



## 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)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

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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.*

## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014, unaudited operating results of the Group (as defined below) were as follows:

- Revenue reached approximately HK\$179,730,000, representing an increase of 9% compared to the same period of previous financial year;
- Loss attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately HK\$822,000, while profit attributable to owners of the Company amounted to approximately HK\$1,200,000 from the same period of previous financial year;
- Basic and diluted loss per share for the six months ended 30 June 2014 based on weighted average number of ordinary shares of 375,570,000 in issue was HK0.2 cents;
- No dividend was declared for the six months ended 30 June 2014.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board of directors (the “Board”) of U Banquet Group Holding Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June, 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2014

	Notes	For six months ended 30 June		For three months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	4	179,726	165,224	77,025	75,444
Other income	4	620	329	341	148
Cost of revenue	5	(43,328)	(42,117)	(18,360)	(20,409)
Employee benefit expenses		(50,251)	(40,542)	(23,674)	(21,624)
Depreciation		(7,408)	(10,051)	(3,869)	(5,075)
Operating lease payments		(29,465)	(21,667)	(14,373)	(12,412)
Utilities expenses		(16,969)	(14,706)	(8,432)	(7,699)
Other expenses	6	(32,926)	(32,232)	(11,865)	(18,080)
Operating (loss)/profit		(1)	4,238	(3,207)	(9,707)
Finance income		378	308	231	160
Finance cost		(37)	(120)	—	(73)
Finance cost — net		341	188	231	87
Profit before income tax		340	4,426	(2,976)	(9,620)
Income tax expenses	7	(213)	(1,420)	1,076	1,032
Profit and total comprehensive Income for the year		<u>127</u>	<u>3,006</u>	<u>(1,900)</u>	<u>(8,588)</u>
(Loss)/Profit and total comprehensive Income attributable to:					
Owners of the Company		(822)	1,189	(1,810)	(9,403)
Non-controlling interest		<u>949</u>	<u>1,817</u>	<u>(90)</u>	<u>815</u>
		<u>127</u>	<u>3,006</u>	<u>(1,900)</u>	<u>(8,588)</u>
Basic (loss)/earnings per share	9	<u>(0.2) cents</u>	<u>0.4 cents</u>	<u>(0.5) cents</u>	<u>(3.0) cents</u>
Diluted (loss)/earnings per share	9	<u>(0.2) cents</u>	<u>0.3 cents</u>	<u>(0.5) cents</u>	<u>(3.0) cents</u>
Dividends	8	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		<b>30 June</b>	31 December
		<b>2014</b>	2013
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		56,140	48,928
Goodwill		18,576	18,576
Rental deposits		10,061	11,038
Prepayment for consultancy services		13,057	14,952
Deferred income tax assets		4,516	4,247
		<u>102,350</u>	<u>97,741</u>
<b>Current assets</b>			
Trade receivables	10	1,008	9,090
Deposits and prepayments		32,582	22,473
Amount due from a non-controlling shareholder		253	275
Pledged bank deposits		—	1,396
Cash and cash equivalents		28,651	48,422
		<u>62,494</u>	<u>81,656</u>
Total assets		<u><u>164,844</u></u>	<u><u>179,397</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share Capital		4,000	4,000
Share Premium		39,873	39,873
Other reserves		74,602	74,602
Accumulated losses		(48,600)	(47,778)
		<u>69,875</u>	<u>70,697</u>
Non-controlling interests		—	41
Total equity		<u>69,875</u>	<u>70,738</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 30 June 2014*

