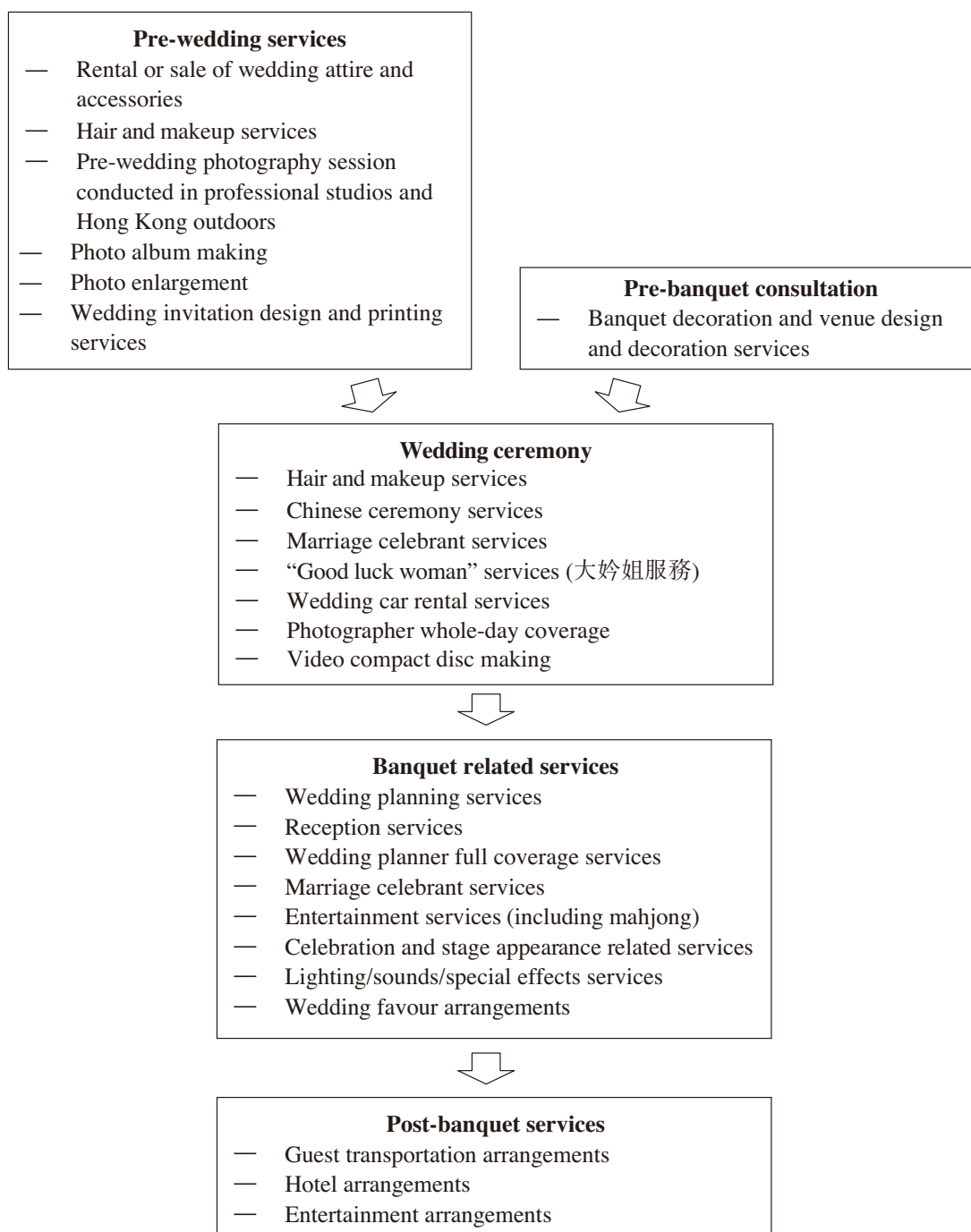
We offer different set wedding packages, each of which is designed to suit the different needs of wedding couples. We include a range of Wedding Services in our wedding packages. We provide wedding attire sales and rentals and hair and makeup services through U Weddings (Wedding Attire Shop) and photography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

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

Workflow

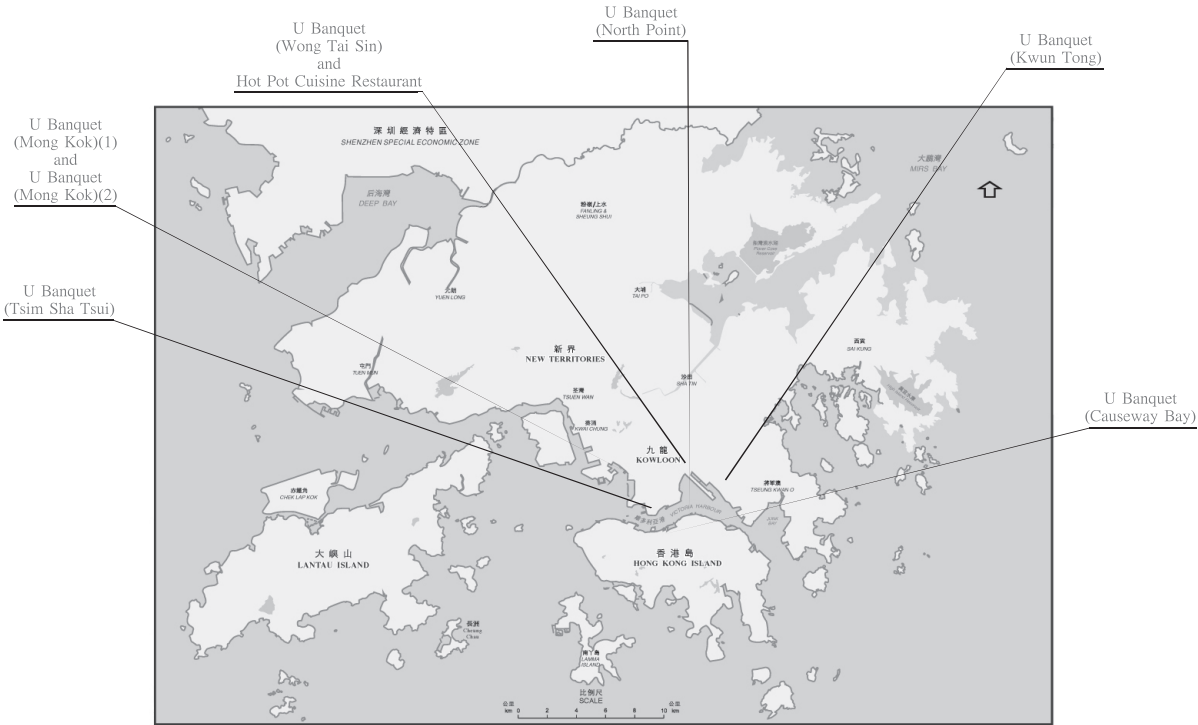
A workflow plan setting out examples of services usually required by our wedding package customers at various stages of a typical wedding process is demonstrated below.



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OUR RESTAURANTS

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



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

Name of restaurant	Brand	Location (district)	Date of commencement of operation	Approximate total gross floor area sq.m.	Maximum seating capacity (Note 1) (seat)	Year ended 31 December			Seven months ended 31 July 2013		Approximate rental expense (Note 16)					
						2011		2012	2011		2012		2011		2012	
						Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	Approximate number of customer visits for wedding banquets (Note 2)	Approximate number of customer visits for non-wedding banquets (Note 2)	HKS'000	HKS'000	HKS'000	HKS'000	
1. U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2)	"U Banquet (饗宴)"	Mong Kok	26 April 2006	1,493.17 (Note 4)	756 (Note 5)	71,688 (Note 6)	439,104 (Note 6)	84,642 (Note 6)	531,400 (Note 6)	37,314 (Note 6)	314,711 (Note 6)	8,994 (Note 12)	8,994 (Note 12)	5,247 (Note 12)		
2. U Banquet (Tsim Sha Tsui)	"U Banquet (饗宴)"	Tsim Sha Tsui	25 May 2007	448.51	288	34,056	156,222	31,656	209,729	19,104	129,642	3,826	3,826	2,232		
3. U Banquet (Kwun Tong)	"U Banquet (饗宴)"	Kwun Tong	17 December 2009	752.93	396	26,328	361,637	31,020	433,960	13,482	257,988	4,934	4,934	2,878		
4. U Banquet (Causeway Bay)	"U Banquet (饗宴)"	Causeway Bay	10 September 2008	1,148.32	456	52,770	236,281	48,282	323,489	28,398	193,776	6,102	6,102	3,559		
5. U Banquet (North Point)	"U Banquet (饗宴)"	North Point	2004 (Note 7)	1,498.63	840	5,448	678,083	7,092	596,725	— (Note 11)	315,090	4,946	4,946	2,885		
6. U Banquet (Wan Chai) (Note 3)	"U Banquet (饗宴)"	Wan Chai	17 June 2010	535.91	240	3,684	238,200	5,250	360,428	1,884	129,501	4,070 (Note 13)	4,070 (Note 13)	1,696 (Note 13)		
7. U Banquet (Wong Tai Sin) and "Hot Pot Cuisine and Hot Pot Cuisine Restaurant (潮得棧)"	"U Banquet (饗宴) and "Hot Pot Cuisine (潮得棧)"	Wong Tai Sin	19 April 2013	2,979.91 (Note 8)	1,080 (Note 9)	—	—	—	—	690 (Note 10)	318,804 (Note 10)	—	—	3,557 (Note 14)		
8. New restaurant	"U Banquet (饗宴)"	Causeway Bay	Expected to be opened in November 2013	793.19	Expected to be 360	—	—	—	—	—	—	—	—	—		

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Notes:

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

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

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

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

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Notes:

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

Existing “U Banquet (饗宴)” restaurants

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

Hot Pot Cuisine Restaurant

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

Wan Chai operations

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

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U Banquet (Wan Chai)

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

Choi Fook Club (Wan Chai)

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

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

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

SALES AND MARKETING

Sales

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

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

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

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

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

Notes:

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

Pricing policy

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

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

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

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

Settlement

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

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

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

Cash management

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

Cash collection and record-keeping

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

Cash reconciliation

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

Cash safe-keeping

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

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Video surveillance

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

Cash in transit

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

Staff training and monitoring policies

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

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

Credit card

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

Contract terms

Wedding banquet service agreement

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

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

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

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

Wedding package agreement

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

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

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Marketing

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

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

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RAW MATERIALS AND PROCUREMENT

Raw materials

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

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

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

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

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

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

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

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

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

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

Procurement

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

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

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

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

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

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

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

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

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

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

SUPPLIERS

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

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

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

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

Credit and payment terms

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

FOOD PREPARATION

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

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

INVENTORY MANAGEMENT

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

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

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

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OPERATIONAL MANAGEMENT

Management and organisational structure

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

Key departments (head office level)

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

Restaurant-level operations

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

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

Shop-level operations

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

Staff hiring, training and monitoring

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

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

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

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RESTAURANT NETWORK EXPANSION

Site selection strategy

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

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

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

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

Restaurant opening procedures

From identification of a potential site to signing of the lease

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

From delivery of the premises to opening of restaurant

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

QUALITY CONTROL

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

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

Food ingredient procurement

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

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

Food preparation and meal service

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

Hygiene and safety

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

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

Customer service

Mystery customer scheme

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

Guest feedback

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

Customer complaints

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

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

Restaurant environment

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

AWARDS AND CERTIFICATIONS

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

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

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

LICENCES AND APPROVALS

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

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

Restaurant

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

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

Club

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

Notes:

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

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

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

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

Matters relating to liquor licences

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

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

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

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Notes:

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

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

PRODUCT DEVELOPMENT

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

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

COMPETITION

Restaurant/food and beverages serving industry

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

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

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

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

Wedding services industry

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

INSURANCE

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

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

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PROPERTY

Overview of property interests

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

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

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

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

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

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Leased properties

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

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

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Notes:

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

INTELLECTUAL PROPERTY RIGHTS

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



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

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

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

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

LEGAL PROCEEDING

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

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

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

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

NON-COMPLIANCE

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

Non-compliance relating to our Group’s operation

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

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

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

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

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

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

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Notes:

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

Non-compliance with the Companies Ordinance

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

Section 57B of the Companies Ordinance

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

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

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

Section 111 of the Companies Ordinance

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

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

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

Section 114 of the Companies Ordinance

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

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Section 114A of the Companies Ordinance

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

Section 122 of the Companies Ordinance

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

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

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

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

Section 129D of the Companies Ordinance

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

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

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

Late filing of statutory documents in breach of Companies Ordinance

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

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

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

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

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

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Reasons for non-compliance with the Companies Ordinance

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

Upon identification of the aforesaid instances of non-compliance and irregularities, our Group has taken steps to rectify the same where possible. Regarding the non-compliance with sections 111 and 122 of the Companies Ordinance, orders were granted by the Court of First Instance of the High Court of Hong Kong to fully rectify such non-compliances as specified above. Therefore, the relevant subsidiaries are no longer be in breach of sections 111 and 122 of the Companies Ordinance. As opined by our Company's Legal Advisers, according to their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance. As at the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then or current directors of our subsidiaries, nor has any of them been subject to any fine relating to the non-compliance. Besides, section 351A of the Companies Ordinance provides that an offence under the Companies Ordinance may be prosecuted only if the prosecution is initiated (amongst others) within three years after the commission of the offence. Therefore, instances of non-compliance committed in 2009 or earlier are time-barred for prosecution. Based on the aforesaid, we did not make provision in our financial statements with respect to the above non-compliance incidents.

Internal control measures

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

Indemnity by Controlling Shareholders

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

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Views of our Company's Legal Advisers

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

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

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

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

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

Non-compliance relating to Companies Ordinance

The non-compliances in relation to sections 111 and 122 of the Companies Ordinance have been fully rectified when the Court of First Instance of the High Court of Hong Kong granted the relevant court orders pursuant to these sections, respectively. Our Company's Legal Advisers have opined that (i) the non-compliances in relation to sections 57B and 114A and 129D of the Companies Ordinance had been duly rectified as at the Latest Practicable Date as the resolutions related to the non-compliances had been subsequently approved and ratified by the shareholders of the relevant companies and are therefore binding on the companies; (ii) offences, if any, related to the non-compliance committed in 2009 or earlier are time-barred for prosecution pursuant to section 351A of the Companies Ordinance; and (iii) based on their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance.

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

Views of the Sponsor

Having considered (i) the opinion of our Company's Legal Advisers that the likelihood of our Group being penalised for, or any regulatory action on, the non-compliance incidents relating to general restaurant licence and water pollution control licence mentioned above by the relevant regulatory departments is remote; (ii) that the fines imposed on our Group in respect of all non-compliance incidents relating to our Group's operation during the Track Record Period were insignificant and that we have fully settled the amounts; (iii) that court orders were granted to rectify all relevant instances of non-compliances with the Companies Ordinance where applicable; (iv) the opinion of our Company's Legal Advisers that according to their experience, the Registrar of Companies in Hong Kong may not prosecute all cases of non-compliance with the Companies Ordinance; (v) that as at the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then or current directors of our subsidiaries, nor has any of them been subject to any fine relating to the non-compliance instances; (vi) that instances of non-compliance committed in 2009 or earlier are time-barred; (vii) that our Group's non-compliance incidents did not have any material adverse impact on our business operation during the Track Record Period; (viii) that the cases of non-compliance have been rectified (where capable of being rectified as discussed in this section above) prior to Listing and our Group has implemented adequate and effective internal control measures as discussed in "— Internal Control"; and (ix) that each of the Controlling Shareholders has agreed to indemnify our Group (for details, see "— Non-compliance — Indemnity by Controlling Shareholders"), the Sponsor considers that the cases of non-compliance individually and collectively are immaterial and are not expected to have any material adverse impact on our Group and our Directors.

INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

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

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

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

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Views of our Directors and the Sponsor

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

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

CONTINUING CONNECTED TRANSACTIONS

The following ongoing connected transactions of our Group will constitute continuing connected transactions (as defined under Chapter 20 of the GEM Listing Rules) of our Company upon the Listing:

- (i) the Lease Agreement between Billion Treasure and Choi Fook Holdings for the leasing of the Leased Property located at Unit E2 on the 28th Floor of Block 1 and Unit F on the 28th Floor of Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong;
- (ii) the Stationery Supply Agreement between Ka Ho Educational Paper and Choi Fook Holdings for the provision of stationery to our Group; and
- (iii) the Cleaning and Sanitary Materials Supply Agreement between Tai Cheong Hong and Choi Fook Holdings for the provision of cleaning and sanitary materials to our Group.

Relationship between our Group and the connected persons

Billion Treasure is a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to approximately 53.1% by Mr. Cheung KH and approximately 46.9% by Mr. Cheung KK, each of whom a Controlling Shareholder and executive Director. Billion Treasure is principally engaged in property investment in Hong Kong and the provision of Wedding Services under the trade name of “*U Weddings*” prior to 25 November 2013, being the completion date of the Asset Transfer Agreement.

Ka Ho Educational Paper is a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 50% by Mr. Lam Tsz Fung and 50% by Ms. Lam Hoi Yee, Candice, the brother-in-law and sister-in-law of Mr. Cheung KH, respectively. Ka Ho Educational Paper is principally engaged in the sale of stationery.

Tai Cheong Hong is a sole proprietorship set up in Hong Kong which is run by Mr. Cheung KK, being one of our Controlling Shareholders and executive Director. Tai Cheong Hong is principally engaged in the sale of cleaning and sanitary materials.

Continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements

We have entered into the following agreements or transactions with connected persons of our Company which was made on normal commercial terms where each of the relevant percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) calculated for the purpose of Chapter 20 of the GEM Listing Rules are less than 5% and the annual consideration is less than HK\$1,000,000. By virtue of Rule 20.33(3) of the GEM Listing Rules, such transactions are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

1. *The Lease Agreement*

On 1 July 2013, Choi Fook Holdings as tenant and Billion Treasure as landlord entered into the Lease Agreement for the leasing of the Leased Property located at Unit E2 on the 28th Floor of Block 1 and Unit F on the 28th Floor of Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong for a term of 3 years from 1 July 2013 to 30 June 2016 at a monthly rent of HK\$35,000 exclusive of rate and management fee.

CONTINUING CONNECTED TRANSACTIONS

At any time during the Lease Agreement, either party may give the other not less than three months' prior written notice to terminate the agreement. Choi Fook Holdings has the option to renew the Lease Agreement for a further term of three years at a rent to be determined based on the then prevailing market rate.

The monthly rental of HK\$35,000 was determined after arm length's negotiations between the parties with reference to the then prevailing rates for similar properties in the vicinity as well as costs and time saved in identifying a third party lessor/lessee. The rental rate is less than the market rental value of the Leased Property as at 30 June 2013, according to a valuation report issued by Norton Appraisals Limited, our independent property valuer.

Our Group paid HK\$840,000 and HK\$660,000 to Billion Treasure for the lease of the Leased Property and another property located at Units E1 and F on the 28th Floor of Block 1, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong for each of the two years ended 31 December 2012, respectively. We ceased leasing the latter property from Billion Treasure since July 2012. We will use the Leased Property as the head office of our Group. We paid HK\$275,000 to Billion Treasure for the lease of the Leased Property for the seven months ended 31 July 2013.

The lease of the Leased Property will continue after Listing for the term of the Leased Agreement. It is proposed that the annual caps for the rental payable under the Lease Agreement will be HK\$450,000, HK\$420,000 and HK\$420,000 for each of the three years ending 31 December 2013, 2014 and 2015, respectively. The annual caps were arrived at with reference to the actual rental payable under the Lease Agreement.

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transaction contemplated under the Lease Agreement is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000, the transaction is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

2. *The Stationery Supply Agreement*

On 30 October 2013, Choi Fook Holdings as purchaser and Ka Ho Educational Paper as supplier entered into the Stationery Supply Agreement, pursuant to which Ka Ho Educational Paper agreed to supply stationery to our Group for a period of three years from 30 October 2013 to 29 October 2016 (both days inclusive). The Stationery Supply Agreement does not specify the minimum amount of purchase at which our Group has to purchase the products from Ka Ho Educational Paper each year.

