



## 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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**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.**

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*This announcement, for which the directors (the “Directors”) of U Banquet Group Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## RESULTS

The board of Directors is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 together with the comparative figures for the immediately preceding year as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2013*

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2013</b>	<b>2012</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	361,771	304,164
Other income	4	1,820	1,116
Cost of revenue	5	(98,649)	(78,392)
Employee benefit expenses		(83,746)	(74,427)
Depreciation		(16,552)	(12,183)
Operating lease payments		(46,897)	(38,049)
Utilities expenses		(31,431)	(27,336)
Other expenses	6	(70,963)	(45,659)
<b>Operating profit</b>		<u>15,353</u>	<u>29,234</u>
Finance income		524	398
Finance costs		(517)	(276)
Finance income — net	7	<u>7</u>	<u>122</u>
<b>Profit before income tax</b>		15,360	29,356
Income tax expense	8	(5,223)	(5,773)
<b>Profit and total comprehensive income for the year</b>		<u><u>10,137</u></u>	<u><u>23,583</u></u>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		8,358	22,231
Non-controlling interests		1,779	1,352
		<u><u>10,137</u></u>	<u><u>23,583</u></u>
Basic earnings per share	9	<u><u>3 cents</u></u>	<u><u>7 cents</u></u>
Diluted earnings per share	9	<u><u>2 cents</u></u>	<u><u>6 cents</u></u>
Dividends	10	<u><u>43,966</u></u>	<u><u>—</u></u>

# CONSOLIDATED BALANCE SHEET

As at 31 December 2013

		As at 31 December	
	Note	2013 HK\$'000	2012 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		48,928	21,989
Goodwill		18,576	18,576
Rental deposits		11,038	7,305
Prepayment for consultancy services		14,952	—
Deferred income tax assets		4,247	2,479
		<u>97,741</u>	<u>50,349</u>
<b>Current assets</b>			
Trade receivables	11	9,090	724
Deposits and prepayments		22,473	11,344
Amounts due from related companies		—	8,108
Amount due from a non-controlling shareholder		275	—
Amounts due from directors		—	23,518
Pledged bank deposits	12	1,396	2,096
Cash and cash equivalents		48,422	22,674
		<u>81,656</u>	<u>68,464</u>
<b>Total assets</b>		<u><b>179,397</b></u>	<u><b>118,813</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	4,000	11
Share premium		39,873	—
Other reserves		74,602	50,486
Accumulated losses		(47,778)	(15,270)
		<u>70,697</u>	<u>35,227</u>
Non-controlling interests		<u>41</u>	<u>1,362</u>
<b>Total equity</b>		<u><b>70,738</b></u>	<u><b>36,589</b></u>

**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2013*

		<b>As at 31 December</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accruals and provisions		<b>8,516</b>	5,974
Deposits received		<b>1,907</b>	1,959
Borrowings	<i>15</i>	<b>88</b>	1,426
Deferred income tax liabilities		<b>52</b>	86
Provision for reinstatement costs		<b>3,110</b>	1,858
		<hr/>	<hr/>
		<b>13,673</b>	11,303
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>22,240</b>	12,637
Accruals and provisions		<b>28,718</b>	17,388
Deposits received		<b>28,934</b>	31,116
Amounts due to related companies		<b>1,279</b>	213
Amount due to a non-controlling shareholder		<b>—</b>	1,033
Amounts due to directors		<b>114</b>	—
Current income tax liabilities		<b>3,642</b>	5,162
Borrowings	<i>15</i>	<b>10,059</b>	2,742
Provision for reinstatement costs		<b>—</b>	630
		<hr/>	<hr/>
		<b>94,986</b>	70,921
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>108,659</b>	82,224
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>179,397</b>	118,813
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(13,330)</b>	(2,457)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>84,411</b>	47,892
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 December 2013*

	Attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000			
<b>For the year ended 31 December 2012</b>								
Balance as at 1 January 2012	11	—	50,486	—	(37,501)	12,996	10	13,006
Profit and total comprehensive income for the year	—	—	—	—	22,231	22,231	1,352	23,583
<b>Balance as at 31 December 2012</b>	<b>11</b>	<b>—</b>	<b>50,486</b>	<b>—</b>	<b>(15,270)</b>	<b>35,227</b>	<b>1,362</b>	<b>36,589</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)***For the year ended 31 December 2013*

## Attributable to owners of the Company

	Attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000			
<b>For the year ended 31 December 2013</b>								
Balance as at 1 January 2013	11	—	50,486	—	(15,270)	35,227	1,362	36,589
Profit and total comprehensive income for the year	—	—	—	—	8,358	8,358	1,779	10,137
<b>Total contributions by and distributions to owners of the Company recognised directly in equity</b>								
Capitalisation issue	3,489	(3,489)	—	—	—	—	—	—
Issuance of ordinary shares upon placing	500	49,500	—	—	—	50,000	—	50,000
Transaction costs attributable to issue of ordinary shares by placing	—	(6,138)	—	—	—	(6,138)	—	(6,138)
Deemed distribution to owners of the Company	—	—	5,166	—	—	5,166	—	5,166
Recognition of share-based payment	—	—	—	18,950	—	18,950	—	18,950
Dividends	—	—	—	—	(40,866)	(40,866)	(3,100)	(43,966)
<b>Total transactions with owners</b>	<b>3,989</b>	<b>39,873</b>	<b>5,166</b>	<b>18,950</b>	<b>(40,866)</b>	<b>27,112</b>	<b>(3,100)</b>	<b>24,012</b>
<b>Balance as at 31 December 2013</b>	<b>4,000</b>	<b>39,873</b>	<b>55,652</b>	<b>18,950</b>	<b>(47,778)</b>	<b>70,697</b>	<b>41</b>	<b>70,738</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2013*

## 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, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat in Hong Kong.

In preparation for the listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, the Company and other companies now consolidated to the Group have undergone a reorganisation (the “Reorganisation”) pursuant to which the Company has become holding company of the other companies now consolidated the Group.

The Company’s shares have been listed on the GEM of the Stock Exchange of Hong Kong Limited since 10 December 2013.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of U Banquet Group Holding Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

As at 31 December 2013, the Group’s current liabilities exceeded its current assets by approximately HK\$13,330,000 (2012: HK\$2,457,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$28,934,000 (2012: HK\$31,116,000), 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\$4,761,000 (2012: HK\$1,003,000) representing a portion of the total bank borrowings being classified as current due to the repayment on demand clause. The amounts were used to finance non-current asset additions, including purchases of property, plant and equipment and payments for rental and utilities deposits. 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 consolidated financial statements on a going concern basis.

The following new or revised standards, amendments to standards and new interpretation are relevant to the Group's operation which are effective for annual periods beginning after 1 January 2014 and have not been early adopted:

		<b>Effective for accounting period beginning on or after</b>
HKAS 19 (Amendment)	Employee Benefits	1 July 2014
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, amendments to standards and now interpretation 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.

### **3 SEGMENT INFORMATION**

The chief operating decision-maker ("CODM") has been identified as the chief executive officer ("CEO") and directors of the Company who review 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 operation of a chain of Chinese restaurants, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meats in Hong Kong. Since operation of a chain of Chinese restaurants attributed to majority of the Group's revenue, results and assets during the year ended 31 December 2013, no business segment analysis is presented accordingly.

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 2013. Accordingly, no analysis by geographical segment is provided. For the year ended 31 December 2013, there are no single external customers contributed to more than 10% revenue of the Group.