		<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accruals and provisions		8,578	8,516
Deposits received		2,509	1,907
Borrowings		50	88
Deferred income tax liabilities		121	52
Provision for reinstatement costs		3,128	3,110
		<u>14,386</u>	<u>13,673</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	11,926	22,240
Accruals and provisions		26,144	28,718
Deposits received		38,687	28,934
Amount due to related companies		1,608	1,279
Amounts due to directors		122	114
Current income tax liabilities		1,016	3,642
Borrowings		90	10,059
Dividend payable to a non-controlling shareholder		990	—
		<u>80,583</u>	<u>94,986</u>
<b>Total liabilities</b>		<u>93,979</u>	<u>108,659</u>
<b>Total equity and liabilities</b>		<u>164,844</u>	<u>179,397</u>
<b>Net current liabilities</b>		<u>(18,089)</u>	<u>(13,330)</u>
<b>Total assets less current liabilities</b>		<u>84,261</u>	<u>84,411</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>Balance at 1 January 2014 (audited)</b>	4,000	39,873	55,652	18,950	(47,778)	70,697	41	70,738
(Loss)/profit and total comprehensive income for the period	—	—	—	—	(822)	(822)	949	127
Dividends	—	—	—	—	—	—	(990)	(990)
<b>Balance at 30 June 2014</b>	<u>4,000</u>	<u>39,873</u>	<u>55,652</u>	<u>18,950</u>	<u>(48,600)</u>	<u>69,875</u>	<u>—</u>	<u>69,875</u>
Balance at 1 January 2013 (audited)	11	—	50,486	—	(15,270)	35,227	1,362	36,589
Profit and total comprehensive income for the period	—	—	—	—	1,189	1,189	1,817	3,006
<b>Balance at 30 June 2013</b>	<u>11</u>	<u>—</u>	<u>50,486</u>	<u>—</u>	<u>(14,081)</u>	<u>36,416</u>	<u>3,179</u>	<u>39,595</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, the Cayman Islands. Its principal place of business is located at Flat F, 28/F, Block 2, 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 are principally engaged in the operation of a chain of Chinese restaurant, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat in Hong Kong.

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

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") unless otherwise stated.

### 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS/HKFRSs.

The Interim Financial Statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013.

The following new or revised standards, amendments to standards and new interpretation are relevant to the Company's operation which are effective beginning after 1 July 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
HKFRS 9	Financial Instruments	1 January 2015

The Company has commenced the assessment of the impact of these new or revised standards, amendments to standards and new interpretation but is not yet in a position to state whether they would have a significant impact on the Company's results of operations and its financial position.

As at 30 June 2014, the Group's current liabilities exceeded its current assets by approximately HK\$18,089,000 (31 December 2013: HK\$13,330,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$38,687,000 (31 December 2013: HK\$28,934,000) which is to be recognised as revenue upon rendering of the relevant banquet and wedding related services in the next twelve months. Based on the Group's historical 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 interim financial statements on a going concern basis.

### 3 SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) of the Company are the 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 the operation of a chain of Chinese restaurants, provision of wedding services and distribution of goods which consists of fresh vegetables, fruits, seafood and frozen meat in Hong Kong. Since the operation of a chain of Chinese restaurants attributed to the majority of the Group’s revenue, results and assets during the six months ended 30 June 2014, 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 30 June 2014. Accordingly, no analysis by geographical segment is provided. For the six months ended 30 June 2014, there was no single external customer who contributed to more than 10% revenue of the Group.

### 4 REVENUE AND OTHER INCOME

Turnover which consists of revenue from (i) operation of Chinese restaurants which provide dining and wedding banquet services, (ii) provision of wedding services, and (iii) distribution of goods (which consists of fresh vegetables, fruits, seafood and frozen meat), for the three months and six months ended 30 June 2014 together with the comparative unaudited figures for the corresponding periods in 2013 are as follows:

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
<b>Revenue</b>				
Revenue from Chinese restaurants operations	175,651	158,763	75,317	72,856
Revenue from provision of wedding services	1,946	3,117	808	1,324
Revenue from distribution of goods	2,129	3,344	900	1,264
	<u>179,726</u>	<u>165,224</u>	<u>77,025</u>	<u>75,444</u>
	For six months ended 30 June	2013	For three months ended 30 June	2013
	2014 (Unaudited) HK\$’000	(Unaudited) HK\$’000	2014 (Unaudited) HK\$’000	(Unaudited) HK\$’000
<b>Other income</b>				
Forfeiture of deposits received	497	168	232	40
Miscellaneous income	123	161	109	108
	<u>620</u>	<u>329</u>	<u>341</u>	<u>148</u>
Total revenue and other income	<u>180,346</u>	<u>165,553</u>	<u>77,366</u>	<u>75,592</u>