Pursuant to the Stationery Supply Agreement, Ka Ho Educational Paper agreed to sell to us stationery for the use and consumption of our Group during its term at prices and on other terms and conditions no less favourable than those offered by Ka Ho Educational Paper at or about the same time to any other independent third parties of comparable quantities of the products in comparable market circumstances.

Our Group paid a total purchase price of approximately HK\$288,000, HK\$264,000 and HK\$238,000 to Ka Ho Educational Paper for stationery for the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively. The purchases of stationery from Ka Ho Educational Paper will continue after the Listing for the term of the Stationery Supply Agreement. It is proposed that the annual caps for the supply of stationery under the Stationery Supply Agreement will be approximately HK\$460,000, HK\$530,000 and HK\$610,000 for each of the three years ending 31 December 2013, 2014 and 2015, respectively. The annual caps were determined by our Directors with reference to (i) the historical transaction amounts for the purchase of stationery from

CONTINUING CONNECTED TRANSACTIONS

Ka Ho Educational Paper for the two years ended 31 December 2012 and the seven months ended 31 July 2013; (ii) the future expansion of our Group's restaurant business which is expected to result in the increase in the consumption of stationery; and (iii) the expected increase in the prices of products during the three years ending 31 December 2015.

Our Group has occupied and used the Leased Property as our head office during the Track Record Period. The entering into of the Lease Agreement allows us to maintain the stable operation of our Group. Ka Ho Educational Paper had been supplying stationery to our Group during the Track Record Period. The entering into of the Stationery Supply Agreement allows our Group to obtain long term stable supply of stationery for its operation. Our Directors are of the view that each of the Lease Agreement and the Stationery Supply Agreement has been entered into in the ordinary and usual course of business of our Group and on normal commercial terms, fair and reasonable and in the interests of our Company and Shareholders as a whole.

Continuing connected transaction exempt from independent shareholders' approval requirement but subject to annual review, reporting and announcement requirements

We have entered into the following agreement or transaction with a connected person of our Company which will be exempt from independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Rule 20.34 of the GEM Listing Rules.

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Cleaning and Sanitary Materials Supply Agreement is on an annual basis more than 5% but less than 25% and the annual consideration is expected to be less than HK\$10,000,000, the transactions are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Cleaning and Sanitary Materials Supply Agreement

On 30 October 2013, Choi Fook Holdings as purchaser and Tai Cheong Hong as supplier entered into the Cleaning and Sanitary Materials Supply Agreement, pursuant to which Tai Cheong Hong agreed to supply cleaning and sanitary materials to our Group for a period of three years from 30 October 2013 to 29 October 2016 (both days inclusive). The cleaning and sanitary materials are supplied to us for our own consumption in connection with our restaurant business. The Cleaning and Sanitary Materials Supply Agreement does not specify the minimum amount of purchase at which our Group has to purchase the products from Tai Cheong Hong each year.

Pursuant to the Cleaning and Sanitary Materials Supply Agreement, Tai Cheong Hong agreed to sell to us cleaning and sanitary materials for the use and consumption of our Group during its term at prices and on other terms and conditions no less favourable than those offered by Tai Cheong Hong at or about the same time to any other independent third parties of comparable quantities of the products in comparable market circumstances. Tai Cheong Hong shall be entitled to charge interest on the outstanding amount of any sums owing by us at the rate of 5% from time to time from the date of payment become due until actual payment in full. Tai Cheong Hong shall replace any products which are not in a condition reasonably satisfactory to us on delivery to us. Payment will be made by us within 30 days of Tai Cheong Hong issuing an invoice in respect thereof, but in any event no later than 30 days after delivery.

Our Group paid a total purchase price of approximately HK\$945,000, HK\$1,020,000 and HK\$713,000 to Tai Cheong Hong for the cleaning and sanitary materials for the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively.

CONTINUING CONNECTED TRANSACTIONS

The purchase of cleaning and sanitary materials from Tai Cheong Hong will continue after the Listing for the term of the Cleaning and Sanitary Materials Supply Agreement. It is proposed that the annual caps for the supply of cleaning and sanitary materials under the Cleaning and Sanitary Materials Supply Agreement will be HK\$1.47 million, HK\$1.74 million and HK\$2.09 million for each of the three years ending 31 December 2013, 2014 and 2015, respectively. The annual caps were determined by our Directors with reference to (i) the historical transaction amounts for the purchase of cleaning and sanitary materials from Tai Cheong Hong of approximately HK\$945,000, HK\$1,020,000 and HK\$713,000 for the two years ended 31 December 2012 and the seven months ended 31 July 2013, respectively; (ii) the plan of opening one more new restaurant in November 2013 and one new restaurant in each of 2014 and 2015 which are expected to result in the increase in the consumption of cleaning and sanitary materials estimated based on the historical amount of usage of existing restaurants of similar gross floor area and location; and (iii) the expected increase in the prices of products during the three years ending 31 December 2015 with reference to an inflation rate of 5% per annum.

Tai Cheong Hong had been supplying cleaning and sanitary materials to our Group during the Track Record Period for our Group's restaurant operation. The entering into of the Cleaning and Sanitary Materials Supply Agreement allows us to obtain long term stable supply of cleaning and sanitary materials for our restaurant operation. Our Directors are of the view that the Cleaning and Sanitary Materials Supply Agreement has been entered into in the ordinary and usual course of business of our Group and on normal commercial terms, fair and reasonable and in the interest of our Company and our Shareholders as a whole.

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profits ratio) with respect to the transactions contemplated under the Cleaning and Sanitary Materials Supply Agreement is on an annual basis more than 5% but less than 25% and the annual consideration is expected to be less than HK\$10,000,000, the transactions are exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Waiver from compliance with the GEM Listing Rules

Under the GEM Listing Rules, the continuing connected transaction carried out under the Cleaning and Sanitary Materials Supply Agreement would require compliance with the annual review, reporting and announcement requirements set out in Chapter 20 of the GEM Listing Rules. Given its recurrent nature and the fact that the Cleaning and Sanitary Materials Supply Agreement was entered into prior to the Listing Date, our Directors consider that compliance with the announcement requirement would be impracticable and would add unnecessary administrative costs to us. Accordingly, we, pursuant to Rule 20.42(3) of the GEM Listing Rules, has applied for, and the Stock Exchange has granted us, a waiver with respect to the continuing connected transaction contemplated under the Cleaning and Sanitary Materials Supply Agreement from announcement requirement of Chapter 20 of the GEM Listing Rules.

Confirmation from our Directors and the Sponsor

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms. The terms and conditions of each of the Lease Agreement, the Stationery Supply Agreement and the Cleaning and Sanitary Materials Supply Agreement (including their respective annual caps for each of the three years ending 31 December 2013, 2014 and 2015) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Sponsor confirms that the continuing connected transaction contemplated under the Cleaning and Sanitary Materials Supply Agreement for which waiver is sought has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and the terms of the transaction, including the proposed annual caps for the three years ending 31 December 2013, 2014 and 2015 are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth information regarding our Directors:

Name	Age	Position	Date of appointment as Director	Roles and responsibilities in our Group	Relationship
Mr. Cheung Ka Ho (張家豪) (alias Cheung Tze Ho (張梓豪)) (Note)	41	Chairman, chief executive officer and executive Director	20 June 2013	Responsible for the overall management, financial control, strategic planning, business expansion planning; and serving as the chairman of our nomination committee and a member of our remuneration committee	Younger brother of Mr. Cheung Ka Kei
Mr. Cheung Ka Kei (張家驥)	44	Executive Director	31 July 2013	Responsible for the daily operations of our restaurants	Elder brother of Mr. Cheung Ka Ho
Mr. Kan Yiu Pong (簡耀邦)	33	Executive Director	31 July 2013	Responsible for the management of financial and administrative affairs of our operations	—
Mr. Chung Kong Mo (鍾港武) ^{JP}	39	Independent non-executive Director	19 November 2013	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operations; and serving as a member of our audit committee and nomination committee	—
Ms. Wong Tsip Yue, Pauline (王婕妤)	44	Independent non-executive Director	19 November 2013	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operations; and serving as a member of our audit committee, remuneration committee and nomination committee	—
Mr. Wong Sui Chi (黃瑞熾)	45	Independent non-executive Director	19 November 2013	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operations; and serving as the chairman of our audit committee and remuneration committee	—

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Mr. Cheung Ka Ho (張家豪) (alias Cheung Tze Ho (張梓豪)), aged 41, is one of the founders of our Group, the chairman of our Board, our chief executive officer and an executive Director. He is also the chairman of our nomination committee and a member of our remuneration committee. He is responsible for the overall management, financial control, strategic planning, business expansion planning and brand building since our establishment. Mr. Cheung KH is an accomplished restaurateur who has over 10 years of experience in the Chinese restaurant industry and specialises in the wedding services industry. Mr. Cheung KH is a Controlling Shareholder, a director and a shareholder of U Banquet (Cheung's) (a Controlling Shareholder) and the brother of Mr. Cheung KK. Mr. Cheung KH is a director of all the subsidiaries of our Company in our Group.

In 2000, Mr. Cheung KH and Mr. Cheung KK took part in establishing a restaurant chain with the Ex-Partners (the “**Previous Restaurant Chain**”). During the period from 2000 to 2009, a number of restaurants were established under the Previous Restaurant Chain. During such period, Mr. Cheung KH was involved in the strategic development and daily operations of the Previous Restaurant Chain. The co-operation with the Ex-Partners ceased in 2009. Some restaurants came under the operation of our Group (namely U Banquet (Mong Kok) (1), U Banquet Mong Kok (2), U Banquet (Tsim Sha Tsui), U Banquet (Causeway Bay) and U Banquet (North Point)) and the Ex-Partners took up the remaining restaurants. Since 2009, Mr. Cheung KH, together with Mr. Cheung KK, established another four restaurants (namely U Banquet (Kwun Tong), U Banquet (Wan Chai) (which ceased operations in April 2013, U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant) in our Group (collectively, the “**Restaurants**”). In 2010, Mr. Cheung KH continued to lead the expansion of the business of our Group by establishing one wedding attire shop and one wedding photography studio. Through Mr. Cheung KH's involvement in the establishment of our Group's restaurants and in the expansion of our business, Mr. Cheung KH has developed a solid track record of leadership and management capabilities, particularly in the area of strategic business development, operational management, brand development and staff management. Further, Mr. Cheung KH completed the 5-S lead auditor (blue-belt) management training and passed the 5-S certification manual drafting with distinction in August 2008.

Mr. Cheung KH is involved in a number of social welfare work which has helped to build the reputation of our Group to be a socially responsible enterprise in the local communities, including: the chief supervisor of Hong Kong Road Safety Patrol from April 2006 to March 2007; the committee member of the committee for the Home Affairs Department, Yau Tsim Mong District Office from April 2012 to March 2014; a committee member of the television and radio consultation division of the Television and Entertainment Licensing Authority from January 2012 to December 2013; the Junior Police Call Honorary President for the Mong Kok District since January 2013; the senior assistant commissioner of Hong Kong Road Safety Patrol from April 2012 to March 2013; a member of the Barrier Free Accessibility Technical Committee by the Governing Council of the HKQAA from April 2013 to March 2015; and the honorary chairman of the Fire Safety Spokesman in Yau Tsim Mong District from 2012 to 2014.

Mr. Cheung KH has also been granted with a number of awards in relation to his contribution to local communities and sponsorship in charity events, including a gold award for 200 hours of volunteering service to the community in 2008 awarded by Volunteer Movement; the award for promoting education for his financial donation for the scholarship to the Hong Kong Road Safety Patrol in July 2012; and honorary award for distributing rice to the local community through the Yaumatai Kai Fong Welfare Association in January 2012.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Winding-up Order against Choi Fook Group of which Mr. Cheung KH and Mr. Cheung KK are two of the four directors

Under Rule 17.50(2)(1) of the GEM Listing Rules, a director must disclose his directorship in any company which has been dissolved or put into liquidation (otherwise than by a member's voluntary winding-up when the company, in the case of a Hong Kong company, was solvent) or bankruptcy or been the subject of an analogous proceeding during the period when he was one of its directors or within 12 months after his ceasing to act as one of its directors. Mr. Cheung KH and Mr. Cheung KK were and are the directors of Choi Fook Group.

Prior to the entering into of the Settlement Agreement in 2009, Choi Fook Group was the then holding company of approximately 100%, 100% and 100% of interests in Step Up, Million Talent and Choi Fook Seafood, respectively, for carrying out the business and operation of restaurants (collectively, the "CFG Subsidiaries"). After the execution of the Settlement Agreement, Choi Fook Group had transferred its entire interest in the CFG Subsidiaries to those companies wholly-owned by Mr. Cheung KH and Mr. Cheung KK. Since then, it has not carried out any business apart from the holding of the Choi Fook Trademarks. Mr. Cheung KH and Mr. Cheung KK continued to be directors of Choi Fook Group after execution of the Settlement Agreement as they want to ensure that their interest in Choi Fook Group will be protected. The Winding-up Order was made against Choi Fook Group on 10 March 2010 upon a petition filed by one of its ex-employees to the court on 6 January 2010 for the outstanding unpaid salaries due from Choi Fook Group to the employees for the sum of approximately HK\$847,362.22. Upon the application of, among others, Mr. Cheung KH and Mr. Cheung KK on 7 August 2012 pursuant to section 209 of the Companies Ordinance, the application for the stay of the Winding-up Order was granted by a court order on 27 September 2012. As confirmed by Mr. Cheung KH and Mr. Cheung KK, after settlement of the entire debts before the application for stay of the Winding-up Order could be made, Choi Fook Group has become a solvent company.

Our Company's Legal Advisers advised that once a winding-up order has been made against a company, it cannot be rescinded. Our Company's Legal Advisers further advised that although the Winding-up Order cannot be rescinded, pursuant to the court order granting the application for stay, all proceedings related to the winding-up ought to be stayed and, therefore, Choi Fook Group is no longer bound by any proceedings related to the winding-up such as appointment of a liquidator and continues to subsist without being dissolved. For details, see "History, Reorganisation and Corporate Structure — Our business development — Our history and origin — Winding-up proceedings against Choi Fook Group and the stay of the winding-up order".

Our Directors are of the view that as the Winding-up Order did not involve any company in our Group and that the winding-up proceedings did not involve any personal acts of Mr. Cheung KH and Mr. Cheung KK and, based on the advice of our Company's Legal Advisers, the Winding-up Order which has been stayed, will not affect the business and operations of our Group.

Mr. Cheung Ka Kei (張家驥), aged 44, is one of the founders of our Group and an executive Director. He is responsible for the daily operations of our restaurants and is involved in the decision making process to make key decisions for our Group. Mr. Cheung KK has over 10 years of experience in the restaurant industry. Mr. Cheung KK is a Controlling Shareholder, a director and a shareholder of U Banquet (Cheung's) (a Controlling Shareholder) and the brother of Mr. Cheung KH. Mr. Cheung KK is also a director of the following companies in our Group: Choi Fook Holdings, Elite Rainbow, Smiling Profit, Step Up, Million Talent, Vast Rainbow, Choi Fook Seafood, Choi Fook Royal Banquet and Good Fortress.

Mr. Cheung KK started his career in the restaurant industry in 2000 when he, together with Mr. Cheung KH, took part in establishing the Previous Restaurant Chain. During the period from 2000 to 2009. During such period, Mr. Cheung KK was involved in the business development and marketing matters of the Previous Restaurant Chain. Since 2009, Mr. Cheung KK, together with, Mr. Cheung KH established the Restaurants. For details, see "— Directors — Executive Directors — Mr. Cheung Ka Ho".

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Kan Yiu Pong (簡耀邦), aged 33, is an executive Director. He is responsible for the management of the financial and administrative affairs of our operations. He joined our Group on 16 September 2008 as deputy manager of Choi Fook Group. Mr. Kan has over 10 years of experience in the accounting and finance field. Before joining our Group, from March 2001 to April 2005, he worked at Triangle Motors Ltd. as an accounts clerk. From June 2005 to February 2007, he was the accounting supervisor and was subsequently promoted to assistant manager from March 2007 to January 2008 at A&H Taiping Ltd.. Further, Mr. Kan completed the 5-S lead auditor (green-belt) management training and passed the 5-S certification manual drafting with distinction in July 2012. Mr. Kan obtained a one-year certificate in business accounting from the Hong Kong Christian Service — Kwun Tong Vocational Training Centre in July 1999 and a one-year advanced certificate in accountancy from the Hong Kong Christian Service — Kwun Tong Vocational Training Centre in July 2000. He further obtained the awarded certificates from the London Chamber of Commerce and Industry Examination Board in different levels of accounting examinations in 1999 and 2000.

Independent non-executive Directors

Mr. Chung Kong Mo (鍾港武) JP, aged 39, is an independent non-executive Director. He is also a member of our audit committee and nomination committee. He has approximately 12 years of experience in public affair services by way of leading and participating in governmental social welfare committees and other committees. He has been holding the office of the Chairman of Yau Tsim Mong District Council (a District Councillor), Hong Kong since January 2008 and is mainly involved in managing the traffic, environmental and community facilities and housing affairs of the district. He is also a member of Food and Environmental Hygiene Committee, Traffic and Transport Committee, Community Building Committee, Housing and Building Management Committee and District Facilities Management Committee of Yau Tsim Mong District Council, Hong Kong. Mr. Chung has been the vice-president of Yau Tsim Mong Federation of Association since 2006 and is mainly involved in the planning and organisation of community activities. He was the vice-chairman of Hong Kong Youths Unified Association from 2002 to 2008 and has been its vice-president since 2008 and is mainly involved in the planning and organisation of youth activities and services. From 2000 to 2007, he assumed various social positions, including serving as a member of Mong Kok Area Committee under Home Affairs Department, The Government of the Hong Kong Special Administrative Region, a member of Yau Tsim Mong District Fight Crime Committee and a co-opted member of Yau Tsim Mong District Council, Hong Kong. Mr. Chung obtained a master's degree in social science from the Chinese University of Hong Kong in December 2003.

Ms. Wong Tsip Yue, Pauline (王婕妤), aged 44, is an independent non-executive Director. She is also a member of our audit committee, remuneration committee and nomination committee. Ms. Wong is a practicing solicitor in Hong Kong. She is admitted to practice law as a solicitor in Hong Kong and has been a member of The Law Society of Hong Kong since September 1994. Ms. Wong is the sole proprietor of Pauline Wong & Co. Solicitors. Ms. Wong has accumulated over 15 years of experience in litigation and commercial legal practice. She is also involved in a number of social welfare work by providing professional advice to social workers on legal matters and on the development of the society's services, including: serving as the Honorary Legal Consultant of the Court Social Work Service of the Society of Rehabilitation and Crime Prevention, Hong Kong from September 2011 to August 2013 and serving as the Honorary Legal Advisor to the Society for the Aid and Rehabilitation of Drug Abusers since 2000. She has also been awarded with the appreciation certificate for her pro bono legal services rendered from 1 July 2011 to 30 June 2012 by the Secretary for Home Affairs in December 2012 under the Home Affairs Bureau's Recognition Scheme for Provision of Pro Bono Legal Services.