#### 4 REVENUE AND OTHER INCOME

Turnover consists of revenue from (i) operation of Chinese restaurants including provision of dining and wedding banquet services, (ii) provision of wedding services, and (iii) distribution of goods, consisting of fresh vegetables, fruits, seafood and frozen meat, during the year are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Revenue from Chinese restaurants operations	342,543	297,384
Revenue from provision of wedding services	5,486	6,202
Revenue from distribution of goods	13,742	578
	<u>361,771</u>	<u>304,164</u>
<b>Other income</b>		
Forfeiture of deposits received	709	1,078
Reversal of provision for reinstatement costs	1,047	—
Miscellaneous income	64	38
	<u>1,820</u>	<u>1,116</u>
Total revenue and other income	<u><u>363,591</u></u>	<u><u>305,280</u></u>

#### 5 COST OF REVENUE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost of materials consumed	86,234	76,513
Cost of provision of wedding services	1,407	1,505
Cost of distribution of goods	11,008	374
	<u>98,649</u>	<u>78,392</u>

## 6 OTHER EXPENSES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Auditors' remuneration	1,353	281
Advertising and promotions	8,621	7,329
Cleaning and laundry expenses	5,009	3,697
Credit card charges	3,416	3,178
Kitchen consumables	1,827	1,200
Repairs and maintenance	3,154	3,393
Written off of property, plant and equipment	—	4
Entertainment	2,103	2,896
Consumable stores	2,525	1,677
Insurance	1,990	1,555
Legal and professional fee	278	1,637
Printing and stationery	1,147	785
Staff messing	2,151	1,704
Service fee to temporary workers	11,091	10,104
Consultancy fee	208	—
Wedding banquet expenses	2,768	2,585
Transportation	1,958	930
Professional fee in respect of listing of the Company's shares	17,017	—
Others	4,347	2,704
	<u>70,963</u>	<u>45,659</u>

## 7 FINANCE INCOME — NET

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Finance income</b>		
— Interest income on short-term bank deposits	—	3
— Interest income arising from discount of non-current rental deposits	524	395
	<u>524</u>	<u>398</u>
<b>Finance costs</b>		
— Interest expense on bank borrowings wholly repayable within five years	(292)	(189)
— Interest expense on finance lease liabilities	(149)	(23)
— Unwinding of discount of provision for reinstatement costs	(76)	(64)
	<u>(517)</u>	<u>(276)</u>
Finance income — net	<u>7</u>	<u>122</u>

## 8 INCOME TAX EXPENSE

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current income tax		
Current income tax on profits for the year	7,025	5,398
Deferred income tax		
Origination and reversal of temporary differences	<u>(1,802)</u>	<u>375</u>
Income tax expense	<u><u>5,223</u></u>	<u><u>5,773</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2012: 16.5%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before income tax	<u>15,360</u>	<u>29,356</u>
Tax calculated at tax rate of 16.5%	2,534	4,844
Income not subject to tax	(365)	(66)
Expenses not deductible for tax purposes	2,963	995
Tax losses for which no deferred income tax asset was recognised	<u>91</u>	<u>—</u>
	<u><u>5,223</u></u>	<u><u>5,773</u></u>

## 9 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit attributable to owners of the Company (HK\$'000)	<u>8,358</u>	<u>22,231</u>
Weighted average number of ordinary shares in issue (thousands)	<u>328,595</u>	<u>325,581</u>
Basic earnings per share (HK\$)	<u><u>3 cents</u></u>	<u><u>7 cents</u></u>

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to owners of the Company of HK\$8,358,000 (2012: HK\$22,231,000) and the weighted average of 328,595,000 ordinary shares in issue (2012: 325,581,000 ordinary shares).

The weighted average number of shares in issue during the year ended 31 December 2013 represents the 350,000,000 shares in issue before the listing of shares of the Company as if such shares were issued on 1 January 2013, deducting the effect of 24,419,000 contingent returnable shares under share-based payment, and adding the weighted average of 3,014,000 shares issued upon the listing of the Company's shares.

The weighted average number of shares in issue during the year ended 31 December 2012 represents the 325,581,000 shares in issue before the listing of shares of the Company as if such shares had been outstanding during the entire year of 2012.