## 5. COST OF REVENUE

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of materials consumed	41,701	39,272	17,658	19,276
Cost of provision of wedding services	414	691	168	295
Cost of distribution of goods	1,213	2,154	534	838
	<b>43,328</b>	<b>42,117</b>	<b>18,360</b>	<b>20,409</b>

## 6. OTHER EXPENSES

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Auditor's remuneration	97	83	48	41
Advertising and promotions	5,477	4,327	2,703	2,439
Cleaning and laundry expense	3,062	2,605	1,500	1,539
Credit card charges	1,880	1,603	855	754
Kitchen consumables	798	1,090	300	201
Repair and maintenance	2,288	1,510	680	756
Entertainment	1,145	1,337	6	536
Consumable stores	1,296	1,007	593	532
Insurance	1,147	1,116	519	574
Legal and professional fee	2,836	522	811	285
Printing and stationery	609	526	281	259
Staff messing	1,014	1,137	380	551
Service fee to temporary workers	5,683	6,228	900	2,767
Consultancy service fee	1,895	—	948	—
Wedding banquet expenses	897	1,257	105	444
Transportation	1,178	638	549	383
Professional fee in respect of listing of the Company's shares	—	5,649	—	5,149
Others	1,624	1,597	687	870
	<b>32,926</b>	<b>32,232</b>	<b>11,865</b>	<b>18,080</b>

## 7. INCOME TAX EXPENSES

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current income tax				
Current income tax on profits for the period	414	3,372	(775)	776
Deferred income tax				
Origination and reversal of temporary differences	(201)	(1,952)	(301)	(1,808)
Income tax expenses	<u>213</u>	<u>1,420</u>	<u>(1,076)</u>	<u>(1,032)</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 30 June 2014 and 2013.

## 8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2014 (2013: nil).

## 9. LOSS/EARNINGS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(822)</u>	<u>1,189</u>	<u>(1,810)</u>	<u>(9,403)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>375,570</u>	<u>325,570</u>	<u>375,570</u>	<u>325,570</u>
(Loss)/earnings per share (HK\$)	<u><b>(0.2) cents</b></u>	<u>0.4 cents</u>	<u><b>(0.5) cents</b></u>	<u>(3.0) cents</u>

The calculation of basic loss per share for the six months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$822,000 (2013: profit attributable to owners of the Company HK\$1,189,000) and the weighted average of 375,570,000 ordinary shares in issue (2013: 325,570,000 ordinary shares).

The weighted average number of shares in issue during the three months and six months ended 30 June 2014 represents the 400,000,000 shares in issue by the company after deducting the effect of 24,430,000 contingent returnable shares under share-based payment.

The calculation of basic loss per share for the three months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$1,810,000 (2013: HK\$9,403,000) and the weighted average of 375,570,000 ordinary shares in issue (2013: 325,570,000 ordinary shares).

The weighted average number of shares in issue during the three months and six months ended 30 June 2013 represents the 325,570,000 shares in issue upon the listing of shares of the Company as if such shares had been outstanding during the entire periods.

**(b) Diluted**

Diluted loss 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.

	For six months ended 30 June		For three months ended 30 June	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
(Loss)/profit attributable to owners of the Company (HK\$'000)	(822)	1,189	(1,810)	(9,403)
Weighted average number of ordinary shares in issue (thousands)	375,570	325,570	375,570	325,570
Adjustment for:—				
— Contingent returnable shares	—	24,430	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	375,570	350,000	375,570	325,570
Diluted (loss)/earnings per share (HK\$)	<u>(0.2) cents</u>	<u>0.3 cents</u>	<u>(0.5) cents</u>	<u>(3.0) cents</u>

The calculation of diluted loss per share for the six months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$822,000 (2013: profit attributable to owners of the Company HK\$1,189,000) and the weighted average of 375,570,000 ordinary shares outstanding (2013: 350,000,000 ordinary shares assuming conversion of contingent returnable shares).

The calculation of diluted loss per share does not assume the conversion of contingent returnable shares since their exercise would result in a decrease in loss per share for the six months ended 30 June 2014.