Mr. Wong Sui Chi (黃瑞熾), aged 45, is an independent non-executive Director. He is also the chairman of our audit committee and remuneration committee. Mr. Wong has over 20 years of finance and accounting experience, including but not limited to, financial management, corporate management and auditing, serving in international accounting firms, manufacturing and retailing

DIRECTORS, SENIOR MANAGEMENT AND STAFF

companies, listed property development company, securities and futures brokerage company and shipping company. He has been serving as the financial controller of Shine Vision Investments Limited since March 2012. He has been the independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (Stock Code: 1355)) since December 2012 until present. Mr. Wong obtained a bachelor's degree in accountancy from the City University of Hong Kong in November 1991. He further obtained a master's degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in PRC from the Hong Kong Polytechnic University in August 2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Save as disclosed above, each of our Directors confirms with respect to himself or herself that: (i) he or she is independent from and is not related to any other Directors, senior management, the substantial shareholders of our Company and our Controlling Shareholders; (ii) he or she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus, and has not been involved in any of the events described under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules; and (iii) there are no other matters concerning his or her directorship with our Company that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters in connection with his appointment which shall be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules. Immediately following completion of the Capitalisation Issue and the Placing, save as the interests of the Shares which are disclosed in "Substantial Shareholders", "Appendix IV — C. Further information about Directors, management and staff — 9. Directors — (a) Disclosure of interests of Directors" and "Statutory and General Information — C. Further information about Directors, management and staff — 10. Substantial shareholders" in Appendix IV to this prospectus, none of our Directors will have any interests in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group
Mr. Suen Chi Keung (孫志強)	46	Head of dim sum division (head office level)	18 July 2009
Mr. Shiu Siu Hin (蕭筱軒)	51	Head of food production and head chef (head office level)	13 January 2011
Ms. Lam Cheuk Hei, Elki (林倬希) (former names Lam Ka Ying (林珈瑩) and Lam Yee Man (林綺雯))	36	Banquet business general manager	21 October 2013
Mr. Mak Ka Yiu (麥家耀)	32	Accounting manager	1 August 2013
Mr. Chan Fung Man (陳峰民) CPA	31	Company secretary	1 August 2013

Mr. Suen Chi Keung (孫志強), aged 46, is our head of dim sum division (head office level) and is responsible for the daily management of the dim sum divisions in our restaurants. Mr. Suen has over 14 years of experience in the food serving industry. Prior to joining our Group, Mr. Suen worked as Chinese food chef at Ocean Culture Seafood Restaurant from September 1992 to November 1995, as a dim sum maker at Wing Tai Fast Food Co Ltd from March 1996 to June 2000, and as a deputy head dim sum chef at Kam Boat Chinese Cuisine from December 2000 to December 2001. He worked as a dim sum manager at New Star Seafood Restaurant from November 2002 to November 2006 and as dim sum head chef at Victoria Harbour Roasted Goose Seafood Restaurant from August 2007 to July 2008. He has obtained third level/senior level occupation qualification certificate from the Ministry of Labour and Social Security in the PRC in March 2005. Further, Mr. Suen has completed the 5-S lead auditor (green-belt) management training and passed the 5-S certification manual drafting in January 2009.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Shiu Siu Hin (蕭筱軒), aged 51, is our head of food production and head chef (head office level) and is responsible for overseeing food quality control standards of our restaurants. Mr. Shiu has over 13 years of experience in implementing quality control standards on dishes, developing new dishes and controlling cost of dishes. From July 1989 to January 1993, Mr. Shiu worked as an assistant cook at Mong Kok Dun Huang Seafood Restaurant. From April 2002 to October 2004, he worked as a fryer, then, as a head chef from November 2004 to January 2011 at Eaton Smart. He has obtained the Foundation Certificate in Food Hygiene from the Chartered Institute of Environmental Health in May 2005 and the Basic Food Hygiene Certificate for Hygiene Managers from the City University of Hong Kong in June 2005.

Ms. Lam Cheuk Hei, Elki (林倬希) (former names Lam Ka Ying (林珈瑩) and Lam Yee Man (林綺雯)), aged 36, is our banquet business general manager and is responsible for the overall management of our wedding banquet services. Ms. Lam has over 14 years of experience in the wedding services industry and the food services industry. Ms. Lam has worked as a supervisor at Maxim's Caterers Ltd from June 1992 to April 2004. She has worked in the insurance industry from 2005 to 2007. Ms. Lam has previously worked in various positions for our Group companies from July 2007 to October 2011 before rejoining our Group again in October 2013. Ms. Lam completed the 5-S lead auditor (green-belt) management training and passed the 5-S auditing at work and the 5-S lead auditor test in August 2008. Ms. Lam obtained the Basic Food Hygiene Certificate from the Chartered Institute of Environmental Health and the Basic Food Hygiene Certificate for Food Business Supervisors from the City University of Hong Kong in December 1999. She further obtained wedding planning and management international diploma from the Wedding Management Academy (Hong Kong) in January 2009. She has also completed various short term courses relevant in food services industry from various institutions.

Mr. Mak Ka Yiu (麥家耀), aged 32, is our accounting manager. Mr. Mak is responsible for overseeing the accounting and finance department of our Group. Mr. Mak has over six years of experience in the professional accounting and auditing practice. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Mak obtained a higher diploma in accountancy from the Hong Kong Institute of Vocational Education in July 2005.

Mr. Chan Fung Man (陳峰民) CPA, aged 31, is our company secretary. Mr. Chan is responsible for the company secretarial functions of our Group. Mr. Chan is also a member of our internal audit team. He has over seven years of experience in professional accounting and auditing practice. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2009 and obtained the practice certificate in July 2013. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in December 2005.

COMPLIANCE OFFICER

Mr. Kan Yiu Pong (簡耀邦), aged 33, who is also an executive Director, is the compliance officer of our Company. For details of his qualifications and experience, see “— Directors — Executive Directors — Mr. Kan Yiu Pong”.

COMPANY SECRETARY

Mr. Chan Fung Man (陳峰民) CPA, aged 31, is the company secretary of our Company. For details of his qualifications and experience, see “— Senior management — Mr. Chan Fung Man”.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to our Group, and the performance of our Group. After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 19 November 2013 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members who are Mr. Wong Sui Chi, Mr. Chung Kong Mo *JP* and Ms. Wong Tsip Yue, Pauline. Mr. Wong Sui Chi is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 19 November 2013 with written terms of reference in compliance with paragraph B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to the board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Wong Sui Chi, Mr. Cheung Ka Ho and Ms. Wong Tsip Yue, Pauline. Mr. Wong Sui Chi is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 19 November 2013 with written terms of reference in compliance with paragraph A.5.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members who are Mr. Cheung Ka Ho, Mr. Chung Kong Mo *JP* and Ms. Wong Tsip Yue, Pauline. Mr. Cheung Ka Ho is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Quam Capital to be the compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

STAFF

Overview

As at the Latest Practicable Date, we had a total of 554 full-time employees. The following table sets forth the breakdown of our employees by different functions as at the Latest Practicable Date.

Employee function	No. of employees
Management, finance and administration	48
Banquet and wedding services	24
Procurement/warehouse	13
Engineering	2
Food production	152
Restaurant	315
	<hr/>
Total	<u>554</u>

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Staff relations

We recognise the importance of a good relationship with our staff, and maintain good communications with them. We provide appropriate channels for any complaints from and dispute resolutions for our staff members. We have not experienced any material problems with our staff or material disruption to the operations save as those arising from ordinary course of business or disruption to the operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of staff.

We believe that the staff relations are satisfactory in general and the management policies, working environment, career prospects and benefits extended to the staff members have contributed to staff retention and the building of amicable staff relations.

Staff benefits

Our staff members are remunerated by way of a fixed salary, a commission or a combination of fixed salary and commission. Other staff benefits include clothing, meal, accommodation and transport subsidies, living and other expenses.

As required by the employment laws in Hong Kong, we participate in the mandatory provident fund scheme to provide retirement benefits for our Hong Kong employees.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company complies or intends to comply with the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules except for code provision A.2.1, which requires the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Cheung KH currently holds both positions. Taking into account Mr. Cheung KH's strong expertise and connections in the local restaurant industry and his familiarity with our operations, our Board considers that the roles of chairman and chief executive officer being performed by Mr. Cheung KH would be critical to maintain the efficiency in the overall strategic planning, management and business development of our Group. Our Directors will review our corporate governance policies and compliance with the Code on Corporate Governance Practices each financial year.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 19 November 2013 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), have or be deemed or taken to have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
Mr. Cheung KH <i>(Note)</i>	Interest in a controlled corporation	275,570,000 Shares	68.9%
Mr. Cheung KK <i>(Note)</i>	Interest in a controlled corporation	275,570,000 Shares	68.9%
U Banquet (Cheung's) <i>(Note)</i>	Beneficial interest	275,570,000 Shares	68.9%

Note: U Banquet (Cheung's) is a registered owner holding 68.9% shareholding interest in our Company. U Banquet (Cheung's) is beneficially owned as to 58.5% by Mr. Cheung KH and as to 41.5% by Mr. Cheung KK. Accordingly, both Mr. Cheung KH and Mr. Cheung KK are deemed to be interested in the Shares held by U Banquet (Cheung's) under the SFO.

Save as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Placing (assuming no Shares are to be issued upon the exercise of any options that may be granted under the Share Option Scheme), have or be deemed or taken to have beneficial interests or short positions in any of our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company. Further, our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Listing, U Banquet (Cheung's) which is owned as to 58.5% by Mr. Cheung KH and as to 41.5% by Mr. Cheung KK, will be interested in 68.9% of the issued share capital of our Company (assuming no Shares are to be issued upon the exercise of any options that may be granted under the Share Option Scheme). U Banquet (Cheung's), Mr. Cheung KH and Mr. Cheung KK will be our Controlling Shareholders.

COMPETING INTERESTS

Our Controlling Shareholders and our Directors respectively confirm that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholders and their associates based on the following reasons:

Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, the day-to-day management and operation of the business of our Group will be the responsibility of the executive Directors and senior management. The Board has six Directors comprising three executive Directors and three independent non-executive Directors. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, our Group has an independent senior management team to carry out the business decisions of our Group independently.

Our Group has established a set of organisational structures made up of individual departments, each with specific areas of responsibilities. Our Group also has independent access to sources of customers. In addition, our Group has established a set of internal controls to facilitate the effective operation of its business.

Based on the reasons above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing and operating its business independently from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, and general business management. Our company secretary and senior management staff are independent of our Controlling Shareholders.

Financial independence

Our Group has its own financial management and accounting systems and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors confirm that all financial assistance, including amounts due to, loans or guarantees provided by our Controlling Shareholders and its associates to our Group were or will be settled in full or released before the Listing.

Taking into account of the financial resources available to our Group and the estimated net proceeds from the Placing, our Directors believe that our Group will have sufficient working capital for its requirements for at least the next 12 months from the date of publication of this prospectus. Our Directors also believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

UNDERTAKINGS

Non-disposal undertaking

Each of our Controlling Shareholders has undertaken to the Stock Exchange that, except in relation to the Placing, he/it shall not and shall procure that his/its associates and the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is 6 months from the Listing Date (the “**First 6-Month**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights,
- (b) in the period of 6 months commencing on the expiry of the First 6-Month (the “**Second 6-Month**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholder would, either individually or taken together with the other, cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company to comply with the following requirements:

- (1) in the event that our Controlling Shareholder pledges or charges any direct or indirect interest in the relevant securities referred to in (a) above in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First 6-Month, he/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (2) having pledged or charged any interest in securities under (i) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Our Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Non-competition undertaking

Each of our Controlling Shareholders has under the Deed of Non-Competition, undertaken and covenanted with our Company that for so long as he/it and/or his/its associates (other than our Group), directly or indirectly, whether individually or taken together, remain our Controlling Shareholder, each of them will not, and will procure his/its associates (other than our Group) not to, either on its/his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly carry on, engage, invest, participate, hold any right or interest in or otherwise be interested in any business which is or may be in competition whether directly or indirectly with the business carried on or contemplated to be carried on by any member of our Group from time to time.

Each of our Controlling Shareholders has also undertaken that in the event he/it or any of his/its associates (other than our Group) are given any business opportunities that is or may involve direct or indirect competition with the businesses of our Group, each of them shall refer the business opportunity to our Group.

The Deed of Non-Competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing.

The obligations of our Controlling Shareholders under the Deed of Non-Competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) our Controlling Shareholders and their respective associates and/or successors, individually and/or collectively, cease to be deemed as controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules from time to time); or
- (c) our Controlling Shareholders beneficially own or are interested in the entire issued share capital of our Company,

whichever occurs first. Our independent non-executive Directors will review annually compliance of the Deed of Non-Competition and disclose the result in our Company's annual report.

In relation to the business opportunities referred to our Company by our Controlling Shareholders, our independent non-executive Directors will be responsible for deciding, without attendance by any other executive Directors (except as invited by our independent non-executive Directors to assist them), whether or not to take up a new opportunity referred to our Group. Our independent non-executive Directors will also review, on an annual basis, any decision in relation to new opportunities referred to our Group, and state their views with basis and reasons in the annual report of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interest arising from the possible competing business of our Controlling Shareholders and our Directors, if any, and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- (b) our Controlling Shareholders will promptly provide to our Company such information as our Company may from time to time reasonably request to ascertain compliance by our Controlling Shareholders of their obligations under the Deed of Non-Competition;
- (c) our Controlling Shareholders shall provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by our Controlling Shareholders in the annual reports of our Company;
- (e) our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested; and
- (f) pursuant to the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Placing without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>		
1,075,000	Shares in issue as at the date of this prospectus	10,750
348,925,000	Shares to be issued pursuant to the Capitalisation Issue	3,489,250
<u>50,000,000</u>	Shares to be issued pursuant to the Placing	<u>500,000</u>
400,000,000	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Placing	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Placing become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in GEM Listing Rules).

RANKING

The Placing Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 19 November 2013, subject to the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to allot and issue a total of 348,925,000 Shares credited as fully paid at par to the holders of shares on the register of members of our Company at the close of business on 19 November 2013 (or as they may direct) by way of capitalisation of the sum of HK\$3,489,250 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value of not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue as enlarged by the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme) and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Schemes or any other option scheme or similar arrangement for the time being adopted.

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting;
- (ii) upon the expiry of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of the general mandate for the allotment and issue of Shares, see "Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 19 November 2013" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in "Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting;
- (ii) upon the expiry of the period within which our Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of the general mandate for the repurchase of Shares, see "Statutory and General Information — A. Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 19 November 2013" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

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.

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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

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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.

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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.

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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.

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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.

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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 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(unaudited)</i>	2013 <i>HK\$'000</i>
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

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

Notes:

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

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

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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		2012		Seven months ended 31 July		Year ended 31 December		Seven months ended
	2011		2012		2013		2011	2012	31 July
	Revenue from restaurant operation		Revenue from restaurant operation		Revenue from restaurant operation		Operating margin		Operating margin
	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
	<u>255,476</u>	<u>100.0</u>	<u>297,384</u>	<u>100.0</u>	<u>181,951</u>	<u>100.0</u>			

Notes:

- During the Track Record Period, financial information of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were accounted for as one restaurant.
- 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.
- During the Track Record Period, financial information of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were accounted for as one restaurant.
- 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.

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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.

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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.

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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.

	Seven months ended			Seven months ended			Seven months ended			Seven months ended					
	Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December					
	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.		
				Wedding banquet		Wedding banquet		Wedding banquet							
				Dining customer	customer	Dining customer	customer	Dining customer	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:

- During the Track Record Period, financial information of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) were accounted for as one restaurant.
- The above table 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.
- During the Track Record Period, financial information of U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were accounted for as one restaurant.
- Our seat turnover rate was calculated by dividing the total number of diners (including wedding banquet diners) by the total number of seats available for regular dining service in the relevant restaurant then divided by the total number of operation days for the relevant period, which 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.

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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* (饗宴)” 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.

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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”.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Forfeiture of deposits received	773	1,078	436	349
Miscellaneous income	105	38	5	105
	<u>878</u>	<u>1,116</u>	<u>441</u>	<u>454</u>

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.

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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.

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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.

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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		Seven months	
	31 December		ended 31 July	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
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
	<u>71,105</u>	<u>74,427</u>	<u>42,579</u>	<u>46,898</u>

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.

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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.

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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 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
			<i>(unaudited)</i>	
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
	<u>41,799</u>	<u>47,538</u>	<u>26,380</u>	<u>39,230</u>

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

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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 (饗宴)" 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.

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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 HK\$'000	2012 HK\$'000	2012 HK\$'000 <i>(unaudited)</i>	2013 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.

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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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
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	<u>14,974</u>	<u>18,239</u>	<u>18,239</u>	<u>22,674</u>
Cash and cash equivalents at end of the year/period	<u><u>18,239</u></u>	<u><u>22,674</u></u>	<u><u>17,992</u></u>	<u><u>11,811</u></u>

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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.

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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.

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NET CURRENT LIABILITIES

	As at 31 December		As at 31 July 2013	As at 31 October 2013
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(unaudited)</i>
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.

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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
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
0 to 30 days	252	465	771
31 to 60 days	—	233	481
61 to 90 days	—	14	183
Over 90 days	—	12	—
	<u>252</u>	<u>724</u>	<u>1,435</u>

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
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Neither past due nor impaired	<u>252</u>	<u>712</u>	<u>1,435</u>
Past due but not impaired	—	12	—
	<u>252</u>	<u>724</u>	<u>1,435</u>

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.

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

	Year ended 31 December		Seven months ended 31 July
	2011	2012	2013
Average trade receivables turnover days (<i>Note</i>)	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		As at 31 July
	2011	2012	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
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)
	9,914	11,344	15,051
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.

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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.

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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 2011	2012	As at 31 July 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>16,170</u>	<u>17,388</u>	<u>26,833</u>
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	<u>20,269</u>	<u>31,116</u>	<u>31,305</u>

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.

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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 2011	2012	As at 31 July 2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
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.

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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.

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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 (<i>Note 1</i>)	0.6	1.0	0.8
Gearing ratio (<i>Note 2</i>)	81.3%	15.4%	25.4%
	Year ended 31 December		Seven months
	2011	2012	ended 31 July
			2013
Net profit margin (<i>Note 3</i>)	N/A	7.3%	0.5%
Operating margin (<i>Note 4</i>)	N/A	9.6%	2.7%
Return on total assets (<i>Note 5</i>)	N/A	18.7%	N/A

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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

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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.

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

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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.

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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
	<u>34,694</u>	<u>84,719</u>	<u>188,857</u>

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.

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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.

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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.

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	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	<u>40,154</u>	<u>33,028</u>	<u>73,182</u>	<u>0.18</u>
Based on the Placing Price of HK\$1.20 per Share	<u>40,154</u>	<u>42,628</u>	<u>82,782</u>	<u>0.21</u>

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.

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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.

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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.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our primary objectives are to become a premier Chinese restaurant chain operator offering full-service wedding planning capabilities and creatively-designed venues for wedding banquets and events in Hong Kong.

BUSINESS STRATEGIES

We will endeavour to achieve our business objectives by implementing the following business strategies in accordance with the schedule set out in “— Implementation plan”. The respective scheduled completion times are based on certain bases and assumptions as set out in “— Bases and assumptions”. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors”. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all. We currently have no intention to change our operating and management system, including our procurement procedures, human resources management, quality control system and management reporting system.

1. Opening more restaurants

We operate in an industry where market domination may be indicated by the number of restaurants in a certain area. We believe that continuing to expand our restaurant network and geographical footprint will further solidify our position in the Chinese full-service restaurant industry in Hong Kong. In April 2013, we opened two restaurants, namely Hot Pot Cuisine Restaurant and U Banquet (Wong Tai Sin). We plan to strengthen our presence and further expand our network in Hong Kong by opening one more new restaurant in November 2013 (the “**2013 Restaurant**”) and one new restaurant in each of 2014 (the “**2014 Restaurant**”) and 2015 (the “**2015 Restaurant**”). The lease agreement for the 2013 Restaurant was entered into in October 2013. We expect that the lease agreements for the 2014 Restaurant and 2015 Restaurant will be entered into in the second quarter of 2014 and the first quarter of 2015, respectively. It is currently expected that these new restaurants will be operated under our “*U Banquet* (饗宴)” brand, provide both dining and wedding banquet services and be creatively-designed. The 2013 Restaurant is expected to be located in Causeway Bay and the 2014 Restaurant and 2015 Restaurant are expected to be located in Kowloon. The three new restaurants are expected to have an average gross floor area of approximately 1,877 sq.m. with a maximum seating capacity of 50 12-seat banquet-style tables. The monthly rental rate of the 2014 Restaurant is expected to be similar to that of U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2) in 2014 since it is expected to be located in similar location (such as in terms of target customer demographics and purchasing power) and have similar scale of operation as that of U Banquet (Mong Kok)(1) and U Banquet (Mong Kok)(2).