**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: contingent returnable shares.

	<b>2013</b>	2012
Profit attributable to owners of the Company (HK\$'000)	<u><b>8,358</b></u>	<u>22,231</u>
Weighted average number of ordinary shares in issue (thousands)	<b>328,595</b>	325,581
Adjustment for:		
— contingent returnable shares	<u><b>24,419</b></u>	<u>24,419</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><b>353,014</b></u>	<u>350,000</u>
Diluted earnings per share (HK\$)	<u><u><b>2 cents</b></u></u>	<u><u>6 cents</u></u>

The calculation of diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to owners of the Company of HK\$8,358,000 (2012: HK\$22,231,000) and the weighted average of 353,014,000 ordinary shares outstanding assuming conversion of contingent returnable shares (2012: 350,000,000 ordinary shares).

The weighted average number of ordinary shares for diluted earnings per share represents the weighted average number of shares in issue during the year ended 31 December 2013 adjusted by the conversion of 24,419,000 contingent returnable shares.

The weighted average number of shares in issue during the year ended 31 December 2012 represents the 325,581,000 shares in issue before the listing of shares of the Company as if such shares had been outstanding during the entire year of 2012, and the number of shares were then adjusted.

## 10 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2013.

On 23 September 2013, Choi Fook Holdings Limited, a subsidiary of the Company, declared an interim dividend for the year ended 31 December 2013 in the sum of approximately HK\$19,350,000 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\$17,950,000, and with the remaining balance of approximately HK\$1,400,000 being settled by cash.

On 31 October 2013, Choi Fook Holdings Limited declared a special dividend in the sum of approximately HK\$18,276,000 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\$16,976,000, with the remaining balance of approximately HK\$1,300,000 being settled by cash.

On 31 October 2013, Great Business (China and HK) Trading Limited, a subsidiary of the Company, declared an interim dividend for the year ended 31 December 2013 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.

On 31 October 2013, Smart Award Limited, a subsidiary of the Company, declared an interim dividend for the year ended 31 December 2013 in the sum of approximately HK\$4,200,000 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\$1,100,000 and a non-controlling shareholder of approximately HK\$1,400,000 with the remaining balance of approximately HK\$1,700,000 being settled by cash.

On 31 October 2013, General Corporation Limited, a subsidiary of the Company, declared and paid an interim dividend for the year ended 31 December 2013 in the sum of approximately HK\$2,000,000 to its then shareholders.

## 11 TRADE RECEIVABLES

The ageing analysis of trade receivables based on invoice date is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 to 30 days	2,366	465
31 to 60 days	6,517	233
61 to 90 days	192	14
Over 90 days	15	12
	<hr/>	<hr/>
	<b>9,090</b>	<b>724</b>
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The Group's revenue from its Chinese restaurants operations is mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers in wedding related business and distribution of goods ranges from 0 to 90 days. As at 31 December 2013, trade receivables that were not past due nor impaired amounted to approximately HK\$9,075,000 (2012: HK\$712,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2013, trade receivables of approximately HK\$15,000 (2012: HK\$12,000) were past due but not impaired. 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Over 90 days	<u>15</u>	<u>12</u>

As at 31 December 2013, no trade receivables were impaired (2012: same). No provision for impairment of trade receivables was made as at 31 December 2013 (2012: same).

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.

## 12 PLEDGED BANK DEPOSITS

The pledged bank deposits as at 31 December 2013 were pledged to banks for guarantee on rental deposits and utilities deposits. The pledged bank deposits as at 31 December 2012 were pledged to banks for guarantee on rental deposits.

## 13 SHARE CAPITAL AND SHARE PREMIUM

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.01 each as at 31 December 2013		<u>400,000,000</u>	<u>4,000</u>	<u>—</u>
Issued and fully paid:				
<b>At 20 June 2013 (date of incorporation)</b>	<i>(a)</i>	1	—	—
Shares increase pursuant to sub-division	<i>(b)</i>	9	—	—
Issue of share during Reorganisation	<i>(c)</i>	1,074,990	11	—
Capitalisation issue	<i>(d)</i>	348,925,000	3,489	(3,489)
Issue of share upon placing	<i>(e)</i>	50,000,000	500	49,500
Transaction costs attributable to issue of ordinary shares by placing	<i>(e)</i>	<u>—</u>	<u>—</u>	<u>(6,138)</u>
At 31 December 2013		<u>400,000,000</u>	<u>4,000</u>	<u>39,873</u>

- (a) 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\$0.10 each.