The weighted average number of ordinary shares for diluted earnings per share represents the weighted average number of shares in issue during the six months ended 30 June 2013 adjusted by the conversion of 24,430,000 contingent returnable shares.

The calculation of diluted loss per share for the three months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK\$1,810,000 (2013: HK\$9,403,000) and the weighted average of 375,570,000 ordinary shares in issue (2013: 325,570,000 ordinary shares).

The weighted average number of shares in issue during the three months ended 30 June 2013 represents the 325,570,000 shares in issue upon the listing of shares of the Company as if such shares had been outstanding during the entire period of 2013, and the number of shares were then adjusted.

## 10. TRADE RECEIVABLES

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
0 to 30 days	<b>800</b>	2,366
31 to 60 days	<b>199</b>	6,517
61 to 90 days	<b>3</b>	192
Over 90 days	<b>6</b>	15
	<hr/> <b>1,008</b> <hr/>	<hr/> 9,090 <hr/>

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 30 June 2014, trade receivables that were not past due nor impaired amounted to approximately HK\$1,002,000 (2013: HK\$9,075,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 30 June 2014, trade receivables of approximately HK\$6,000 (2013: HK\$15,000) 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.

As at 30 June 2014, no trade receivables were impaired (2013: same). No provision for impairment of trade receivables was made as at 30 June 2014 (2013: same).

## 11. TRADE PAYABLES

The aging analysis of trade payables based on the invoice date was as follows:

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
0-30 days	<b>5,604</b>	10,580
31-60 days	<b>6,219</b>	11,653
61-90 days	<b>5</b>	7
Over 90 days	<b>98</b>	—
	<hr/> <b>11,926</b> <hr/>	<hr/> 22,240 <hr/>

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

## 12. OPERATING LEASE COMMITMENT

The Group leases various restaurant properties and equipment under non-cancellable 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:

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
No later than 1 year	<b>58,248</b>	58,974
Later than 1 year and no later than 5 years	<b>78,450</b>	101,504
Over 5 years	<b>2,230</b>	6,782
	<b>138,928</b>	167,260

The future aggregate lease payments under optional operating leases in respect of properties are as follows:

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
No later than 1 year	—	—
Later than 1 year and no later than 5 years	<b>124,481</b>	103,471
Over 5 years	<b>42,821</b>	63,831
	<b>167,302</b>	167,302

## 13. RELATED PARTIES 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 — Group and Company**

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 six months period ended 30 June 2014 and the corresponding period in 2013:

<b>Name</b>	<b>Relationship with the Group</b>
Billion Treasure Property Development Limited ("Billion Treasure")	Controlled by the Mr. Cheung Ka Ho and Mr. Cheung Ka Kei
Ka Ho Educational Paper Company Limited ("Ka Ho Educational")	A Company owned by connected person of Mr. Cheung Ka Ho
Tai Cheong Hong	Controlled by Mr. Cheung Ka Kei

**(b) Transactions with related parties**

The Group had the following significant transactions with its related parties during the three months and six months period ended 30 June 2014 and the corresponding period in 2013:

	<b>For six months ended 30 June 2014 (Unaudited) HK\$'000</b>	For three months ended 30 June 2013 (Unaudited) HK\$'000	<b>For six months ended 30 June 2014 (Unaudited) HK\$'000</b>	For three months ended 30 June 2013 (Unaudited) HK\$'000
Continuing transactions:				
Rental expenses paid or payable to a related company — Billion Treasure ( <i>Note (i)</i> )	<b>210</b>	240	<b>105</b>	120
Purchase of stationery from a related company, Ka Ho Educational Pape ( <i>Note (i)</i> )	<b>205</b>	189	<b>79</b>	124
Purchase of cleaning and sanitary materials from a related , company Tai Cheong Hong ( <i>Note (i)</i> )	<b>710</b>	602	<b>345</b>	378
Non-continuing transactions:				
Rental expenses paid or payable to a related company — Billion Treasure ( <i>Note (i)</i> )	<b>—</b>	240	<b>—</b>	120

*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.