We plan to continue to adopt our existing site selection strategy (for details, see “Business — Restaurant network expansion — Site selection strategy”) when considering the choices of location for our new restaurants. We plan to open 2013 Restaurant, 2014 Restaurant and 2015 Restaurant in prime locations connected to public transportation systems, large shopping spots or other commercial or residential establishments which could attract heavy pedestrian flow and customer traffic. We expect that the 2013 Restaurant, 2014 Restaurant and 2015 Restaurant will be wedding-banquet-focused restaurants and as such we will continue to explore locations with high ceilings which are generally favoured by our target wedding banquet customers. We expect to apply our current procurement procedures and quality controls to and set up the same management system as we currently use for the 2013 Restaurant, 2014 Restaurant and 2015 Restaurant.

We will use our internal resources to satisfy the capital needs for opening the 2013 Restaurant which is estimated to be approximately HK\$15.0 million. We expect the 2014 Restaurant and 2015 Restaurant will require, on average, a total capital expenditure of approximately HK\$25.6 million. The total capital expenditure primarily includes leasehold

FUTURE PLANS AND USE OF PROCEEDS

improvements, furniture and fixtures, equipment and kitchen utensils. The capital expenditure for the 2014 Restaurant and 2015 Restaurant is expected to be financed out of the net proceeds from the placing of the New Shares up to approximately HK\$20.0 million and internal resources generated from our operating activities from time to time, or through external financing where our Directors consider necessary and appropriate. The expected breakeven period of these three new restaurants is approximately 0.5 year calculated based on the average historical breakeven periods of our existing restaurants. The expected average payback period of those three new restaurants is approximately 4.1 years calculated based on the average payback period of our existing restaurants.

2. Refurbishing our existing restaurants

Our Directors believe that venue design and decoration of our restaurants are vital to the customers' overall dining experience, and that our innovative and stylish venue design and decoration distinguishes us from other Chinese full-service restaurants which provide standardised or traditional Chinese wedding banquet venues. We will refurbish our existing restaurants approximately every three years with an aim to provide our customers with stylish and trendy dining experience and to provide special surprises to the guests of wedding banquets. During the seven months ended 31 July 2013, we refurbished U Banquet (North Point). We plan to refurbish U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) during the first half of 2014 and we expect a total capital expenditure of HK\$12.0 million is required for such refurbishment. Such capital expenditure is expected to be financed out of the net proceeds from the placing of the New Shares up to approximately HK\$9.1 million and internal resources generated from our operating activities from time to time, or through external financing where our Directors consider necessary and appropriate.

3. Strengthening our marketing efforts

Our Directors believe competition in the industry we operate is fierce and one of the ways to increase our market share in such industry is by strengthening marketing efforts. We will continue to promote our brand image and maintain our brand recognition amongst our target customers. We will also continue deploying different marketing strategies to add creative features to our existing and new restaurants. We will continue to promote our restaurants and our brands through different types of media, such as newspapers, magazines, television, outdoor advertising or online advertising. We will also continue to selectively participate in and sponsor promotional events when opportunities arise to enhance the brand exposure to the public, such as participating in wedding exhibitions. Following the Listing, we plan to engage external professional public relation officer to enhance brands awareness and investors relationship.

4. Continuing to strengthen our quality control standards

Quality control is one of the most important aspects of our business operations. As we continue to grow and expand our business operations, maintaining the same level of quality control is crucial. Our Directors consider our quality control standards have partially contributed to our success in the past and we will continue to follow such standards in the future. Following the Listing, we plan to continue to improve our quality control system, such as providing continuous training to our staff. We also plan to continuously participate in the mystery customer scheme organised by HKQAA.

IMPLEMENTATION PLAN

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2016, and their respective scheduled completion time are based on certain bases and assumptions as set out in “— Bases and assumptions”.

FUTURE PLANS AND USE OF PROCEEDS

	From the Latest Practicable Date to		For the six months ending				Total HK\$ (in million)
	30 June 2014 HK\$ (in million)	31 December 2014 HK\$ (in million)	30 June 2015 HK\$ (in million)	31 December 2015 HK\$ (in million)	30 June 2016 HK\$ (in million)	31 December 2016 HK\$ (in million)	
1. Open more restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	Progress payment for the capital expenditure of new restaurants	—	—	
<i>Amount to be applied from the net proceeds from the placing of New Shares</i>	5.0	5.0	5.0	5.0	—	—	20.0
2. Refurbish our existing restaurants	Progress payment for refurbishment and acquisition, upgrading or replacement of existing furniture and fixtures, equipment and kitchen utensils	Progress payment for refurbishment and acquisition, upgrading or replacement of existing furniture and fixtures, equipment and kitchen utensils	—	—	—	—	
<i>Amount to be applied from the net proceeds from the placing of New Shares</i>	6.1	3.0	—	—	—	—	9.1
3. Strengthen our marketing efforts	—	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	Launch marketing activities for promoting brand image	
<i>Amount to be applied from the net proceeds from the placing of New Shares</i>	—	0.4	0.4	0.4	0.4	0.4	2.0
4. Continue to strengthen our quality control standards	—	Provision of training to staff and participation in the mystery customer scheme	Provision of training to staff and participation in the mystery customer scheme	Provision of training to staff and participation in the mystery customer scheme	Provision of training to staff and participation in the mystery customer scheme	Provision of training to staff and participation in the mystery customer scheme	
<i>Amount to be applied from the net proceeds from the placing of New Shares</i>	—	0.2	0.2	0.2	0.2	0.2	1.0
Total	<u>11.1</u>	<u>8.6</u>	<u>5.6</u>	<u>5.6</u>	<u>0.6</u>	<u>0.6</u>	<u>32.1</u>

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;

FUTURE PLANS AND USE OF PROCEEDS

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our business relationship with our major suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined in “— Implementation plan”; and
- we will not be materially affected by the risk factors as set out in “Risk Factors”.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Company intends to raise funds by the Placing in order to pursue our business objectives as set out in “— Business objectives”. Our Directors believe that the Listing will enhance our Group’s profile and the net proceeds from the placing of New Shares will strengthen our Group’s financial position.

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, the net proceeds from the placing of New Shares, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of HK\$22.9 million (assuming a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative price range), are estimated to be approximately HK\$32.1 million. We estimate that U Banquet (Cheung’s) will receive net proceeds of approximately HK\$52.8 million from the sale of the Sale Shares after deducting the underwriting commission payable by U Banquet (Cheung’s) of approximately HK\$2.2 million, which therefore will not be available to our Group. We intend to apply such net proceeds from the placing of New Shares as follows:

- approximately 62.3% of the net proceeds from the placing of New Shares, or approximately HK\$20.0 million, for the opening of more restaurants, among which:
 - approximately 31.2% of the net proceeds from the placing of New Shares, or approximately HK\$10.0 million, will be applied for the opening of the 2014 Restaurant; and
 - approximately 31.2% of the net proceeds from the placing of New Shares, or approximately HK\$10.0 million, will be applied for the opening of the 2015 Restaurant;
- approximately 28.4% of the net proceeds from the placing of New Shares, or approximately HK\$9.1 million, for refurbishing our existing restaurants;
- approximately 6.2% of the net proceeds from the placing of New Shares, or approximately HK\$2.0 million, for strengthening our marketing efforts; and
- approximately 3.1% of the net proceeds from the placing of New Shares, or approximately HK\$1.0 million, for continuing to strengthen our quality control standards.

FUTURE PLANS AND USE OF PROCEEDS

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or to place the proceeds on short-term interest bearing deposit accounts with licenced banks and/or financial institutions in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the placing of New Shares to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

According to current estimates, our Directors anticipate that the net proceeds from the placing of New Shares of approximately HK\$32.1 million (based on a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range), the cash and cash equivalents as at the Latest Practicable Date together with the projected cashflows from operations will be sufficient to finance the implementation of our Company's future plans up to 31 December 2016.

If the final Placing Price is set at the highest or lowest point of the indicative Placing Price range, the net proceeds of the placing of New Shares will increase or decrease by approximately HK\$4.8 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest of the indicative Placing Price range.

In summary, the implementation of the future plans for the period from the Latest Practicable Date to 31 December 2016 will be funded by the net proceeds from the placing of New Shares as follows (based on a Placing Price of HK\$1.10 per Placing Share, being the mid-point of the indicative Placing Price range):

	From the Latest Practicable Date to		For the six months ending				Total
	30 June 2014	31 December 2014	30 June 2015	31 December 2015	30 June 2016	31 December 2016	
	HK\$ (in million)	HK\$ (in million)	HK\$ (in million)	HK\$ (in million)	HK\$ (in million)	HK\$ (in million)	HK\$ (in million)
Open more restaurants	5.0	5.0	5.0	5.0	—	—	20.0
Refurbish our existing restaurants	6.1	3.0	—	—	—	—	9.1
Strengthen our marketing efforts	—	0.4	0.4	0.4	0.4	0.4	2.0
Continue to strengthen our quality control standards	—	0.2	0.2	0.2	0.2	0.2	1.0
Total	11.1	8.6	5.6	5.6	0.6	0.6	32.1

SPONSOR'S INTERESTS

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, neither the Sponsor, Quam Securities nor any of their associates has or may, as a result of the Placing, have any interest in any securities of our Company or any other member of our Group (including options or rights to subscribe for such securities).

The Sponsor satisfies the independence criteria applicable to the Sponsor as set out in Rule 6A.07 of the GEM Listing Rules. Neither the Sponsor, Quam Securities nor any of their associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (i) in taking up the underwriting obligations by Quam Securities, being one of the Joint Lead Managers and one of the Underwriters, under the Underwriting Agreement;
- (ii) by way of an underwriting commission to be paid to Quam Securities for acting as one of the Underwriters to the Placing pursuant to the Underwriting Agreement;
- (iii) by way of documentation and financial advisory fee to be paid to the Sponsor for acting as the sponsor of the Listing;
- (iv) by way of compliance adviser fee to be paid to the Sponsor for acting as our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules; and
- (v) certain associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the Listing on GEM.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

UNDERWRITING

UNDERWRITERS

Joint Lead Managers

Quam Securities Company Limited
Brilliant Norton Securities Company Limited
SBI E2-Capital Financial Services Limited

Joint Bookrunners

SBI E2-Capital Financial Services Limited
Brilliant Norton Securities Company Limited

Co-Managers

Astrum Capital Management Limited
Convoy Investment Services Limited
Great Roc Capital Securities Limited
RHB OSK Securities Hong Kong Limited
Goldin Equities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the New Shares for subscription and U Banquet (Cheung's) is offering the Sale Shares for purchase by way of the Placing, subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Division granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue or any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have severally agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their/its absolute discretion, upon giving notice in writing to our Company (for itself and on behalf of U Banquet (Cheung's)), terminate the Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be Tuesday, 10 December 2013):

- (a) there has come to the notice of the Sponsor and/or the Joint Lead Managers:
 - (i) any statement contained in this prospectus, the placing letter, the formal notice, any submissions, documents or information provided to the Sponsor and/or the Joint Lead Managers, any announcements or documents issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the "**Relevant Documents**"), considered by the Sponsor and/or the Joint Lead Managers in their/its absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the absolute opinion of the Sponsor and/or the Joint Lead Managers, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sponsor and/or the Joint Lead Managers in their/its absolute opinion to be material in the context of the Placing; or

UNDERWRITING

- (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sponsor and/or the Joint Lead Managers in their/its absolute opinion to be material in the context of the Placing (other than upon any of the Sponsor, the Joint Lead Managers and the Underwriters) (as the case may be); or
- (iv) either (A) there has been a breach of any of the representations, warranties, undertakings or provisions set out in or provisions set out in the Underwriting Agreement by any of our Company, the executive Directors and the Controlling Shareholders or (B) any matter or event showing or rendering any of the representations, warranties and undertakings set out in the Underwriting Agreement, as applicable, in the absolute opinion of the Sponsor and/or the Joint Lead Managers, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
- (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of our Company, the Controlling Shareholders and the executive Directors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged; or
- (vi) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, which would have rendered any of the representations, warranties and undertakings set out in the Underwriting Agreement, in the absolute opinion of the Sponsor and/or the Joint Lead Managers, untrue, incorrect, inaccurate or misleading in any material respect; or
- (vii) approval by the Listing Division for the listing of, and permission to deal in, our Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated issue and sale of the Placing Shares) without the prior consent of the Sponsor and/or the Joint Lead Managers; or
- (ix) any person (other than the Sponsor, the Joint Lead Managers and any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

UNDERWRITING

- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated form), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong or anywhere in the world; or
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting Hong Kong or anywhere in the world; or
 - (iii) any change in the general fund raising environment in Hong Kong or elsewhere; or
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the BVI or the Cayman Islands or any other jurisdictions relevant to any member of our Group or the Placing (the “**Relevant Jurisdictions**”); or
 - (v) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
 - (vi) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or
 - (vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”; or
 - (viii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any Director; or
 - (ix) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or

UNDERWRITING

- (x) the chairman or chief executive officer of our Company vacating his office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xii) any contravention by any member of our Group or any Director of the Companies Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws and regulations; or
- (xiii) a prohibition on our Company for whatever reason from allotting or issuing the New Shares pursuant to the terms of the Placing; or
- (xiv) a prohibition on U Banquet (Cheung's) for whatever reason from selling the Sale Shares pursuant to the terms of the Placing; or
- (xv) non-compliance of this prospectus (and/or any other documents used in connection with the issue and sale of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws and regulations; or
- (xvi) other than with the written approval of the Sponsor and/or the Joint Lead Managers, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue and sale of the Placing Shares) pursuant to the Companies Ordinance or the GEM Listing Rules; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xviii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against our Company or any member of our Group); or
- (xx) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xxi) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (xxii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (xxiii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by the Stock Exchange or by order of any regulatory or governmental authority,

which in each case or in aggregate in the absolute opinion of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (A) is or may or will be or is likely to be adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such; or
- (B) has or may or will have or is likely to have an adverse effect on the success, marketability or pricing of the Placing or the level of applications in the Placing or the level of interest under the Placing; or
- (C) makes or may or will make it inadvisable, inexpedient or impracticable to proceed with or to market the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or will have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Commission and expenses

The Underwriters will receive an underwriting commission of 4.0% of the aggregate Placing Price of all Placing Shares agreed to be taken up or procured to be taken up, out of which the Underwriters will pay any sub-underwriting commission and will be reimbursed for their reasonable expenses. The commission, the GEM listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Placing are estimated to amount to approximately HK\$25.1 million, assuming a Placing Price of HK\$1.10, being the mid-point of the indicative Placing Price range, of which approximately HK\$22.9 million will be borne by our Company and the remaining HK\$2.2 million will be borne by U Banquet (Cheung's).

If our Group pays these expenses on behalf of U Banquet (Cheung's), it will be accounted for as payments on behalf of U Banquet (Cheung's) and will be recorded in the current account with U Banquet (Cheung's). Such amount will be settled by offsetting against the gross proceeds received from the placement of Sale Shares by U Banquet (Cheung's) under the Placing.

U Banquet (Cheung's) shall be solely responsible for any fixed transfer duty, ad valorem seller's stamp duty in respect of the sale and transfer of the Sale Shares, the Stock Exchange trading fee and the SFC transaction levy in respect of the sale of the Sale Shares, where applicable.

UNDERWRITING

Underwriters' interest in our Company

Save as disclosed in this prospectus and as contemplated pursuant to the Underwriting Agreement, none of the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

Undertakings

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sponsor, the Joint Lead Managers and the Underwriters that our Company will not, and each of our Controlling Shareholders and executive Directors has undertaken to and covenanted with the Sponsor, the Joint Lead Managers and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, except for the issue of Shares under the Placing or the Capitalisation Issue, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option that may be granted under the Share Option Scheme:

- (i) at any time during the period of six months commencing on the Listing Date (the “**First Six-month Period**”) offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has undertaken to and covenanted with each of our Company, the Sponsor, the Joint Lead Managers and the Underwriters that, without the prior written consent of the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and will procure that none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him shall, except for the sale of the Sale Shares by U Banquet (Cheung's):

UNDERWRITING

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has undertaken to and covenanted with each of our Company, the Sponsor, the Joint Lead Managers, the Underwriters and the Stock Exchange that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sponsor and the Joint Lead Managers immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Underwriting Agreement.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION OR PURCHASE

The Placing Price plus 1.0% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy make up total price payable in cash on subscription or purchase.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Price Determination Agreement having been executed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) and becoming effective on the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 28 December 2013 being the date which is the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com on the next business day following such lapse.

THE PLACING

The Placing comprises 50,000,000 New Shares conditionally offered for subscription by our Company and 50,000,000 Sale Shares conditionally offered for purchase by U Banquet (Cheung's). Our Company and U Banquet (Cheung's) are together offering 100,000,000 Placing Shares (comprising 50,000,000 New Shares and 50,000,000 Sale Shares) for subscription and/or purchase by way of private placements to selected professional, institutional and/or other investors. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriters subject to our Company (for itself and on behalf of U Banquet (Cheung's)) and the Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing the Placing Price. The minimum subscription or purchase size for each subscriber or purchaser of the Placing Share is 2,000 Placing Shares and thereafter in integral multiples of board lot size of 2,000 Shares. Investors subscribing for the Placing Shares are required to pay the Placing Price plus 1.0% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy for each board lot of 2,000 Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and/or other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, which provides that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Save with the prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

DETERMINATION OF PLACING PRICE

The Placing Price will not be more than HK\$1.20 per Placing Share and is expected to be not less than HK\$1.00 per Placing Share. Investors, when investing in the Placing Shares, shall pay the Placing Price plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. Assuming the Placing Price of HK\$1.20 or HK\$1.00 per Share (being the highest and lowest points of indicative Placing Price range, respectively), investors shall pay HK\$2,424.19 and HK\$2,020.16 for every board lot of 2,000 Shares, respectively.

The Placing Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) on the Price Determination Date which is currently scheduled on or about Wednesday, 4 December 2013 or such later date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) may agree. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company (for itself and on behalf of U Banquet (Cheung's)) are unable to reach an agreement on the Placing Price by the Price Determination Date, the Placing will not become unconditional and will lapse.

Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Placing Price range stated in this prospectus.

If, for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com a notice of the change and if applicable the revised date.

If, the Joint Lead Managers (for themselves and on behalf of the Underwriters), with the consent of our Company, consider it appropriate (for instance, if based on the level of interest expressed by prospective investors), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date cause to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com a notice of the reduction of the indicative Placing Price range.