At the time of its incorporation, the total number of issued shares of the Company was one share.

- (b) 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.
- (c) On 19 November 2013, Mr. Cheung Ka Ho, Mr. Cheung Ka Kei and a minority shareholder transferred their respective shareholding interests in each of YuYan Distribution Limited, YuYan Group (Hong Kong), YuYan Group Trading Limited, and YuYan Group Wedding Limited 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 and the minority shareholders, respectively.
- (d) On 19 November 2013, the Company capitalised HK\$3,489,250 by crediting the share premium account of the Company and applied such sum to pay up in full at par a total of 348,925,000 shares for allotment and issue to the then shareholders in proportion to their respectively shareholdings.
- (e) On 9 December 2013, the Company issued 50,000,000 new shares with nominal value of HK\$0.01 each for the placing at the offer price of HK\$1.0 each. The share issuance cost relating to the new shares amounted to HK\$6,138,000.

#### 14 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 to 30 days	10,580	7,279
31 to 60 days	11,653	5,275
61 to 90 days	7	39
Over 90 days	—	44
	<u>22,240</u>	<u>12,637</u>

The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.

**15 BORROWINGS**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Non-current</b>		
Finance lease liabilities	<u>88</u>	<u>1,426</u>
	<u>88</u>	<u>1,426</u>
<b>Current</b>		
Bank borrowings	9,956	2,281
Finance lease liabilities	<u>103</u>	<u>461</u>
	<u>10,059</u>	<u>2,742</u>
Total borrowings	<u><u>10,147</u></u>	<u><u>4,168</u></u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in operation of full-services Chinese restaurants including the provision of dining and wedding banquet services, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat in Hong Kong.

#### Restaurants Operation

For the financial year ended 31 December 2013, the Group operated a total of ten restaurants (included U Banquet (Wan Chai) which was discontinued in April 2013), nine of which under “U Banquet (饗宴)” brand and one of which under “Hot Pot Cuisine (涮得棧)” brand.

We position ourselves entirely different from traditional, single service-focused Chinese restaurants in Hong Kong. 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.

During the year, the Group successfully operated its restaurants, U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Sino Plaza). The newly opened restaurants of the Group expand our restaurant network and geographical footprint which further solidify our position in the Chinese full-service restaurant industry in Hong Kong. In April 2013, we closed U Banquet (Wan Chai) as the lease for the premises were expired in May 2013. We were not able to renew the leases as the landlord did not agree to the renewal. However, the management of the Group consider that the closing of U Banquet (Wan Chai) had no material adverse impact on the Group financial performance and business operations as U Banquet (Wan Chai) was not located close to large public transportation system and the Group can re-allocate the resources to U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant which were opened at about the same time U Banquet (Wan Chai) was closed.

The management of the Group resolved to improve the operating efficiency and control its expenditures. The Group increased bulk purchases of food materials from the suppliers in order to enjoy larger discount. The Group reviewed the work allocation of the staff from time to time to enhance labour efficiency. The Group also entered into long term tenancy agreements to maintain the operating lease rentals at reasonable level.

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.

## **Provision of Wedding Services**

We offer different set of 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 operated two shop which provide shooting of wedding photos, rental and sale of wedding gowns and decoration and rental of wedding halls under the trade name of “*U Weddings*”. 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.

## **Distribution of Goods**

We started our distribution of goods business in late 2012, consisting of sourced fresh vegetables, fruits, seafood and frozen meat to mainly local restaurants and other food ingredient suppliers. We will continue to seek potential customers in respect of distribution of goods business in the coming year to broaden our revenue stream.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s growth momentum is carried forward from 2012 to 2013. The Group reported a total revenue of approximately HK\$362 million (2012: approximately HK\$304 million) and recorded a year-on-year increase of approximately HK\$58 million or 19 % from the last year, primarily due to the strong growth in comparable restaurant sales, the contribution from the newly opened restaurants in Wong Tai Sin and the full-year contribution from the distribution business.