(c) **Balances with related parties**

(i) *Amounts due from related party*

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Non-trade receivables from a non-controlling shareholder: — Mr. Yip Wang Kwong	<u>253</u>	<u>275</u>

(ii) *Amounts due to related parties*

	<b>30 June 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Non-trade payable to related companies: — Billion Treasure	1,311	923
— Ka Ho Educational Paper	202	114
— Tai Cheong Hong	95	242
	<u>1,608</u>	<u>1,279</u>
Non-trade payable to a non-controlling shareholder — Mr. Yip Wang Kwong	<u>990</u>	<u>—</u>
Non-trade payable to Directors: — Mr. Cheung Ka Ho and Mr. Cheung Ka Kei	<u>122</u>	<u>114</u>

#### 14. EVENT AFTER THE REPORTING PERIOD

- (a) On 4 July 2014, Modern Management (Restaurant) Limited (“Modern Management”), an indirect wholly-owned subsidiary of the Company, the Company and Mr. Yip Wang Kwong (the “Vendor”) entered into:
- (i) a sale and purchase agreement pursuant to which Modern Management conditionally agreed to purchase and the Vendor conditionally agreed to sell 49.995% equity interest in General Corporation Limited (a company incorporated in Hong Kong and is owned as to 50.005% by Modern Management and 49.995% by the Vendor) at a consideration of HK\$20,240,000, which shall be satisfied by the issue and allotment of an aggregate 36,800,000 shares of the Company to the Vendor or his nominee upon completion; and
  - (ii) a sale and purchase agreement pursuant to which Modern Management conditionally agreed to purchase and the Vendor conditionally agreed to sell 49.995% equity interest in Smart Award Limited (a company incorporated in Hong Kong and is owned as to 50.005% by Modern Management and 49.995% by the Vendor) at a consideration of HK\$11,660,000, which shall be satisfied by the issue and allotment of an aggregate 21,200,000 shares of the Company to the Vendor or his nominee upon completion. For details, please refer to the Company’s announcement dated 4 July 2014.

Upon completion of the aforesaid acquisitions, each of General Corporation Limited and Smart Award Limited will become an indirect wholly-owned subsidiary of the Company.

- (b) On 10 July 2014, U Banquet Group Limited, an indirect wholly-owned subsidiary of the Company and a franchisee who is an independent third party entered into a two-years franchise agreement whereas the Company granted to the franchisee a non-exclusive right, license and franchise to open and operate a Chinese restaurant under the Company’s trade name.

The Group will receive a monthly franchise fee of HK\$125,000 for 24 months and the franchisee will also pay the Group 10% of the monthly gross turnover of the franchised business as management fee. In addition, the Group shall provide consultancy services to the franchisee, including human resource management, food quality control, energy saving and staff training. The restaurant is expected to be opened in September this year and located in Kowloon.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND OPERATIONAL OVERVIEW**

The Group is principally engaged in the operation of full-service 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 six months ended 30 June 2014, the Group operated a total of nine restaurants, eight of which under “U Banquet ( 譽宴 )” brand and one of which under “Hot Pot Cuisine ( 涮得棧 )” brand.

Compared to the corresponding period, the Group successfully opened one new restaurant, namely, U Banquet (Sino Plaza) and closed one restaurant, namely, U Banquet (Wan Chai) as the lease for the premises had expired in May 2013.

The newly opened restaurant of the Group expanded our restaurant network and geographical footprint which further solidifies our position in the Chinese full-service restaurant industry in Hong Kong.

#### **Provision of Wedding Services**

During the six months ended 30 June 2014, we operated two shops 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 our ability to provide (as a specialized wedding service provider one-stop) our customers high quality wedding banquet and wedding services.

#### **Distribution of Goods**

Our distribution of goods business consists of sourcing fresh vegetables, fruits, seafood and frozen meat to mainly local restaurants and other food ingredient suppliers. During the six months ended 30 June 2014, we continued to seek potential customers in respect of distribution of goods business to broaden our revenue stream.

## **FINANCIAL REVIEW**

### **Revenue**

During the six months ended 30 June 2014, the Group’s revenue amounted to approximately HK\$179,730,000, representing an increase of approximately 9% as compared to the corresponding period in 2013. The increase was primarily due to the contribution from the newly opened restaurants in U Banquet (Wong Tai Sin), Hot Pot Cuisine Restaurant and U Banquet (Sino Plaza) for which U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant were opened in April 2013 whereas U Banquet (Sino Plaza) was opened in late November 2013.