STRUCTURE AND CONDITIONS OF THE PLACING

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

The indication of level of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.u-banquetgroup.com on or before Monday, 9 December 2013.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Listing Division grants the listing of, and permission to deal in, the Shares on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 10 December 2013. Shares will be traded in board lots of 2,000 Shares and are fully transferable.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

28 November 2013

The Directors
U Banquet Group Holding Limited

Quam Capital Limited

Dear Sirs,

We report on the financial information of U Banquet Group Holding Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 December 2011 and 2012 and 31 July 2013, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 28 November 2013 (the "Prospectus") in connection with the placing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 19 November 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.3 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2011 and 2012 and 31 July 2013 and of the Group's combined results and cash flows for the Relevant Periods then ended.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the seven months ended 31 July 2012 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1.3 of Section II and the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011 and 2012 and 31 July 2013 and for each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 1.3 below:

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		Seven months ended 31 July	
		2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
				(unaudited)	
Revenue	6	259,073	304,164	162,954	189,076
Other income	6	878	1,116	441	454
Cost of materials consumed		(76,451)	(76,513)	(43,249)	(45,932)
Employee benefits expense	8	(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	7	(41,799)	(47,538)	(26,380)	(39,230)
Operating (loss)/profit		<u>(3,152)</u>	<u>29,234</u>	<u>6,648</u>	<u>5,129</u>
Finance income	9	386	398	267	334
Finance costs	9	(417)	(276)	(172)	(238)
Finance (costs)/income — net	9	<u>(31)</u>	<u>122</u>	<u>95</u>	<u>96</u>
(Loss)/profit before income tax		<u>(3,183)</u>	<u>29,356</u>	<u>6,743</u>	<u>5,225</u>
Income tax credit/(expense)	10	305	(5,773)	(1,380)	(2,109)
(Loss)/profit and total comprehensive (loss)/income for the year/period		<u><u>(2,878)</u></u>	<u><u>23,583</u></u>	<u><u>5,363</u></u>	<u><u>3,116</u></u>
(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
		<u><u>(2,878)</u></u>	<u><u>23,583</u></u>	<u><u>5,363</u></u>	<u><u>3,116</u></u>
Earnings per share	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividends	12	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED BALANCE SHEETS

		As at 31 December		As at 31 July
		2011	2012	2013
	Note	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	24,906	21,989	40,086
Goodwill	14	18,576	18,576	18,576
Rental deposits	17	6,178	7,305	10,051
Prepayment for consultancy services	17	—	—	16,728
Deferred income tax assets	23	3,074	2,479	4,154
		52,734	50,349	89,595
Current assets				
Trade receivables	16	252	724	1,435
Deposits and prepayments	17	9,914	11,344	15,051
Current income tax recoverable		1,161	—	—
Amounts due from related companies	28	7,504	8,108	9,704
Amount due from a non-controlling shareholder	28	—	—	1,197
Amounts due from directors	28	—	23,518	33,576
Pledged bank deposits	18	1,095	2,096	1,096
Cash and cash equivalents	18	18,239	22,674	11,811
		38,165	68,464	73,870
Total assets		90,899	118,813	163,465
EQUITY				
Equity attributable to owners of the Company				
Capital reserve		50,476	50,497	50,572
Share-based payment reserve	19	—	—	18,950
Accumulated losses		(37,501)	(15,270)	(14,258)
		12,975	35,227	55,264
Non-controlling interests		—	1,362	3,466
Total equity		12,975	36,589	58,730

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED BALANCE SHEETS (Continued)

		As at 31 December		As at 31 July
		2011	2012	2013
	Note	HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Accruals and provisions	21	10,009	5,974	5,778
Deposits received	21	2,415	1,959	4,380
Borrowings	22	174	1,426	132
Deferred income tax liabilities	23	306	86	15
Provision for reinstatement costs	24	2,424	1,858	2,873
		15,328	11,303	13,178
		15,328	11,303	13,178
Current liabilities				
Trade payables	20	15,568	12,637	10,519
Accruals and provisions	21	16,170	17,388	26,833
Deposits received	21	20,269	31,116	31,305
Amounts due to related companies	28	237	213	339
Amount due to a non-controlling shareholder	28	—	1,033	—
Amounts due to directors	28	4,880	—	—
Current income tax liabilities		219	5,162	9,017
Borrowings	22	5,253	2,742	13,544
Provision for reinstatement costs	24	—	630	—
		62,596	70,921	91,557
		62,596	70,921	91,557
Total liabilities		77,924	82,224	104,735
Total equity and liabilities		90,899	118,813	163,465
Net current liabilities		(24,431)	(2,457)	(17,687)
Total assets less current liabilities		28,303	47,892	71,908

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Non-controlling interests HK\$'000	Total equity HK\$'000
	Capital reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
For the year ended 31 December 2011					
Balance as at 1 January 2011	50,476	(34,623)	15,853	—	15,853
Loss and total comprehensive loss for the year	—	(2,878)	(2,878)	—	(2,878)
Balance as at 31 December 2011	50,476	(37,501)	12,975	—	12,975
For the year ended 31 December 2012					
Balance as at 1 January 2012	50,476	(37,501)	12,975	—	12,975
Profit and total comprehensive income for the year	—	22,231	22,231	1,352	23,583
Total contributions by and distributions to owners of the Company recognised directly in equity					
Issuance of ordinary shares upon incorporation by companies now comprising the Group	21	—	21	10	31
Total transactions with owners	21	—	21	10	31
Balance as at 31 December 2012	50,497	(15,270)	35,227	1,362	36,589

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company			Total	Non-controlling interests	Total Equity
	Capital reserve (Note) HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000			
For the seven months ended 31 July 2013						
Balance as at 1 January 2013	50,497	—	(15,270)	35,227	1,362	36,589
Profit and total comprehensive Income for the period	—	—	1,012	1,012	2,104	3,116
Total contributions by and distributions to owners of the Company recognised directly in equity						
Issuance of ordinary shares by a company now comprising the Group	75	—	—	75	—	75
Recognition of share-based payment (Note 19)	—	18,950	—	18,950	—	18,950
Total transactions with owners	75	18,950	—	19,025	—	19,025
Balance as at 31 July 2013	50,572	18,950	(14,258)	55,264	3,466	58,730

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company			Non-controlling interests	Total Equity
	Capital reserve (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
For the seven months ended 31 July 2012 (unaudited)					
Balance as at 1 January 2012	50,476	(37,501)	12,975	—	12,975
Profit and total comprehensive income for the period	—	5,069	5,069	294	5,363
Total contributions by and distributions to owners of the Company recognised directly in equity					
Issuance of ordinary shares upon incorporation by companies now comprising the Group	15	—	15	5	20
Total transactions with owners	<u>15</u>	<u>—</u>	<u>15</u>	<u>5</u>	<u>20</u>
Balance as at 31 July 2012 (unaudited)	<u>50,491</u>	<u>(32,432)</u>	<u>18,059</u>	<u>299</u>	<u>18,358</u>

Note: The capital reserve as at 1 January 2011 represents capital contribution from the ultimate controlling shareholders of approximately HK\$49,476,000 and the share capital of the companies now comprising the Group of approximately HK\$1,000,000 after eliminating intra-group investments.

I FINANCIAL INFORMATION OF THE GROUP (Continued)

COMBINED CASH FLOW STATEMENTS

	Note	Year ended 31 December		Seven months ended 31 July	
		2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
				(unaudited)	
Cash flows from operating activities					
Cash generated from operations	25(a)	11,347	43,430	17,550	11,262
Interest paid		(344)	(212)	(37)	(141)
Hong Kong profits tax (paid)/refund, net		(1,566)	706	—	—
Net cash generated from operating activities		9,437	43,924	17,513	11,121
Cash flows from investing activities					
Interest received		1	3	1	—
Purchases of property, plant and equipment		(1,673)	(7,536)	(6,336)	(17,359)
Advances to related companies		(484)	(5,000)	(5,000)	(1,596)
Repayments from related companies		—	4,396	4,156	—
Advances to directors		—	(23,518)	(2,180)	(10,058)
Advance to a non-controlling shareholder		—	—	—	(1,197)
Payment of reinstatement costs		—	—	—	(652)
Changes in pledged bank deposits		—	(1,001)	(1,000)	1,000
Net cash used in investing activities		(2,156)	(32,656)	(10,359)	(29,862)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		—	31	20	75
Net proceeds from borrowings		4,000	—	—	11,900
Repayments of borrowings		(3,457)	(2,906)	(2,491)	(737)
Repayments of finance leases		(250)	(87)	(50)	(1,655)
Repayments to related companies		—	(24)	—	—
Advances from related companies		57	—	—	126
Advance from/(repayment of advance from) a non-controlling shareholder		—	1,033	—	(1,033)
Repayments to directors		(4,366)	(4,880)	(4,880)	—
Share issuance costs		—	—	—	(798)
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	18,239	22,674	17,992	11,811

II NOTES TO THE FINANCIAL INFORMATION**1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

U Banquet Group Holding Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Flat F, 28/F, Phase II, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the operation of a chain of Chinese restaurants and provision of wedding services in Hong Kong (the “Listing Business”). The directors consider Mr. Cheung Ka Ho (“Mr. Cheung KH”) and Mr. Cheung Ka Kei (“Mr. Cheung KK”) to be the ultimate controlling shareholders (“Ultimate Controlling Shareholders”).

1.2 Reorganisation

In preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the “Reorganisation”) pursuant to which the Company has become holding company of the other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

- (i) On 23 April 2012, Smart Award Limited (“Smart Award”) was incorporated in Hong Kong with limited liability. 5,000 shares and 5,000 shares of HK\$1 each were allotted and issued to Mr. Cheung KH and Mr. Yip Wang Kwong (“Mr. Yip”), respectively. On 22 April 2013, one additional share was allotted and issued to Mr. Cheung KH.

On 16 August 2012, General Corporation Limited (“General Corporation”) was incorporated in Hong Kong with limited liability. 5,000 shares and 5,000 shares of HK\$1 each were allotted and issued to Mr. Cheung KH and Mr. Yip, respectively. On 26 July 2013, one additional share was allotted and issued to Mr. Cheung KH.

On 1 November 2012, Credit Bonus Limited (“Credit Bonus”) was incorporated in Hong Kong with limited liability. 1 share of HK\$1 was allotted and issued to Mr. Cheung KH.

On 11 December 2012, Good Fortress Inc Limited (“Good Fortress”) was incorporated in Hong Kong with limited liability. 51 shares and 49 shares of HK\$1 each were allotted and issued to Mr. Cheung KH and Mr. Cheung KK, respectively.

On 1 March 2013, YuYan Group Distribution Limited (“YuYan Distribution”), YuYan Group (Hong Kong) Investment Limited (“YuYan (HK)”), YuYan Group Trading Limited (“YuYan Trading”) and YuYan Group Wedding Limited (“YuYan Wedding”) were incorporated in the British Virgins Islands (“BVI”). On the same date, 1 share of US\$1 of each of the above companies was allotted and issued to Mr. Cheung KH.

On 26 April 2013, Modern Management (Restaurant) Limited (“Modern Management”) and U Weddings Studio Limited (“U Weddings Studio Ltd”) were incorporated in Hong Kong with limited liability. On the same date, 1 share of HK\$1 of each of the above companies were allotted and issued to YuYan Distribution and YuYan Wedding, respectively.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION** *(Continued)***1.2 Reorganisation** *(Continued)*(i) *(Continued)*

On 10 May 2013, 75,000 subscriber shares of Choi Fook Holdings Limited (“Choi Fook Holdings”) were allotted and issued at par value, all of which were held by Century Great Investments Limited (“Century Great”).

(ii) On 26 March 2013, Mr. Cheung KH and Mr. Cheung KK transferred their entire interests in Elite Rainbow Corporation Limited (“Elite Rainbow”) to Choi Fook Holdings in consideration of HK\$51 and HK\$49, respectively. Since then, Elite Rainbow became a wholly-owned subsidiary of Choi Fook Holdings.

(iii) On 20 June 2013, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$100,000,000 divided into 1,000,000,000 shares with par value of HK\$0.1 each. On the same date, one subscriber share with par value of HK\$0.1 was transferred to Mr. Cheung KH. On 15 November 2013, each of the issued and unissued share of HK\$0.1 each in the share capital of the Company was subdivided into 10 shares of HK\$0.01 each.

(iv) On 27 June 2013, Mr. Cheung KH transferred his entire interest in Great Business to YuYan Trading for a nominal consideration HK\$1. Since then, Great Business became a wholly-owned subsidiary of YuYan Trading.

(v) On 6 November 2013, Mr. Cheung KH and Mr. Cheung KK transferred their entire interest in U Banquet Group Limited (“U Banquet (HK)”) to YuYan (HK) in consideration of the issuance of 50 shares and 49 shares at HK\$1 each by YuYan (HK) to Mr. Cheung KH and Mr. Cheung KK, respectively. Since then, U Banquet (HK) became a wholly-owned subsidiary of YuYan (HK).

(vi) On 6 November 2013, Mr. Cheung KH, Mr. Cheung KK and Century Great transferred their entire interest in Choi Fook Holdings to U Banquet (HK) in consideration of the issuance of 4,693 shares, 4,509 shares and 698 shares of HK\$1 by YuYan (HK) to Mr. Cheung KH, Mr. Cheung KK and Century Great. Since then, Choi Fook Holdings became a wholly-owned subsidiary of U Banquet (HK).

(vii) On 6 November 2013, Mr. Cheung KH and Mr. Cheung KK transferred their entire interests in, Smiling Profit Limited (“Smiling Profit”), Choi Fook Royal Banquet Limited (“Choi Fook Royal Banquet”) and Good Fortress, to Choi Fook Holdings in consideration of the issuance of 1 share of HK\$1 each by Choi Fook Holdings to U Banquet (HK). Since then, Smiling Profit, Choi Fook Royal Banquet and Good Fortress became wholly-owned subsidiaries of Choi Fook Holdings.

(viii) On 6 November 2013, Mr. Cheung KH transferred his 50.005% shareholding interests in General Corporation and Smart Award to Modern Management in consideration of the issuance of 1 share of HK\$1 each by Modern Management to YuYan Distribution for each transfer. Since then, each of General Corporation and Smart Award was owned as to 50.005% by Modern Management and 49.995% by Mr. Yip, respectively.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

- (ix) On 6 November 2013, Mr. Cheung KH transferred his entire interest in Credit Bonus to Modern Management in consideration of the issuance of 1 share of HK\$1 by Modern Management to YuYan Distribution. Since then, Credit Bonus became a wholly-owned subsidiary of Modern Management.
- (x) On 16 October 2013, U Weddings Studio Ltd as transferee entered into an asset transfer agreement (the "Asset Transfer Agreement") with Billion Treasure Property Development Limited ("Billion Treasure") as transferor. Pursuant to the Asset Transfer Agreement, Billion Treasure transferred all its tangible and intangible rights, assets and contracts related to the provision of wedding services to U Weddings Studio Ltd at a consideration of HK\$1. After completion of the asset transfer agreement on 25 November 2013, U Weddings Studio Ltd continued to operate the wedding-related services business of our Group in lieu of Billion Treasure.
- (xi) On 19 November 2013, Mr. Cheung KH, Mr. Cheung KK and Century Great transferred their respective shareholding interests in each of YuYan Distribution, YuYan (HK), YuYan Trading, and YuYan Wedding to the Company. In consideration of such transfer, the Company allotted and issued 999,990 shares and 75,000 shares, credit as fully paid to U Banquet (Cheung's) Holdings Company Limited ("U Banquet (Cheung's)") and Century Great, respectively. Since then, the Company becomes the holding company of the Group and the directors consider U Banquet (Cheung's) as the ultimate holding company of the Group.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/ place of incorporation	Date of incorporation	Nominal value of issued and fully paid share capital	Effective interest held			As at the date of this report	Principal activities	Note
				As at 31 December 2011	As at 31 July 2012	As at 31 July 2013			
Directly held subsidiaries									
YuYan (HK)	British Virgin Islands	1 March 2013	10,000 ordinary shares of US\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)
YuYan Trading	British Virgin Islands	1 March 2013	1 ordinary share of US\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)
YuYan Distribution	British Virgin Islands	1 March 2013	1 ordinary share of US\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)
YuYan Wedding	British Virgin Islands	1 March 2013	1 ordinary share of US\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)
Indirectly held subsidiaries									
U Banquet (HK)	Hong Kong	18 June 2010	100 ordinary shares of HK\$1 each	100%	100%	100%	100%	Investment holding	(b)
Choi Fook Holdings	Hong Kong	25 June 2009	1,075,003 ordinary shares of HK\$1 each	100%	100%	100%	100%	Investment holding	(c)
Step Up Corporation Limited ("Step Up")	Hong Kong	2 December 2005	3,000,000 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)

II NOTES TO THE FINANCIAL INFORMATION (Continued)

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation (Continued)

Company name	Country/ place of incorporation	Date of incorporation	Nominal value of issued and fully paid share capital	Effective interest held			As at the date of this report	Principal activities	Note
				As at 31 December 2011	As at 31 July 2012	As at 31 July 2013			
Indirectly held subsidiaries (Continued)									
Million Talent Investment Limited ("Million Talent")	Hong Kong	4 November 2006	4,000,000 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)
Choi Fook Seafood Restaurant Limited ("Choi Fook Seafood")	Hong Kong	9 January 2002	800,000 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)
Vast Rainbow Limited ("Vast Rainbow")	Hong Kong	16 August 2007	5,000,000 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)
Elite Rainbow	Hong Kong	27 March 2009	100 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)
Smiling Profit	Hong Kong	11 December 2009	100 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(c)
Choi Fook Royal Banquet	Hong Kong	6 July 2009	100 ordinary shares of HK\$1 each	100%	100%	100%	100%	Restaurant operations and licence holding	(b)
Great Business	Hong Kong	17 April 2012	10,000 ordinary shares of HK\$1 each	N/A	100%	100%	100%	Sales of furniture and fixtures	(d)
Smart Award	Hong Kong	23 April 2012	10,001 ordinary shares of HK\$1 each	N/A	50%	50%	50.005%	Sales of frozen food and high value dried food	(d), (e)
General Corporation	Hong Kong	16 August 2012	10,001 ordinary shares of HK\$1 each	N/A	50%	50%	50.005%	Sales of fresh vegetables	(d), (e)
Credit Bonus	Hong Kong	1 November 2012	1 ordinary share of HK\$1 each	N/A	100%	100%	100%	Assets holding	(a)
Good Fortress	Hong Kong	11 December 2012	100 ordinary shares of HK\$1 each	N/A	100%	100%	100%	Not yet commence business	(a)
Modern Management	Hong Kong	26 April 2013	4 ordinary shares of HK\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)
U Weddings Studio Ltd	Hong Kong	26 April 2013	1 ordinary share of HK\$1 each	N/A	N/A	N/A	100%	Investment holding	(a)

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION** *(Continued)***1.2 Reorganisation** *(Continued)*

- (a) No statutory financial statements have been issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their place of incorporation.
- (b) The statutory financial statements of these companies for the years ended 31 December 2011 and 2012 were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) and audited by Ng Wai Kei Certified Public Accountant in Hong Kong.
- (c) The statutory financial statements of these companies for the years ended 31 December 2011 and 2012 were prepared in accordance with HKFRSs and audited by Sunny Leung & Company, Certified Public Accountants and Ng Wai Kei Certified Public Accountant in Hong Kong, respectively.
- (d) The statutory financial statements of this company for the period from date of incorporation to 31 December 2012 were prepared in accordance with HKFRSs and audited by Ng Wai Kei Certified Public Accountant in Hong Kong.
- (e) The Group is able to govern and control the finance and operating policies of Smart Award and General Corporation. Accordingly, Smart Award and General Corporation have been combined as subsidiaries of the Company.

1.3 Basis of presentation

For the purpose of this report, the combined financial statements of the Group 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 (“HKICPA”). The combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013 have been prepared using the financial information of the companies engaged in the Listing Business, under common control of the Ultimate Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013, 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 the Ultimate Controlling Shareholders, whichever is a shorter period. The combined balance sheets of the Group 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 the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the existing book values from the Ultimate Controlling Shareholders’ perspective.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION** *(Continued)***1.3 Basis of presentation** *(Continued)*

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 as described in Note 1.2, the provision of wedding services ("Included Business") was principally conducted through Billion Treasure, a company which is under common control of the Ultimate Controlling Shareholders. Apart from being engaged in the Included Business, Billion Treasure is also engaged in a dissimilar business ("Excluded Business") from those of the Group.

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

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

The directors consider that the above method of allocation and presentation provides the fairest approximation of the amounts attributable to the financial information of the Listing Business for the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013.

After the Reorganisation, the relevant assets and liabilities of Included Business have been transferred to and the provision for wedding services is conducted by U Weddings Studio Ltd.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 (the “Relevant Periods”), unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with HKFRSs issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

As at 31 July 2013, the Group’s current liabilities exceeded its current assets by approximately HK\$17,687,000. The current liabilities mainly consisted of deposits received from customers of approximately HK\$31,305,000, which is to be recognised as revenue upon rendering of the relevant banquet and wedding related services in the next financial year; as well as an amount of approximately HK\$7,293,000 representing a portion of the total bank borrowings being classified as current due to the repayment on demand clause (Note 22), both of which were used for financing purchases of property, plant and equipment. Based on the Group’s history of its operating performance and its expected future working capital together with the availability of undrawn banking facilities, the directors believe that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the Financial Information on a going concern basis.