Revenue mainly came from the operation of restaurants of approximately HK\$343 million, representing approximately 95% of total revenue. It increased approximately 15% or HK\$46 million from approximately HK\$297 million in the last year. Revenue from distribution of goods for the year ended 31 December 2013 amounted to approximately HK\$13,742,000, an increase of approximately 2,278% as compared to last year. Significant increase of the revenue generated from distribution of goods was mainly because the business was operated for the full year during the year ended 31 December 2013 while the business was only operated for two months in last year.

### **Cost of Revenue**

Cost of revenue for the year ended 31 December 2013 amounted to approximately HK\$98,649,000, an increase of approximately 26% compared to last year. The rise was in line with the increase of revenue from the Group for the year ended 31 December 2013. The cost of revenue comprised cost of materials consumed, cost of distribution of goods and cost of provision of wedding services. The cost of revenue remained stable ranging between approximately 26% to 27% of the Group’s revenue for the year ended 31 December 2012 and 2013.

## **Employee Benefit Expenses**

Employee benefit expenses for the year ended 31 December 2013 amounted to approximately HK\$83,746,000, an increase of approximately 13% as compared to last year. The increase was mainly due to the newly opened U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Sino Plaza), and the wage adjustments to retain experienced staff under the inflationary environment during the year ended 31 December 2013. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

## **Operating Lease Payments**

Operating lease payments for the year ended 31 December 2013 amounted to approximately HK\$46,897,000, an increase of approximately 23% as compared to last year. The increase was mainly due to two new lease agreements were signed during the year for new restaurant. In addition, the effect of increase of monthly fixed rentals of restaurants located in Mong Kok and Kwun Tong had fully reflected on our result of operations for the year ended 31 December 2013.

## **Utilities Expenses**

Utilities expenses for the year ended 31 December 2013 amounted to approximately HK\$31,431,000, an increase of approximately 15% as compared to last year. The increase was in line with the increase of revenue of the Group for the year ended 31 December 2013.

## **Other Expenses**

Other expenses mainly represent one-off listing expenses and expenses incurred for the Group's operation, consisting of included service fee to temporary workers, kitchen consumables, laundry, cleaning, repair and maintenance, advertising and promotion, etc. For the year ended 31 December 2013, it amounted to approximately HK\$70,963,000, representing an increase of approximately 55% compared to last year. This rise was primarily due to the one-off listing expenses of approximately HK\$17,017,000 and the expenses incurred in relation to the operation of newly opened restaurants during the year ended 31 December 2013.

## **Profit Before Tax and Net Profit Margin**

The profit before tax for the year ended 31 December 2013 amounted to approximately HK\$15,360,000, a decrease of approximately 48% compared to last year. The net profit margin declined from approximately 7% for the year ended 31 December 2012 to approximately 2% for the year ended 31 December 2013. Eliminating the effect of one-off listing expenses, (i) the profit before tax for the year ended 31 December 2013 increased by approximately 10% compared to last year; and (ii) the net profit margin remained stable at approximately 7% for the year ended 31 December 2013.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders 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. The Group's strategy, which was unchanged during the year ended 31 December 2013, was to lower the gearing ratio to an acceptable level.

As at 31 December 2013, the Group's cash and cash equivalents were approximately HK\$48,422,000, representing an increase of 114% as compared with approximately HK\$22,674,000 as at 31 December 2012. The increase was mainly arising from the net proceeds of placing.

The pledged bank deposit as at 2013 was pledged to a bank for guarantee on rental deposits and utilities deposit of the Group.

The bank borrowings outstanding as at 31 December 2013 amounted to approximately HK\$9,956,000, representing an increase of approximately 336% compared to the previous year. All the bank borrowings were early repaid subsequently on 21 January 2014.