Revenue was mainly generated from the operation of restaurants of approximately HK\$175,651,000, representing approximately 98% of total revenue. It increased by approximately 11% or HK\$16,888,000 from approximately HK\$158,763,000 as compared to the corresponding period in 2013. Excluding those restaurants newly opened or closed, revenue from operation of restaurants for the six months ended 30 June 2014 decreased by approximately 7% or HK\$8,831,000. This was mainly due to the number of wedding banquet services contracts for the six months ended 30 June 2014 decreased as compared to the same period in 2013, mainly because the low season in 2013 started in mid-February and continued throughout the six months period while that in 2014 started in late January and continued throughout the six months period. Since the profit margin from provision of wedding banquet services is normally higher than that from dining services, overall profit margin of restaurant operation decreased significantly. As a result, the proportion of revenue from wedding banquet to the revenue from operation of restaurants decreased from approximately 32% to 24% for the six months ended 30 June 2013 and 2014, respectively.

Revenue arising from provision of wedding services decreased by approximately 38% or HK\$1,171,000 which was mainly due to the decrease in number of wedding banquet services as mentioned above.

Revenue arising from the distribution of goods decreased by approximately 36% or HK\$1,215,000 as one of the Group's major customers had ceased its business during the period under review.

### **Cost of Revenue**

Cost of revenue for the six months ended 30 June 2014 amounted to approximately HK\$43,328,000, representing an increase of approximately 3% compared to the corresponding period in 2013. The rise was in line with the increase of revenue for the six months ended 30 June 2014. 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 representing approximately 24% of the Group's revenue for the six months ended 30 June 2014 (2013: approximately 25%).

### **Employee Benefit Expenses**

Employee benefits expenses were approximately HK\$50,250,000 (2013: HK\$40,542,000). The increase was mainly due to six months expenses incurred for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant whereas only two months expenses incurred in the corresponding period in 2013, a newly opened U Banquet (Sino Plaza) in November 2013 and the wage adjustments to retain experienced staff under the inflationary environment.

### **Operating Lease Payments**

Operating lease payments for the six months ended 30 June 2014 amounted to approximately HK\$29,465,000, representing an increase of approximately 36% as compared to the corresponding period in 2013. The increase was mainly due to a new lease agreement for U Banquet (Sino Plaza) opened in late November 2013.

### **Other Expenses**

Other expenses mainly represent expenses incurred for the Group's operation, consisting of consultancy service fee, service fees to temporary workers, kitchen consumables, laundry, cleaning, repair and maintenance, advertising and promotion, etc. For the six months ended 30 June 2014, it amounted to approximately HK\$32,926,000, representing an increase of approximately 2% as compared to the corresponding period in 2013. This rise was primarily due to certain administration expenses incurred related to the listing of the Company on the GEM and increase of other expenses for a newly opened restaurant, i.e.

U Banquet (Sino Plaza) for the six months ended 30 June 2014 while there were no such expenses for the corresponding period in 2013. In addition, consultancy service fees related to corporate advisory services incurred by the Group for the six months ended 30 June 2014 amounted to approximately HK\$1,900,000, while no such expenses was incurred for the corresponding period in 2013.

### **Loss Attributable to Owners and Net Loss Margin**

The loss attributable to owners of the Company for the six months ended 30 June 2014 amounted to approximately HK\$822,000 (2013: profit attributable to owners of the Company amounted to approximately HK\$1,200,000). The net loss margin for the six months ended 30 June 2014 was 0.5% (2013: the net profit margin was 0.7%). When compared with the revenue for the corresponding period in 2013, there was a drop in profit attributable to owners of the Group and net profit margin. The drop was mainly due to (i) a decrease in the revenue generated from wedding banquets which normally generates a higher profit margin than dining services provided by restaurants; (ii) an increase in employee benefit expenses; and (iii) an increase in payment of operating lease.