The following new or revised standards and amendments to standards are relevant to the Group’s operation which are effective for annual periods beginning after 1 January 2013 and have not been early adopted:

		Effective for accounting period beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HK(IFRIC)-Int 21	Levies	1 January 2014

The Group has commenced the assessment of the impact of these new or revised standards and amendments to standards but is not yet in a position to state whether they would have a significant impact on the Group’s results of operations and its financial position.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.2 Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combination

The Group applies the acquisition method to account for business combinations, except for the Reorganisation as described in Note 1.2 above. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the combined statements of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the combined statements of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within the combined statements of changes in equity.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.2 Subsidiaries** *(Continued)***(a) Business combination** *(Continued)*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the combined statements of comprehensive income.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the combined statements of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in the combined statements of changes in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the combined statements of comprehensive income.

2.3 Non-controlling interests

Non-controlling interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the combined balance sheets separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and owners of the Company.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (“CEO”) of the Group who makes strategic decisions.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in Hong Kong dollars ("HK\$"), which is also the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income. Foreign exchange gains and losses are presented in the combined statements of comprehensive income within 'other expenses'.

2.6 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 the Group 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 (see Note 2.8).

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.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.7 Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over 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.

2.8 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.

2.9 Financial assets**(a) Classification**

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'amounts due from related companies', 'amounts due from directors', 'amount due from a non-controlling shareholder', 'pledged bank deposits' and 'cash and cash equivalents' in the combined balance sheets (see Notes 2.12 and 2.13).

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.9 Financial assets** *(Continued)***(b) Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses 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 statements 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, the Group 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 statements of comprehensive income.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.12 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents and pledged bank deposits

In the combined cash flow statements, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Pledged bank deposits represent the amounts of cash pledged as collateral to banks for guarantee on utilities deposits.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.16 Borrowing costs

All borrowing costs are recognised in the combined statements of comprehensive income in the period in which they are incurred since no borrowing cost are directly attributable to the acquisition, construction or production of qualified assets.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.17 Current and deferred income tax**

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.18 Employee benefits****(a) Pension obligation**

The Group operates a defined contribution plan, the mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund on a reduction in the future payments is available.

The Group's contributions to the defined contribution plan are charged to combined statements of comprehensive income in the year incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the balance sheet date are discounted to their present value.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

II NOTES TO THE FINANCIAL INFORMATION (Continued)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.18 Employee benefits (Continued)****(e) Long service payments**

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributed to contributions made by the Group. The discount rate is the yield at the balance sheet date of Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in other comprehensive income in the year in which they occur in the combined statements of comprehensive income.

2.19 Share-based payment***Equity-settled share-based payment transaction***

The fair value of services rendered in exchange for the share-based payment is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share-based payment:

- including any market performance conditions (for example, an entity's share price); and
- excluding the impact of any service.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***2.21 Provision for reinstatement costs**

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvement in the combined balance sheets.

2.22 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. The Group recognises 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 the Group's activities, as described below. The Group bases its 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 provision for 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.

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

II NOTES TO THE FINANCIAL INFORMATION (Continued)**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.23 Leases (Continued)**

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Dividend distribution

Dividend distribution to the shareholders of the Company and its subsidiaries is recognised as a liability in the Financial Information in the period in which the dividends are approved by the shareholders or directors, where appropriate, of the respective companies.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures to changes in foreign exchange rates and interest rates.

(a) Market risk**(i) Foreign exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

Most of the income and expenditures of the Group are denominated in Hong Kong dollars and hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the years under review. As at 31 December 2011 and 2012 and 31 July 2013, the Group did not have any outstanding hedging instruments.

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***3 FINANCIAL RISK MANAGEMENT** *(Continued)***3.1 Financial risk factors** *(Continued)***(a) Market risk** *(Continued)***(ii) Cash flow and fair value interest rate risk** *(Continued)*

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The interest rate profile of borrowings is disclosed in Note 22. 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, the 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, the 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, the 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.

(b) Credit risk

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

To mitigate the risk arising from banks, the Group places their deposits to certain reputable banks with a minimum rating of "investment grade" ranked by an independent party. See Note 18 for further disclosure on credit risk.

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

Amounts due from related companies, directors and a non-controlling shareholder 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, 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.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its 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 their liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund its operations and debt servicing requirements and to satisfy its future working capital and other financing requirements from its operation cash flows and available bank financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$ '000	Between 1 and 2 years HK\$ '000	Between 2 and 5 years HK\$ '000
At 31 December 2011			
Trade payables	15,568	—	—
Accruals	13,134	—	—
Amounts due to related companies	237	—	—
Amounts due to directors	4,880	—	—
Borrowings	5,635	—	—
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012			
Trade payables	12,637	—	—
Accruals	12,847	—	—
Amounts due to related companies	213	—	—
Amount due to a non-controlling shareholder	1,033	—	—
Borrowings	4,482	—	—
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2013			
Trade payables	10,519	—	—
Accruals	24,020	—	—
Amounts due to related companies	339	—	—
Borrowings	14,027	—	—
	<u> </u>	<u> </u>	<u> </u>

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table following summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — term loans subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year HK\$ '000	Over 1 year but less than 2 years HK\$ '000	Over 2 years but less than 5 years HK\$ '000	Over 5 years HK\$ '000
31 December 2011	3,084	1,367	1,025	—
31 December 2012	1,367	1,025	—	—
31 July 2013	6,285	5,211	2,468	—

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the combined balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the combined balance sheets plus net debt.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The Group's strategy, which was unchanged during the Relevant Periods, was to lower the gearing ratio to an acceptable level. The gearing ratios at 31 December 2011 and 2012 and 31 July 2013 were as follows:

	As at 31 December		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Total borrowings (Note 22)	5,427	4,168	13,676
Less: cash and cash equivalents (Note 18)	(18,239)	(22,674)	(11,811)
Net (cash)/debt	(12,812)	(18,506)	1,865
Total equity	12,975	36,589	58,730
Total capital	163	18,083	60,595
Gearing ratio	N/A	N/A	3%

As at 31 December 2011 and 2012, the Group was at net cash position, hence the gearing ratio was not applicable. As at 31 July 2013, the increase in the gearing ratio resulted from the increase in borrowings for acquiring of property, plant and equipment for a newly opened restaurant.

3.3 Fair value estimation

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each balance sheet date.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(Continued)***(a) Useful lives of property, plant and equipment** *(Continued)**Change in estimates*

In March 2013, the Group changed its estimate of the useful economic life of the property, plant and equipment from a period of five years to three years for a restaurant located in Wan Chai as the Group was not able to renew the lease agreement of the property of this restaurant. This change has increased depreciation by approximately HK\$3,239,000 for the seven months ended 31 July 2013. Asset lives have not been changed for property, plant and equipment for recurring items. No future impact of this change in accounting estimate is expected subsequent to the termination of this lease agreement.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

There will not be any impairment charges for the years ended 31 December 2011 and 2012 and the seven months ended 2013 against goodwill in CGUs if the discount rate for the Group had been 1 percentage point higher than management's estimates or the annual growth rate for the Group had been 1 percentage point lower than management's estimates.

(c) Impairment of non-financial assets excluding goodwill

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may be not recoverable. The recoverable amounts have been determined based on fair value less costs to sell or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

(d) Income tax

The Group is subject to current income tax. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(Continued)***(d) Income tax** *(Continued)*

The Group's management determines the deferred income tax assets based on the enacted or substantively enacted tax rates (and laws) and the best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would need to be made. In addition, management will revisit the assumptions and profit projections at each balance sheet date.

(e) Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at each balance sheet date with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

(f) Fair value of share-based payment

The fair value of the share-based payment is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that mainly based on non-vesting conditions. The Group has used discounted cash flow analysis for the valuation of the share-based payment.

The amount of the share-based payment would be an estimated HK\$3,988,000 lower or HK\$6,656,000 higher were the discount rate used in the discount cash flow analysis to differ by 3 percentage points from management's estimates.

5 SEGMENT INFORMATION

The CODM has been identified as the CEO of the Company who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of profit after income tax. The CODM considers all business is included in a single operating segment.

The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong. Information reported to the CODM for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — operation of Chinese restaurants in Hong Kong, and segment disclosures are not presented.

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong as at 31 December 2011 and 2012 and 31 July 2013. Accordingly, no analysis by geographical segment is provided. For the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013, there are no single external customers contributed more than 10% revenue of the Group.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

6 REVENUE AND OTHER INCOME

Turnover consists of revenue from (i) the operation of Chinese restaurants including provision of dining and wedding banquet services, (ii) provision of wedding services, and (iii) sales of goods, including fresh vegetables, fruits and fresh seafood during the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013 and 2012 are as follows:

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$ '000	2012 HK\$ '000	2012 HK\$ '000 (unaudited)	2013 HK\$ '000
Revenue				
Revenue from Chinese restaurants operations	255,476	297,384	159,777	181,951
Revenue from provision of wedding services	3,597	6,202	3,177	3,343
Revenue from sales of goods	—	578	—	3,782
	<u>259,073</u>	<u>304,164</u>	<u>162,954</u>	<u>189,076</u>
Other income				
Forfeiture of deposits received	773	1,078	436	349
Miscellaneous income	105	38	5	105
	<u>878</u>	<u>1,116</u>	<u>441</u>	<u>454</u>
Total revenue and other income	<u>259,951</u>	<u>305,280</u>	<u>163,395</u>	<u>189,530</u>

7 OTHER EXPENSES

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$ '000	2012 HK\$ '000	2012 HK\$ '000 (unaudited)	2013 HK\$ '000
Auditors' remuneration	247	281	97	97
Advertising and promotions	8,381	7,329	4,090	4,334
Cleaning and laundry expenses	4,439	3,697	2,091	2,680
Cost of inventories sold (Note a)	—	374	—	2,410
Cost of provision of wedding services	981	1,505	756	765
Credit card charges	2,227	3,178	1,787	1,859
Kitchen consumables	1,623	1,200	626	1,089
Repairs and maintenance	3,800	3,393	1,980	1,826
Written off of property, plant and equipment (Note 13)	54	4	4	—
Entertainment	2,322	2,896	1,910	1,569
Consumable stores	1,450	1,677	871	1,338
Insurance	882	1,555	792	1,304
Legal and professional fee	164	1,637	898	208
Printing and stationery	1,144	785	422	625
Staff messing	1,423	1,704	1,025	1,302
Services fee to temporary workers	6,972	10,104	5,280	7,211
Wedding banquet expenses	2,656	2,585	1,363	1,271
Transportation	653	930	480	816
Professional fee in respect of listing	—	—	—	5,726
Others	2,381	2,704	1,908	2,800
	<u>41,799</u>	<u>47,538</u>	<u>26,380</u>	<u>39,230</u>

Note a:

The cost of inventories sold represented the cost of fresh vegetables, fruits and seafood for sales to third parties by a subsidiary of the Group and the business of which did not start until October 2012. It is different from the cost of materials consumed shown on the combined statements of comprehensive income, which is directly related to the revenue from Chinese restaurants operations.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

8 EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$ '000	2012 HK\$ '000	2012 HK\$ '000 (unaudited)	2013 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
	<u>71,105</u>	<u>74,427</u>	<u>42,579</u>	<u>46,898</u>

(a) Pensions — defined contribution plans

Contributions totalling approximately HK\$257,000 and HK\$273,000, HK\$496,000 and HK\$568,000 were payable to the MPF fund as at 31 December 2011 and 2012 and 31 July 2012 and 2013, respectively.

(b) Directors' and CEO's emoluments

The remuneration of every director and the CEO for the year ended 31 December 2011 is set out below:

	Fees HK\$ '000	Basic salaries, allowances and benefits HK\$ '000	Discretionary bonuses HK\$ '000	Employer's contribution to pension scheme HK\$ '000	Total HK\$ '000
Chairman and CEO					
Cheung Ka Ho (Note (i))	—	1,200	—	12	1,212
Executive directors					
Cheung Ka Kei	—	1,200	—	12	1,212
Kan Yiu Pong	—	169	31	7	207
	<u>—</u>	<u>2,569</u>	<u>31</u>	<u>31</u>	<u>2,631</u>

II NOTES TO THE FINANCIAL INFORMATION (Continued)

8 EMPLOYEE BENEFITS EXPENSE (Continued)

(b) Directors' and CEO's emoluments (Continued)

The remuneration of every director and the CEO for the year ended 31 December 2012 is set out below:

	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Chairman and CEO					
Cheung Ka Ho (<i>Note (i)</i>)	—	1,200	—	14	1,214
Executive directors					
Cheung Ka Kei	—	1,200	—	14	1,214
Kan Yiu Pong	—	333	33	14	380
	—	2,733	33	42	2,808

The remuneration of every director and the CEO for the seven months ended 31 July 2013 is set out below:

	Fees <i>HK\$'000</i>	Basic salaries, allowances and benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Chairman and CEO					
Cheung Ka Ho (<i>Note (i)</i>)	—	700	—	9	709
Executive directors					
Cheung Ka Kei	—	700	—	9	709
Kan Yiu Pong	—	202	—	9	211
	—	1,602	—	27	1,629

II NOTES TO THE FINANCIAL INFORMATION (Continued)

8 EMPLOYEE BENEFITS EXPENSE (Continued)

(b) Directors' and CEO's emoluments (Continued)

The remuneration of every director and the CEO for the seven months ended 31 July 2012 is set out below:

(Unaudited)	Fees HK\$'000	Basic salaries, allowances and benefits HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
Chairman and CEO					
Cheung Ka Ho (Note (i))	—	700	—	8	708
Executive directors					
Cheung Ka Kei	—	700	—	8	708
Kan Yiu Pong	—	193	—	8	201
	—	1,593	—	24	1,617

Note (i): The director is also the CEO, hence no separate disclosure in respect of the remuneration of the CEO has been made.

No directors waived or agreed to waive any emoluments during the Relevant Periods. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include two directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the Relevant Periods are as follows:

	Year ended 31 December		Seven months ended 31 July	
	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Basic salaries, allowances and benefits	1,392	1,383	808	809
Discretionary bonuses	56	474	310	23
Employer's contribution to pension scheme	28	42	23	27
	1,476	1,899	1,141	859

The emoluments of the above three individuals above fell within the band of nil — HK\$1,000,000 during the Relevant Periods.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

9 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 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 (Note 24)	(73)	(64)	(37)	(97)
	<u>(417)</u>	<u>(276)</u>	<u>(172)</u>	<u>(238)</u>
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
	<u>386</u>	<u>398</u>	<u>267</u>	<u>334</u>
Finance (costs)/income — net	<u>(31)</u>	<u>122</u>	<u>95</u>	<u>96</u>

10 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000 (unaudited)	2013 HK\$'000
Current income tax				
Current income tax on profits for the year	183	5,398	910	3,855
Deferred income tax (Note 23)				
Origination and reversal of temporary differences	(488)	375	470	(1,746)
Income tax (credit)/expense	<u>(305)</u>	<u>5,773</u>	<u>1,380</u>	<u>2,109</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2011 and 2012, and the seven months ended 31 July 2012 and 2013.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

10 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$ '000	2012 HK\$ '000	2012 HK\$ '000 (unaudited)	2013 HK\$ '000
(Loss)/profit before income tax	(3,183)	29,356	6,743	5,225
Tax calculated at tax rate of 16.5%	(525)	4,844	1,113	862
Income not subject to tax	(64)	(66)	(44)	(55)
Expenses not deductible for tax purposes	284	995	311	1,302
	<u>(305)</u>	<u>5,773</u>	<u>1,380</u>	<u>2,109</u>

11 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013 on a combined basis as disclosed in Note 1.3 above.

12 DIVIDENDS

No dividends have been declared and paid by the companies now comprising the Group to their then respective shareholders for the years ended 31 December 2011 and 2012 and the seven months ended 31 July 2012 and 2013.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$ '000	Air- conditioning HK\$ '000	Equipment and kitchen utensils HK\$ '000	Furniture and fixtures HK\$ '000	Motor vehicles HK\$ '000	Total HK\$ '000
At 1 January 2011						
Cost	24,693	4,418	15,551	19,003	728	64,393
Accumulated depreciation	(8,741)	(1,655)	(5,683)	(14,023)	(218)	(30,320)
Net book amount	<u>15,952</u>	<u>2,763</u>	<u>9,868</u>	<u>4,980</u>	<u>510</u>	<u>34,073</u>
Year ended 31 December 2011						
Opening net book amount	15,952	2,763	9,868	4,980	510	34,073
Additions	889	62	501	221	—	1,673
Write off (Note 7)	—	—	(54)	—	—	(54)
Depreciation charge	(5,052)	(851)	(3,043)	(1,622)	(218)	(10,786)
Closing net book amount	<u>11,789</u>	<u>1,974</u>	<u>7,272</u>	<u>3,579</u>	<u>292</u>	<u>24,906</u>
At 31 December 2011						
Cost	25,582	4,480	15,984	19,224	728	65,998
Accumulated depreciation	(13,793)	(2,506)	(8,712)	(15,645)	(436)	(41,092)
Net book amount	<u>11,789</u>	<u>1,974</u>	<u>7,272</u>	<u>3,579</u>	<u>292</u>	<u>24,906</u>
Year ended 31 December 2012						
Opening net book amount	11,789	1,974	7,272	3,579	292	24,906
Additions	5,616	294	1,100	660	1,600	9,270
Write off (Note 7)	—	—	(4)	—	—	(4)
Depreciation charge	(6,102)	(904)	(3,215)	(1,744)	(218)	(12,183)
Closing net book amount	<u>11,303</u>	<u>1,364</u>	<u>5,153</u>	<u>2,495</u>	<u>1,674</u>	<u>21,989</u>
At 31 December 2012						
Cost	31,198	4,774	17,079	19,884	2,328	75,263
Accumulated depreciation	(19,895)	(3,410)	(11,926)	(17,389)	(654)	(53,274)
Net book amount	<u>11,303</u>	<u>1,364</u>	<u>5,153</u>	<u>2,495</u>	<u>1,674</u>	<u>21,989</u>
Seven months ended 31 July 2013						
Opening net book amount	11,303	1,364	5,153	2,495	1,674	21,989
Additions	14,626	2,484	4,468	6,754	—	28,332
Depreciation charge	(5,288)	(819)	(2,646)	(1,128)	(354)	(10,235)
Closing net book amount	<u>20,641</u>	<u>3,029</u>	<u>6,975</u>	<u>8,121</u>	<u>1,320</u>	<u>40,086</u>

II NOTES TO THE FINANCIAL INFORMATION (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements <i>HK\$ '000</i>	Air- conditioning <i>HK\$ '000</i>	Equipment and kitchen utensils <i>HK\$ '000</i>	Furniture and fixtures <i>HK\$ '000</i>	Motor vehicles <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 31 July 2013						
Cost	42,062	6,414	18,133	25,909	2,328	94,846
Accumulated depreciation	(21,421)	(3,385)	(11,158)	(17,788)	(1,008)	(54,760)
Net book amount	<u>20,641</u>	<u>3,029</u>	<u>6,975</u>	<u>8,121</u>	<u>1,320</u>	<u>40,086</u>
Seven months ended 31 July 2012 (unaudited)						
Opening net book amount	11,789	1,974	7,272	3,579	292	24,906
Additions	4,952	164	873	482	—	6,471
Write off (Note 7)	—	—	(4)	—	—	(4)
Depreciation charge	(3,070)	(501)	(1,795)	(955)	(128)	(6,449)
Closing net book amount	<u>13,671</u>	<u>1,637</u>	<u>6,346</u>	<u>3,106</u>	<u>164</u>	<u>24,924</u>
At 31 July 2012 (unaudited)						
Cost	30,536	4,644	16,850	19,706	728	72,464
Accumulated depreciation	(16,865)	(3,007)	(10,504)	(16,600)	(564)	(47,540)
Net book amount	<u>13,671</u>	<u>1,637</u>	<u>6,346</u>	<u>3,106</u>	<u>164</u>	<u>24,924</u>

Equipment and kitchen utensils and motor vehicles include the following amounts where the Group is a lessee under finance leases:

Equipment and kitchen utensils	As at 31 December		As at 31 July
	2011 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Cost — capitalised finance leases	342	477	477
Accumulated depreciation	(114)	(208)	(263)
Net book amount	<u>228</u>	<u>269</u>	<u>214</u>
Motor vehicles	As at 31 December		As at 31 July
	2011 <i>HK\$ '000</i>	2012 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Cost — capitalised finance leases	—	1,600	—
Accumulated depreciation	—	—	—
Net book amount	<u>—</u>	<u>1,600</u>	<u>—</u>

The Group leases various equipment and motor vehicles under non-cancellable finance lease agreements. The lease terms are between four and five years, and ownership of the assets lie within the Group.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

14 GOODWILL

Total
HK\$ '000

At 1 January 2011, 31 December 2011 and 31 December 2012 and 31 July 2013

Cost and net book value	18,576
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Impairment test of goodwill

Prior to 19 June 2009, Mr. Cheung KK, Mr. Cheung KH and other two partners (“Ex-Partners”) together operated eight Chinese restaurants in Hong Kong through eight individual companies. Six of them were held by Choi Fook Group Company Limited (“Choi Fook Group”) and two of them were held by Mr. Cheung KH on behalf of Choi Fook Group.