As at 31 December 2013, the Group's trade receivables were approximately HK\$9,090,000, representing an increase of approximately 1,156% compared to the last year. The trade receivables mainly comprised of trade receivable from the distribution of goods. The increase in trade receivables was primarily due to the increase in revenue from distribution of goods. Subsequently to the date of this announcement, over 98% of trade receivables were settled.

### **Gearing ratio**

The gearing ratio is measured by net debt (aggregate of current and non-current borrowings less cash and cash equivalents) divided by total capital (calculated as total equity plus net debt). As at 31 December 2013, the Group was at net cash position, hence the gearing ratio is not applicable.

### **Prospects**

The operating environment in Hong Kong is expected to be challenging for the foreseeable future. Nonetheless, the management is confident it can succeed and enhance the shareholders' value.

The Directors believe that the successful listing of the shares of the Company on the GEM of the Stock Exchange on 10 December 2013 could enhance the Group's profile and the net proceeds from the listing would strengthen the Group's financial position and enable the Group to implement its business plan set out in the prospectus of the Company dated 28 November 2013 under the section headed "Future Plans and Use of Proceeds".

The Group is continuously searching for appropriate locations with high traffic flow and reasonable rentals to expand its restaurant network. The Group launched a new restaurant in Sino Plaza in November 2013. This new restaurant was expected to become another major income stream for the Group and helps enlarge the Group's market share within the industry.

The Group will continue deploying different marketing strategies, adding creative features to the existing and new restaurants. Meanwhile, implementing effective cost control measures and minimizing the operating costs on rental, raw materials and labour accordingly.

The Group will continue expanding its scope of business, including opening more local restaurants proactively, extending and evaluating prospects in other food-related businesses in order to sustain the Group's growth and deliver satisfactory returns to its shareholders.

To manage the Group's compliance status, the Legal and Compliance Committee held meeting monthly to review the Group's compliance with GEM Listing Rules, internal control measures and all relevant laws and regulations. The results of such review were satisfactory. The Group has also appointed an external independent internal control consulting company to conduct annual review of the effectiveness of the Group's internal control system after listing. No material internal control deficiencies were identified.

## **Dividends**

The Directors do not recommend payment of final dividend in respect of the year ended 31 December 2013. Dividend of approximately HK\$44 million were declared and paid to their then shareholders by the subsidiaries of our Group's in September and October 2013, respectively.

## **CORPORATE GOVERNANCE**

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2013, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year under review, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Cheung Ka Ho was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during such period. Due to the nature and the extent of the Group's operations and Mr. Cheung Ka Ho's in-depth knowledge and experience in the industry and his familiarity with the operations of the Group, the Board believes that vesting the roles of both Chairman and chief executive officer in the same person provides the Group with strong and consistent leadership enabling the Group to operate efficiently. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with 3 of them being Independent Non-Executive Directors. Nevertheless, the Company will continue to look for suitable candidates and will make necessary arrangement pursuant to the requirement under A.2.1 of CG Code as and when necessary.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2013, which will be sent to the shareholders in due course.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.48 to Rules 5.67 Rules of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiry with all the directors and all the directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2013.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

## **AUDIT COMMITTEE REVIEW**

Pursuant to the requirements of the CG Code and the GEM Listing Rules, the Company has established an audit committee (the “Audit Committee”) which comprises three independent non-executive Directors. Mr. Wong Sui Chi is the chairman of the Audit Committee.

The annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

## **COMPETING BUSINESS**

For the year ended 31 December 2013, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the year.

By Order of the Board  
**U Banquet Group Holding Limited**  
**Cheung Ka Ho**  
*Chairman and Executive Director*

Hong Kong, 21 March 2014

*As at the date of this announcement, the Board comprises:*

*Executive Directors:*

Mr. Cheung Ka Ho (*Chairman*)  
Mr. Cheung Ka Kei  
Mr. Kan Yiu Pong

*Independent Non-Executive Directors:*

Mr. Chung Kong Mo *JP*  
Ms. Wong Tsip Yue, Pauline  
Mr. Wong Sui Chi

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at [www.u-banquetgroup.com](http://www.u-banquetgroup.com).*