### **Liquidity, Financial Resources and Capital structure**

#### ***Cash position and pledged bank deposit***

As at 30 June 2014, the Group's cash and cash equivalents were approximately HK\$28,651,000, representing a decrease of 41% as compared with approximately HK\$48,422,000 as at 31 December 2013. The decrease was mainly due to the refurbishing work of U Banquet (Mongkok) which has been completed in May 2014 and repayment of bank borrowings.

#### ***Bank Borrowing and Charges on the Group's Assets***

The significant drop of bank borrowings was due to early repayment of bank borrowings in January 2014 amounting to approximately HK\$9,956,000. The remaining balances represent finance lease liabilities on office equipment.

#### ***Trade Receivables***

As at 30 June 2014, the Group's trade receivables were approximately HK\$1,008,000, representing a decrease of approximately 89% compared to 31 December 2013. The trade receivables mainly comprised of trade receivable from the distribution of goods. The decrease in trade receivables was primarily due to the decrease in revenue from distribution of goods as one of the Group's major customers had ceased its business during the period under review.

#### ***Gearing Ratio***

The gearing ratio is measured by net debt (aggregate of current and non-current bank borrowings less cash and cash equivalents) divided by total capital (calculated as total equity plus net debt). As at 30 June 2014, the Group had no bank borrowings, hence the gearing ratio is not applicable.

#### ***Charges on Assets***

As at 30 June 2014, the Group did not have any charges on its assets.

## **Contingent Liabilities**

As at 30 June 2014, the Group did not have any material contingent liabilities.

## **Employees and Remuneration Policies**

The Group had 546 (31 December 2013: 554) employees as at 30 June 2014. The staff costs, including Directors' emoluments, of the Group were approximately HK\$50,250,000 and HK\$40,542,000 for the six months ended 30 June 2014 and 2013 respectively. The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

## **Dividends**

The Directors do not recommend payment of dividend for the six months ended 30 June 2014.

## **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 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 is 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.

On 10 July 2014, U Banquet Group Limited, an indirect wholly-owned subsidiary of the Company and the franchisee who is an independent third party entered into a two-years franchise agreement whereas the Company granted to the franchisee a non-exclusive right, license and franchise to open and operate a Chinese restaurant under the Company's trade name.

The Group will receive a monthly franchise fee of HK\$125,000 for 24 months and the franchisee will also pay the Group 10% of the monthly gross turnover of the franchised business as management fee. In addition, the Group shall provide consultancy services to the franchisee, including human resource management, food quality control, energy saving and staff training. The restaurant is expected to be opened in September this year and located in Kowloon.

Looking forward, the Group will utilise its available resources to engage in its current business. Apart from this, the Group will also continue to explore business opportunities associated with its core business to strengthen its revenue base and maximise the return of the shareholders and the value of the Company.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

For the six months ended 30 June 2014, 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.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2014.

## **CORPORATE GOVERNANCE PRACTICES**

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 six months ended 30 June 2014. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 June 2014, 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 six months ended 30 June 2014 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.

## **DIRECTORS’ 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.

After making specific enquiry with all the Directors, 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 six months ended 30 June 2014.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the Company’s compliance adviser, Quam Capital Limited (the “Compliance Adviser”), neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2014.

## AUDIT COMMITTEE

The Company has established an Audit Committee on 19 November 2013 with written terms of reference in compliance with the Rules 5.28 to 5.33 of the GEM Listing Rules and the Code on Corporate Governance. The Audit Committee performs, amongst others, the following functions:

- Review financial information of the Group
- Review relationship with and terms of appointment of the external auditors
- Review the Company's financial reporting system, internal control system and risk management system.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee comprises three members namely:—

Mr. Wong Sui Chi (*Chairman*)

Mr. Chung Kong Mo JP

Ms. Wong Tsip Yue, Pauline

The unaudited interim financial results of the Group for the six months ended 30 June 2014 has been reviewed by the Audit Committee.

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

Hong Kong, 11 August 2014

*As at the date of this announcement, the executive Director is Mr. Cheung Ka Ho, Mr. Cheung Ka Kei and Mr. Kan Yiu Pong and the independent non-executive Directors are Mr. Chung Kong Mo JP, Ms. Wong Tsip Yue, Pauline and 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).*