On 19 June 2009, a settlement agreement (“Settlement Agreement”) was entered into among Mr. Cheung KK, Mr. Cheung KH and the Ex-Partners in relation to the settlement of the disputes between Mr. Cheung KK and Mr. Cheung KH of one part and the Ex-Partners of the other part arising from their co-operation in the operation of Chinese restaurants in Hong Kong. Pursuant to the Settlement Agreement which, among others, deals with the allocation by drawing lots of these eight restaurants, Mr. Cheung KH and Mr. Cheung KK took up the restaurants respectively located in Mong Kok, Tsim Sha Tsui, Causeway Bay and North Point and operated by Step up, Million Talent, Vast Rainbow and Choi Fook Seafood and the Ex-Partners took up the remaining restaurants.

The allocation was implemented by way of transfer of the share capital of the relevant companies which operated the restaurants from Choi Fook Group to Mr. Cheung KH and Mr. Cheung KK of one part and the Ex-Partners of the other part according to the results of the drawing lots. Mr. Cheung KH and Mr. Cheung KK obtained the entire equity interests in Step up, Million Talent, Vast Rainbow and Choi Fook Seafood through transferring out their 50% equity interests in other four companies operated the other restaurants took up by the Ex-Partners of which the fair value was approximately HK\$49,476,000, giving rise to a goodwill of approximately HK\$18,576,000. Since then, the Group, via Mr. Cheung KH and Mr. Cheung KK, owns 100% of each of Step up, Million Talent, Vast Rainbow and Choi Fook Seafood.

The goodwill is all allocated to the Group’s sole operating segment – operation of Chinese restaurants in Hong Kong.

The recoverable amount 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 rates stated below. The growth rate does not exceed the long-term average growth rate for the Chinese restaurant business.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

14 GOODWILL (Continued)

The key assumptions used for the calculation in 2011 are as follows:

Average annual growth rate	2.1%
Discount rate	14.6%

The key assumptions used for the calculation in 2012 are as follows:

Average annual growth rate	2.1%
Discount rate	14.1%

The key assumptions used for the calculation in 2013 are as follows:

Average annual growth rate	2.8%
Discount rate	15.0%

Management determined budgeted financial performance based on past performance and its expectations of the market development. The average annual growth rate used is consistent with the forecasts of the market. The discount rate used is pre-tax and reflects specific risks relating to the segment. 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.

15 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Assets as per combined balance sheets			
<u>Loans and receivables</u>			
Trade receivables	252	724	1,435
Amounts due from related companies	7,504	8,108	9,704
Amounts due from directors	—	23,518	33,576
Amount due from a non-controlling shareholder	—	—	1,197
Pledged bank deposits	1,095	2,096	1,096
Cash and cash equivalents	18,239	22,674	11,811
	<u> </u>	<u> </u>	<u> </u>
Liabilities as per combined balance sheets			
<u>Other financial liabilities at amortised cost</u>			
Trade payables	15,568	12,637	10,519
Accruals	13,134	12,847	24,020
Amounts due to related companies	237	213	339
Amount due to a non-controlling shareholder	—	1,033	—
Amounts due to directors	4,880	—	—
Borrowings	5,427	4,168	13,676
	<u> </u>	<u> </u>	<u> </u>

II NOTES TO THE FINANCIAL INFORMATION (Continued)

16 TRADE RECEIVABLES

The ageing analysis of trade receivables based on invoice date is as follows:

	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
	252	724	1,435

The Group's sales from its Chinese restaurants operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers in wedding related business and sales of goods ranges from 0 to 90 days. As at 31 December 2011 and 2012 and 31 July 2013, trade receivables that were not past due nor impaired amounted to approximately HK\$252,000, HK\$712,000 and HK\$1,435,000, respectively. These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2011 and 2012 and 31 July 2013, trade receivables of nil, approximately HK\$12,000 and nil were past due but not impaired, respectively. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables by overdue date is as follows:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Over 90 days	—	12	—
	—	12	—

As at 31 December 2011 and 2012 and 31 July 2013, no trade receivables were impaired. No provision for impairment of trade receivables was made as at 31 December 2011 and 2012 and 31 July 2013.

The carrying amounts of trade receivables approximate their fair values and are denominated in Hong Kong dollars. The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

17 DEPOSITS AND PREPAYMENTS

	As at 31 December		As at 31 July
	2011	2012	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 listing	—	—	918
	<u>16,092</u>	<u>18,649</u>	<u>41,830</u>
Less: Non-current portion			
— rental deposits	(6,178)	(7,305)	(10,051)
— prepayment for consultancy services	—	—	(16,728)
	<u>9,914</u>	<u>11,344</u>	<u>15,051</u>

The carrying amounts of deposits and prepayments approximate their fair values and are denominated in Hong Kong dollars.

18 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Cash at banks	17,038	21,747	10,844
Cash on hand	<u>1,201</u>	<u>927</u>	<u>967</u>
Cash and cash equivalents	18,239	22,674	11,811
Pledged bank deposits	<u>1,095</u>	<u>2,096</u>	<u>1,096</u>
Total	<u>19,334</u>	<u>24,770</u>	<u>12,907</u>
Maximum exposure to credit risk	<u>18,133</u>	<u>23,843</u>	<u>11,940</u>

Majority of the Group's cash and cash equivalents and pledged bank deposits are denominated in Hong Kong dollars. Cash at banks and pledged bank deposits earn interest at floating rates based on daily bank deposit rates.

The pledged bank deposits as at 31 December 2011 and 2012 and 31 July 2013 were pledged to banks for guarantee on rental deposits.

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

19 SHARE-BASED PAYMENT

On 10 May 2013, Choi Fook Holdings allotted and issued 75,000 new shares to Century Great which would be entirely exchanged to the shares of the Company upon completion of the Reorganisation on 19 November 2013 (Note 1.2) at a consideration of HK\$75,000 and the services to be provided by Century Great which include, inter alia, reviewing the Group's business operations and development and management policies from time to time, devising the Group's marketing plan, seeking strategic investors for the Group and arranging regular trainings for directors and members of the senior management for a term of five full financial years after the listing ("the vesting period"). Century Great is liable to compensate the Group for all losses and damages resulting from its failure to provide the abovementioned services at any time during the vesting period.

Century Great undertakes that within the five full financial years after the listing, it will not, for each year, sell, or dispose of more than 20% of the entire shares which are beneficially owned by it upon the listing. Non-vesting condition refers to the lock-up period for the shares which are taken into account by adjusting the fair value of the shares so that the amount reflects the discount for the lock-up period.

The fair value of the shares issued in return for services received approximates the fair value of services received by the Group. The estimate of fair value of services received is measured based on the discounted cash flow model. The fair value of the shares issued as at 10 May 2013 as determined by using the discounted cash flow is approximately HK\$19.0 million, discount rate of 15.0%, lack of control discount of 26.7% and terminal growth rate of 2.8%.

The commencement date of the services received by the Group will be upon the listing. The entire share-based payment of HK\$19.0 million would be recognised as prepayment as at 31 July 2013 and subsequently amortised to the combined statements of comprehensive income over the vesting period after the listing.

20 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
0 to 30 days	9,129	7,279	6,379
31 to 60 days	6,374	5,275	4,132
61 to 90 days	3	39	8
Over 90 days	62	44	—
	15,568	12,637	10,519
	15,568	12,637	10,519

The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

21 ACCRUALS AND PROVISIONS AND DEPOSITS RECEIVED

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
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
	<u>26,179</u>	<u>23,362</u>	<u>32,611</u>
Less: Non-current portion			
— accrued rental expenses	(10,009)	(5,974)	(5,778)
	<u>16,170</u>	<u>17,388</u>	<u>26,833</u>
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
	<u>22,684</u>	<u>33,075</u>	<u>35,685</u>
Less: Non-current portion			
— deposits received for banquets	(2,415)	(1,959)	(4,380)
	<u>20,269</u>	<u>31,116</u>	<u>31,305</u>
Current portion of deposits received	<u>36,439</u>	<u>48,504</u>	<u>58,138</u>

The carrying amounts of accruals and provisions and deposits received approximate their fair values and are denominated in Hong Kong dollars.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

22 BORROWINGS

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Non-current			
Finance lease liabilities (Note (b))	174	1,426	132
	<u>174</u>	<u>1,426</u>	<u>132</u>
	-----	-----	-----
Current			
Bank borrowings (Note (a))	5,187	2,281	13,444
Finance lease liabilities (Note (b))	66	461	100
	<u>5,253</u>	<u>2,742</u>	<u>13,544</u>
	-----	-----	-----
Total borrowings	<u>5,427</u>	<u>4,168</u>	<u>13,676</u>
	=====	=====	=====

Notes:

(a) Bank borrowings

	As at		As at
	31 December	31 December	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
Bank borrowings due for repayment after one year which contain a repayment on demand clause	2,281	1,003	7,293
	<u>5,187</u>	<u>2,281</u>	<u>13,444</u>
	=====	=====	=====

The bank borrowings are exposed to interest rate changes and the contractual repricing dates are 6 months or less at each balance sheet date. The weighted effective interest rates of bank borrowings at the balance sheet date are as follows:

	As at		As at
	31 December	31 December	31 July
	2011	2012	2013
Bank borrowings	5.33%	5.25%	3.35%
	=====	=====	=====

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting is not significant, and are denominated in Hong Kong dollars. As at 31 December 2011 and 2012 and July 2013, bank borrowings were guaranteed by the Ultimate Controlling Shareholders of the Group (Note 28(e)). In addition, as at 31 July 2013, one of the bank borrowings was secured by investment properties of related companies (Note 28(e)).

II NOTES TO THE FINANCIAL INFORMATION (Continued)

22 BORROWINGS (Continued)

Notes: (Continued)

(a) (Continued)

As at 31 December 2011 and 2012 and July 2013, the Group had total banking facilities 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.

(b) Finance lease liabilities

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Gross finance lease liabilities			
— minimum lease payments			
No later than 1 year	81	561	113
Later than 1 year and no later than 5 years	189	1,551	141
	<u>270</u>	<u>2,112</u>	<u>254</u>
Future finance charges on finance leases	(30)	(225)	(22)
Present value of finance lease liabilities	<u>240</u>	<u>1,887</u>	<u>232</u>
The present value of finance lease liabilities is as follows:			
No later than 1 year	66	461	100
Later than 1 year and no later than 5 years	174	1,426	132
	<u>240</u>	<u>1,887</u>	<u>232</u>

As at 31 December 2011 and 2012 and July 2013, finance lease liabilities were secured by equipment and kitchen utensils and motor vehicles (Note 13) and personal guarantee of Mr. Cheung KH (Note 28(e)).

II NOTES TO THE FINANCIAL INFORMATION (Continued)

23 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets:			
— Deferred income tax assets to be recovered after more than 12 months	(2,002)	(2,299)	(3,161)
— Deferred income tax assets to be recovered within 12 months	<u>(1,072)</u>	<u>(180)</u>	<u>(993)</u>
	<u>(3,074)</u>	<u>(2,479)</u>	<u>(4,154)</u>
Deferred income tax liabilities:			
— Deferred income tax liabilities to be recovered after more than 12 months	65	—	—
— Deferred income tax liabilities to be recovered within 12 months	<u>241</u>	<u>86</u>	<u>15</u>
	<u>306</u>	<u>86</u>	<u>15</u>
	<u>(2,768)</u>	<u>(2,393)</u>	<u>(4,139)</u>

The movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Decelerated tax depreciation	Tax losses	Provisions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	763	2,363	55	3,181
Credited/(charged) to combined statement of comprehensive income	<u>689</u>	<u>(638)</u>	<u>61</u>	<u>112</u>
At 31 December 2011	1,452	1,725	116	3,293
Credited/(charged) to combined statement of comprehensive income	<u>700</u>	<u>(1,559)</u>	<u>82</u>	<u>(777)</u>
At 31 December 2012	<u>2,152</u>	<u>166</u>	<u>198</u>	<u>2,516</u>
Credited to combined statement of comprehensive income	<u>120</u>	<u>2,170</u>	<u>65</u>	<u>2,355</u>
At 31 July 2013	<u>2,272</u>	<u>2,336</u>	<u>263</u>	<u>4,871</u>

II NOTES TO THE FINANCIAL INFORMATION (Continued)

23 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation <i>HK\$ '000</i>
At 1 January 2011	901
Credited to combined statement of comprehensive income	(376)
At 31 December 2011	525
Credited to combined statement of comprehensive income	(402)
At 31 December 2012	123
Charged to combined statement of comprehensive income	609
At 31 July 2013	<u>732</u>

24 PROVISION FOR REINSTATEMENT COSTS

	As at 31 December		As at 31 July
	2011	2012	2013
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 January	2,351	2,424	2,488
Unwinding of discount of provision (Note 9)	73	64	97
Additional provision during the year/period	—	—	940
Paid during the year/period	—	—	(652)
At 31 December/31 July	2,424	2,488	2,873
Less: Non-current portion	(2,424)	(1,858)	(2,873)
Current portion	<u>—</u>	<u>630</u>	<u>—</u>

Provision for reinstatement costs is recognised for the present value of costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. As at 31 December 2011 and 2012 and 31 July 2013, the Group expected that the total undiscounted costs that would be required in the future amounted to approximately HK\$2,535,000, HK\$2,535,000 and HK\$3,748,000, respectively.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

25 NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) Cash generated from operations

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$ '000	2012 HK\$ '000	2012 HK\$ '000 (unaudited)	2013 HK\$ '000
(Loss)/profit before income tax	(3,183)	29,356	6,743	5,225
Adjustments for:				
— Depreciation of property, plant and equipment (Note 13)	10,786	12,183	6,449	10,235
— Written off of property, plant and equipment (Note 7)	54	4	4	—
— Finance costs (Note 9)	417	276	172	238
— Finance income (Note 9)	(386)	(398)	(267)	(334)
Operating profit before changes in working capital	7,688	41,421	13,101	15,364
Changes in working capital:				
— Trade receivables	957	(472)	(149)	(711)
— Deposits and prepayments	1,289	(2,162)	(3,903)	(3,099)
— Trade payables	2,595	(2,931)	(5,356)	(2,118)
— Accruals and provisions	(308)	(2,817)	663	(784)
— Deposits received	(874)	10,391	13,194	2,610
Cash generated from operations	11,347	43,430	17,550	11,262

(b) Non-cash transactions

During the years ended 31 December 2011 and 2012, the principal non-cash transaction was the acquisition of property, plant and equipment under finance leases amounting to nil and approximately HK\$1,734,000, respectively.

During the seven months ended 31 July 2013, the principal non-cash transactions were payables for purchases of property, plant and equipment and prepayment for consultancy services of approximately HK\$10,033,000 (Note 21) and HK\$18,950,000 (Note 17), respectively.

26 CONTINGENCIES

The Group did not have any significant contingent liabilities as at 31 December 2011 and 2012 and July 2013.

II NOTES TO THE FINANCIAL INFORMATION (Continued)

27 OPERATING LEASE COMMITMENTS

The Group leases various restaurant properties and equipment under non-cancellable and optional operating lease agreements. The lease agreements are between two and nine years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlord.

The operating leases of certain restaurant properties also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these restaurants could not be accurately determined as at the balance sheet date, the relevant contingent rentals have not been included.

The future aggregate minimum lease payments under non-cancellable operating leases in respect of properties and equipment are as follows:

	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
	<u>34,694</u>	<u>84,719</u>	<u>188,857</u>

The future aggregate lease payments under optional operating leases in respect of properties are as follows:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
No later than 1 year	9,891	7,635	—
Later than 1 year and no later than 5 years	78,758	71,222	63,033
Later than 5 years	12,867	52,762	87,746
	<u>101,516</u>	<u>131,619</u>	<u>150,779</u>

II NOTES TO THE FINANCIAL INFORMATION (Continued)

28 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) Related parties

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name	Relationship with the Group
Billion Treasure	Controlled by the Ultimate Controlling Shareholders
Ka Ho Educational Paper Company Limited ("Ka Ho Educational Paper")	A Company owned by connected person of Mr. Cheung KH
Kind Rainbow Creation Limited ("Kind Rainbow")	Controlled by the Ultimate Controlling Shareholders
Tai Cheong Hong	Controlled by Mr. Cheung KK
Choi Fook Global Group Limited	Controlled by the Ultimate Controlling Shareholders

(b) Transactions with related parties

The Group had the following significant transactions with its related parties during the Relevant Periods:

	Year ended 31 December		Seven months ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2012 HK\$'000	2013 HK\$'000
Continuing transactions:				
Rental expenses paid or payable to a related company				
— Billion Treasure (Note (i))	920	960	560	515
Cleaning expenses paid or payable to a related company				
— Tai Cheong Hong (Note (i))	945	1,020	593	713
Printing and stationery expenses paid or payable to a related company				
— Ka Ho Educational Paper (Note (i))	288	264	159	238

II NOTES TO THE FINANCIAL INFORMATION (Continued)

28 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Note:

- (i) Purchases of goods or services from related companies were carried out at a rate mutually-agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.

(c) Balances with related parties

The Group had the following balances with related parties:

(i) Amounts due from related parties

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Non-trade receivables from related companies:			
— Billion Treasure	3,249	8,108	9,704
— Kind Rainbow	4,255	—	—
	7,504	8,108	9,704
Non-trade receivables from directors:			
— Mr. Cheung KH and Mr. Cheung KK	—	23,518	33,576
Non-trade receivable from a non-controlling shareholder:			
— Mr. Yip	—	—	1,197
Total	7,504	31,626	44,477

The maximum outstanding balances during the Relevant Periods were as follows:

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Maximum outstanding balances due from:			
— Billion Treasure	3,249	8,108	9,704
— Kind Rainbow	4,255	4,255	—
— Mr. Cheung KH and Mr. Cheung KK	—	23,518	33,576
— Mr. Yip	—	—	1,197
	—	—	1,197

II NOTES TO THE FINANCIAL INFORMATION (Continued)

28 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

(ii) Amounts due to related parties

	As at 31 December		As at 31 July
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Non-trade payables to related companies:			
— Ka Ho Educational Paper	54	35	104
— Tai Cheong Hong	183	178	235
	<u>237</u>	<u>213</u>	<u>339</u>
Non-trade payables to a non-controlling shareholder:			
— Mr. Yip	—	1,033	—
Non-trade payables to directors:			
— Mr. Cheung KH and Mr. Cheung KK	4,880	—	—
Total	<u>5,117</u>	<u>1,246</u>	<u>339</u>

Receivables and payables from/to related parties are unsecured, interest free and repayable on demand. Receivables from related parties are neither past due nor impaired. The carrying amounts of amounts due from/to related parties approximate their fair values and are denominated in Hong Kong dollars.

All non-trade balances due from/to related parties as at 31 July 2013 have been fully settled in November 2013 before listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(d) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management includes three executive directors, one operations manager and two head chefs during the Relevant Periods. The remuneration paid or payable to key management for employee services is shown below:

	Year ended 31 December		Seven months ended 31 July	
	2011	2012	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
			(unaudited)	
Basic salaries, allowances and benefits	3,692	4,056	2,366	2,381
Discretionary bonuses	94	159	22	17
Employer's contribution to pension scheme	60	83	45	53
	<u>3,846</u>	<u>4,298</u>	<u>2,433</u>	<u>2,451</u>

II NOTES TO THE FINANCIAL INFORMATION *(Continued)*

28 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation *(Continued)*

The remuneration of key management fell within the following bands:

	Number of individuals			
	Year ended 31 December		Seven months 31 July	
	2011	2012	2012	2013
			(unaudited)	
Remuneration bands:				
Nil — HK\$1,000,000	4	4	6	6
HK\$1,000,001 – HK\$2,000,000	2	2	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(e) Other arrangements with related parties

Banking facilities available to the Group and finance lease liabilities were guaranteed by the Ultimate Controlling Shareholders as at 31 December 2011 and 2012 and 31 July 2013. In addition, as at 31 July 2013, one of the bank borrowings was secured by investment properties of related companies.

All such guarantees have been released in November 2013 prior to the listing of the Company's shares on the Growth Enterprise Market of The Stock exchange of Hong Kong Limited.

29 EVENTS AFTER THE BALANCE SHEET DATE

(a) Distribution of dividends

On 23 September 2013, Choi Fook Holdings, which had sufficient reserve available for distribution, declared an interim dividend in the sum of 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 the Directors of approximately HK\$18.0 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 31 October 2013 by way of offsetting its then outstanding amounts due from the Directors of approximately HK\$17.0 million, and with the remaining balance of approximately HK\$1.3 million being settled by cash.

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

II NOTES TO THE FINANCIAL INFORMATION *(Continued)***29 EVENTS AFTER THE BALANCE SHEET DATE** *(Continued)***(a) Distribution of dividends** *(Continued)*

On 31 October 2013, Smart Award, which had sufficient reserve available for distribution, declared an interim dividend in the sum of approximately HK\$4.2 million to its then shareholders, which was settled on 19 November 2013 by way of offsetting its then outstanding amounts due from the 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.

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

(b) Completion of the Reorganisation

The Reorganisation was completed on 19 November 2013 and the details are summarised in Note 1.2.

III FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 20 June 2013. As at 31 July 2013, the Company had cash balance of HK\$0.1 representing share capital of HK\$0.1. Except for this, it had no other assets, liabilities or distributable reserves as at that date.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the 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 the Group attributable to the equity holders of the 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 the 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 the 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. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 31 July 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the 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 the 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 the Company pursuant to the general 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 the Group does not take into account the dividend of approximately HK\$44.0 million declared by the 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 the Group entered into subsequent to 31 July 2013.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A PROSPECTUS**

TO THE DIRECTORS OF U BANQUET GROUP HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of U Banquet Group Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 July 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 28 November 2013, in connection with the proposed placing of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of the shares of the Company on the Group's financial position as at 31 July 2013 as if the proposed placing of the shares of the Company had taken place at 31 July 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the seven months ended 31 July 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing of the shares of the Company at 31 July 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 28 November 2013

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2013 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. **MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. **ARTICLES OF ASSOCIATION**

The Articles were adopted on 19 November 2013 effective from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

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Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of our Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. Our Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

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Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

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Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with our Company or with any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

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A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

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In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

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A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

Our Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital - subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

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(f) Special resolution - majority required

In accordance with the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

Our Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

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(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditor's report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditor shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by our Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

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- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

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The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

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(q) Inspection of corporate records

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them, respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and

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- (iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 20 June 2013 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company

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and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

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(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding-up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding-up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and

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- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

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(o) Winding-up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding-up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding-up of a company occurs where the company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding-up, such company is obliged to cease to carry on its business from the commencement of its winding-up except so far as it may be beneficial for its winding-up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding-up of a company, one or more liquidators shall be appointed for the purpose of winding-up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding-up, showing how the winding-up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding-up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding-up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding-up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may

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also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 June 2013. Our Company has established a place of business in Hong Kong at Unit F, 28th Floor, Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 20 August 2013. In connection with such registration, Mr. Cheung KH has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises a memorandum of association and articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 20 June 2013 with an authorised share capital of our Company of HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.1 each. Upon incorporation, one share HK\$0.1 was allotted and issued to the subscriber, which was transferred to Mr. Cheung KH on the same day. On 15 November 2013, one share of HK\$0.1 was transferred to U Banquet (Cheung's).
- (b) On 15 November 2013, each of the issued and unissued shares of HK\$0.1 each in the share capital of our Company was subdivided into 10 Shares of HK\$0.01 each. Upon completion of the share subdivision, the authorised share capital of our Company was HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company was 10 Shares.
- (c) On 19 November 2013, pursuant to the reorganisation agreement dated 19 November 2013, our Company acquired the entire issued share capital of each of YuYan Distribution, YuYan Trading and YuYan Wedding from Mr. Cheung KH and the entire issued share capital of YuYan (HK) from Mr. Cheung KH, Mr. Cheung KK and the Minority Shareholder and in consideration of which, our Company allotted and issued 999,990 Shares, credited as fully paid to U Banquet (Cheung's), and 75,000 Shares credited as fully paid to the Minority Shareholder.
- (d) Immediately following the completion of the Capitalisation Issue and the Placing, without taking into account any Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 ordinary Shares, of which 400,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Other than the Shares issuable pursuant to the exercise of any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 19 November 2013” in this Appendix, our Directors at present have no intention to issue to any party any of the authorised but unissued Shares of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 19 November 2013

Pursuant to the written resolutions passed by our Shareholders on 19 November 2013, inter alia:

- (a) conditional on the conditions as set out in “Structure and Conditions of the Placing”:
 - (i) the Placing was approved and our Directors were authorised to (aa) allot and issue the Placing Shares pursuant to the Placing; (bb) implement the Placing and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Placing and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise HK\$3,489,250 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 348,925,000 Shares for allotment and issue;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
 - (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by our Shareholders in general meeting, Shares with a total nominal value not exceeding (1) 20% of the aggregate of the total nominal value of the share capital of our

Company in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the articles of association of our Company or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the articles of association of our Company or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and adopted the Memorandum and Articles of Association, the terms of which are summarised in Appendix III to this prospectus.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing details of which are set out in “History, Reorganisation and Corporate Structure — Shareholding structure of our Group immediately before and after completion of the Reorganisation, the Placing and the Capitalisation Issue”. Following the Reorganisation, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Placing (assuming that no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) is set out in “History, Reorganisation and Corporate Structure — Shareholding structure of our Group immediately before and after completion of the Reorganisation, the Placing and the Capitalisation Issue”.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in “History, Reorganisation and Corporate Structure — Corporate history of our operating subsidiaries”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on 19 November 2013, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Placing. The general mandate will remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the articles of association of our Company or any applicable Cayman Islands law; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the articles of association of our Company and subject to the Cayman Islands Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the articles of association of our Company and subject to the Cayman Islands Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on the GEM or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after Listing, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

7. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business of our Group) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the reorganisation agreement dated 19 November 2013 entered into among Mr. Cheung KH, Mr. Cheung KK, the Minority Shareholder and our Company, pursuant to which our Company acquired the entire issued share capital of each of YuYan Distribution, YuYan Trading and YuYan Wedding from Mr. Cheung KH and the entire issued share capital of YuYan (HK) from Mr. Cheung KH, Mr. Cheung KK and the Minority Shareholder and in consideration of which, our Company allotted and issued 999,990 Shares, credited as fully paid to U Banquet (Cheung's), and 75,000 Shares credited as fully paid to the Minority Shareholder;
- (b) the Deed of Indemnity;
- (c) the Asset Transfer Agreement;
- (d) the Deed of Non-Competition;
- (e) the Underwriting Agreement; and
- (f) the Confirmatory Deed.




8. Intellectual property rights of our Group and the Controlling Shareholder

(a) Trademarks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following trademarks which are material in relation to our Group's business:

Trademark	Place of registration	Registration number	Registrant	Class	Expiry date
	Hong Kong	301692874	U Banquet (HK)	43	17 August 2020 <i>(Note 2)</i>
	Hong Kong	301692883	U Banquet (HK)	43	17 August 2020 <i>(Note 2)</i>
	Hong Kong	301692892	U Banquet (HK)	41, 45	17 August 2020 <i>(Notes 1 and 3)</i>
	Hong Kong	302391813	U Banquet (HK)	43	26 September 2022 <i>(Note 2)</i>

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Place of registration	Application number	Name of applicant	Class	Date of application
	Hong Kong	302604159	U Banquet (HK)	43 <i>(Note 2)</i>	10 May 2013
	Hong Kong	302618758	U Banquet (HK)	43 <i>(Note 2)</i>	27 May 2013
U WEDDINGS	Hong Kong	302618767	U Banquet (HK)	41, 45 <i>(Notes 1 and 3)</i>	27 May 2013
	Hong Kong	302618776	U Banquet (HK)	41, 45 <i>(Notes 1 and 3)</i>	27 May 2013

Notes:

1. Class 41: Education, training and rehearsals of entertainment for wedding celebrations; entertainment; organisation of entertainment for wedding celebrations; providing facilities for wedding ceremonies; providing facilities for wedding celebrations; providing recreational facilities; planning and organisation of entertainment for wedding celebrations; providing information in relation to organisation of entertainment for wedding celebrations; party planning (entertainment); scriptwriting services for wedding celebrations; presentation of live performances; entertainer services; photography; photo-touching and rendering; video and audio programs production; videotaping; rental of sound and video recordings; providing information in relation to education and training for the organisation of entertainment for wedding celebrations; organization, holding and sponsoring of entertainment for group wedding events; organisation, holding and sponsoring of fun competitions for entertainment purposes; club entertainment services; production of entertainment and interactive content for distribution via television, cable, satellite, audio and video media, cartridges, laser discs, computer discs and electronic means.
2. Class 43: Dining and restaurant services, bar services, wine bar services, cocktail lounges, lounge services, services rendered by cafes, bistros and coffee bar, theme restaurant services, buffet restaurant services, hot-pot restaurant services, delicatessen restaurant services, sashimi and sushi bar services, tea house services, banqueting services, arranging and conducting of banquets, catering services, reservation services for booking accommodation and meals, preparation and provision of meals, food and beverages for dine-in, take-away, outside venue delivery, arranging of wedding receptions (food and drinks); arranging of wedding receptions (venues), provision of meeting facilities, provision of facilities for function exhibitions, shows and performances, provision of banquet and social function facilities for special occasions, hotel and restaurant concierge services, child minding services, and advisory and consultancy services relating to the above services.

3. Class 45: Wedding planning and wedding consultancy services; arranging and conducting of wedding services; providing facilities for wedding ceremonies; provision of civil celebrant services on marriages (legal services); legal services relating to marriage; registration services relating to marriage; wedding chapel services; security guard services; rental of wedding gowns, evening dresses, tuxedos, suits, clothing, headgear, footwear, jewellery and wedding accessories; social services rendered to meet the needs of others; information, consultancy and advisory services relating to the above services.

As at the Latest Practicable Date, Choi Fook Group is the registered proprietor and beneficial owner of the following trademarks which had been used by our Group's business during the Track Record Period until May 2013. Choi Fook Group is owned as to 25% by Mr. Cheung KH and 25% by Mr. Cheung KK and 50% by the Ex-Partners and to the best knowledge of our Directors, subsequent to the execution of the Settlement Agreement, it has not carried on any business apart from holding of the following trademarks:

Trademark	Place of registration	Registration number	Registrant	Class	Expiry date
Choi Fook Choi Fook Seafood Restaurant (彩福彩福海鮮酒家) 	Hong Kong	300176409	Choi Fook Group	43	11 March 2014
Choi Fook Royal Banquet (彩福皇宴) 	Hong Kong	300830105	Choi Fook Group	43	12 March 2017
Choi Fook Group (彩福集團) 	Hong Kong	300830114	Choi Fook Group	43	12 March 2017

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
www.u-banquet.com	U Banquet (HK)	27 January 2012	12 June 2014
www.u-banquetgroup.com	U Banquet (HK)	27 January 2012	12 June 2014
www.u-weddings.com	U Banquet (HK)	27 January 2012	12 June 2014

Information contained in the above websites do not form part of this prospectus.

Save as disclosed herein and in "Business — Intellectual property rights", there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are material in relation to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing without taking into account the Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Long position in the Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Cheung KH <i>(Note)</i>	Interest in a controlled corporation	275,570,000 Shares	68.9%
Mr. Cheung KK <i>(Note)</i>	Interest in a controlled corporation	275,570,000 Shares	68.9%

Note: These Shares are registered in the name of U Banquet (Cheung's), which is owned as to 58.5% by Mr. Cheung KH and 41.5% by Mr. Cheung KK. Under the SFO, each of Mr. Cheung KH and Mr. Cheung KK is deemed to be interested in all the Shares registered in the name of U Banquet (Cheung's).

(b) Particulars of service contracts

Each of Mr. Cheung KH, Mr. Cheung KK and Mr. Kan Yiu Pong, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary bonus by reference to our Group's audited net profit after taxation but before extraordinary items of our Group for the relevant year as our Board and the remuneration committee of

our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

Name	Amount (HK\$)
Mr. Cheung KH	2,880,000
Mr. Cheung KK	2,160,000
Mr. Kan Yiu Pong	600,000

Each of Mr. Chung Kong Mo *JP*, Ms. Wong Tsip Yue, Pauline and Mr. Wong Sui Chi, being our independent non-executive Directors, has entered into a letter of appointment with our Company on 19 November 2013. Each such appointment is for an initial term commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, each independent non-executive Director is entitled to an annual director's fee of HK\$120,000.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately HK\$2.6 million, HK\$2.8 million and HK\$1.6 million was paid to our Directors as remuneration and benefits in kind by our Group for the two years ended 31 December 2011 and 2012 and the seven months ended 31 July 2013, respectively. Further information in respect of our Directors' remuneration is set out in note 8 to the Accountant's Report set out in Appendix I to this prospectus.

An aggregate sum of approximately HK\$3.0 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2013 under the arrangements in force at the date of this prospectus excluding management bonus.

10. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Placing and taking no account of any Shares which may be taken up under the Placing or any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

(a) *Our Company*

Name	Capacity	Class and number of securities	Percentage of shareholding
U Banquet (Cheung's)	Beneficial owner	275,570,000 Shares	68.9%
Ms. Lam Hoi Yan Florence ("Ms. Lam") (Note 1)	Interest of spouse	275,570,000 Shares	68.9%
Ms. Lau Lai Mau ("Ms. Lau") (Note 2)	Interest of spouse	275,570,000 Shares	68.9%
Minority Shareholder (Note 3)	Beneficial owner	24,430,000 Shares	6.1%
Mr. Law Sai Hung ("Mr. Law") (Note 3)	Interest in a controlled corporation	24,430,000 Shares	6.1%

Notes:

- Ms. Lam is the spouse of Mr. Cheung KH. Under the SFO, Ms. Lam is deemed to be interested in the Shares in which Mr. Cheung KH is interested.
- Ms. Lau is the spouse of Mr. Cheung KK. Under the SFO, Ms. Lau is deemed to be interested in the Shares in which Mr. Cheung KK is interested.
- These Shares are registered in the name of the Minority Shareholder which is wholly-owned by Mr. Law. Under SFO, Mr. Law is deemed to be interested in the shares registered in the name of the Minority Shareholder.

(b) *The subsidiaries of our Company*

Name of the shareholder	Name of the subsidiary in our Group	Nature of interest	Number of shares	Percentage of shareholding in the subsidiary
Mr. Yip	Smart Award	Beneficial owner	5,000 shares	49.995%
Mr. Yip	General Corporation	Beneficial owner	5,000 shares	49.995%

11. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 28 of the Accountant's Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this Appendix and "Substantial Shareholders":

- (a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Placing will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in "E. Other information — 20. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in "E. Other information — 20. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME**13. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Shareholders on 19 November 2013.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of our subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invitation any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) *Price of Shares*

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Placing Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 400,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 40,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) *Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) *Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) *Rights on death*

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) *Changes in capital structure*

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation

issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) *Rights on take-over*

If a general offer has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) *Rights on a compromise or arrangement*

- (i) In the event of a notice is given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than 2 business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than 2 business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
 - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or

- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meeting the continuing eligibility criteria.

(m) *Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to our Articles as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) *Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) *Period of Share Option Scheme*

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) *Alteration to and termination of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Chapter 23 of the GEM Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Articles (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their associates

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of our Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and

- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

14. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “Indemnifiers”) has entered into a deed of indemnity (being the material contract referred to in “B. Further information about the business of our Group — 7. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Placing becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
 - (i) full provision has been made for such taxation in the consolidated audited accounts of our Group for the years ended 31 December 2011 and 2012 and for the seven months ended 31 July 2013 (the “**Accounts**”) as set out in Appendix I to this prospectus;

- (ii) falling on any member of our Group on or after 1 August 2013, unless the liability for taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) without the prior written consent or agreement of any of the Indemnifiers, but excluding such act, omission, delay or transaction caused by the Group in the ordinary course of its business;
 - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
 - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (b) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group in respect of any liability which might be payable by any member of our Group arising from any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong on all matters, including but not limited to the Companies Ordinance, the FBR, the WPCO and any non-compliance disclosed in this prospectus by any member of the Group before the Listing Date; and
 - (c) any costs, expenses, claims, liabilities, penalties, loss and damages incurred or suffered by any member of our Group in respect of any liability which might be payable by any member of our Group arising from our use of the trade name "*Choi Fook Royal Banquet* (彩福皇宴)" from December 2009 to January 2011.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

15. Litigation

Save as disclosed in "Business — Legal proceeding", neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Placing Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Quam Capital as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$122,000 and are payable by our Company.

19. Promoter

Our Company has no promoter.

20. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Quam Capital	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
TC & Co.	Legal advisers to our Company as to Hong Kong law
Appleby	Legal advisers to our Company as to Cayman Islands law
Norton Appraisals Limited	Property valuer

21. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Particulars of U Banquet (Cheung's)

Name	Description	Address	Number of Sale Shares
U Banquet (Cheung's)	A company incorporated in BVI	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	50,000,000

U Banquet (Cheung's) is owned as to 58.5% by Mr. Cheung KH and 41.5% by Mr. Cheung KK.

24. Miscellaneous

- (a) Save as disclosed in this Appendix, "History, Reorganisation and Corporate Structure" and "Underwriting", within the two years preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in "Summary — Recent developments and financial performance and position after the Track Record Period" and "Summary — Material adverse change", there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2013 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 July 2013 which would materially affect the information as shown in the Accountant's Report.

- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of Quam Capital, PricewaterhouseCoopers, Appleby, Norton Appraisals Limited and TC & Co.:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) written consents referred to in “Statutory and General Information — E. Other information — 21. Consents of experts” in Appendix IV to this prospectus;
- (b) copies of the material contracts referred to in “Statutory and General Information — B. Further information about the business of our Group — 7. — Summary of material contracts” in Appendix IV to this prospectus; and
- (c) a list containing particulars of U Banquet (Cheung’s) referred to in “Statutory and General Information — E. Other information — 23. Particulars of U Banquet (Cheung’s) in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of TC & Co. at Units 2201-2203, 22/F, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report on the historical financial information of our Group for the two years ended 31 December 2012 and the seven months ended 31 July 2013, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies now comprising our Group for the two years ended 31 December 2012 (or for the period since their respective dates of incorporation where it is shorter, if applicable);
- (d) the report from the reporting accountant in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of the Share Option Scheme;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the legal opinion issued by our Company’s Legal Advisers, in respect of certain statements referred to in this prospectus;
- (h) the Companies Law;
- (i) the material contracts referred to in “Statutory and General Information — B. Further information about the business of our Group — 7. Summary of material contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in “Statutory and General Information — E. Other information — 21. Consents of experts” in Appendix IV to this prospectus;
- (k) the service contracts referred to in “Statutory and General Information — C. Further information about Directors, management and staff — 9. Directors — (b) Particulars of service contracts” in Appendix IV to this prospectus; and
- (l) the list containing the particulars of U Banquet (Cheung’s) as set out in “Statutory and General Information — E. Other information — 23. Particulars of U Banquet (Cheung’s)” in Appendix IV to this prospectus.