



## 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)**

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2014, unaudited operating results of the Group (as defined below) were as follows:

- Revenue reached approximately HK\$280,240,000, representing an increase of approximately 14% compared to the same period of the previous period;
- Profit attributable to owners of the Company for the nine months ended 30 September 2014 amounted to approximately HK\$5,084,000, while loss attributable to owners of the Company amounted to approximately HK\$1,819,000 from the same period of the previous period;
- Basic and diluted earning per share for the nine months ended 30 September 2014 (based on weighted average number of ordinary shares of approximately 381,306,000 and 405,736,000 respectively in issue) were approximately HK1.3 cents;
- No dividend was declared for the nine months ended 30 September 2014.

### THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

The board of directors (the “Board”) of U Banquet Group Holding Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 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 nine months ended 30 September 2014

	Notes	For nine months ended 30 September		For three months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	280,243	246,693	100,516	81,470
Other income	3	1,656	458	1,036	129
Cost of revenue	4	(66,860)	(64,729)	(23,531)	(22,612)
Employee benefit expenses		(74,612)	(61,877)	(24,362)	(21,334)
Depreciation		(11,351)	(12,618)	(3,942)	(2,567)
Operating lease payments		(45,868)	(33,953)	(16,403)	(12,287)
Utilities expenses		(26,027)	(23,099)	(9,058)	(8,393)
Other expenses	5	(50,236)	(48,507)	(17,310)	(16,275)
Operating profit/(loss)		6,945	2,368	6,946	(1,869)
Finance income		569	475	191	166
Finance cost		(58)	(320)	(21)	(200)
Finance cost — net		511	155	170	(34)
Profit before income tax		7,456	2,523	7,116	(1,903)
Income tax expenses	6	(1,049)	(3,093)	(836)	(1,673)
Profit/(loss) and total comprehensive income for the period		6,407	(570)	6,280	(3,576)
Profit/(loss) and total comprehensive income attributable to:					
Owners of the Company		5,084	(1,819)	5,906	(3,008)
Non-controlling interest		1,323	1,249	374	(568)
		6,407	(570)	6,280	(3,576)
Basic earnings/ (loss) per share	8	1.3 cents	(0.6) cents	1.5 cents	(0.9) cents
Diluted earnings/ (loss) per share	8	1.3 cents	(0.6) cents	1.4 cents	(0.9) cents
Dividends	7	—	19,350	—	19,350

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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</b> <b>(audited)</b>	4,000	39,873	55,652	18,950	(47,778)	70,697	41	70,738
Profit and total comprehensive income for the period	—	—	—	—	5,084	5,084	1,323	6,407
Acquisition of the remaining equity interest of a subsidiary of the Group	580	31,320	(36,189)	—	—	(4,289)	(374)	(4,663)
Dividends	—	—	—	—	—	—	(990)	(990)
<b>Balance at 30 September 2014</b>	<b>4,580</b>	<b>71,193</b>	<b>19,463</b>	<b>18,950</b>	<b>(42,694)</b>	<b>71,492</b>	<b>—</b>	<b>71,492</b>
<b>Balance at 1 January 2013</b> <b>(audited)</b>	11	—	50,486	—	(15,270)	35,227	1,362	36,589
(Loss)/profit and total comprehensive income for the period	—	—	—	—	(1,819)	(1,819)	1,249	(570)
Dividends	—	—	—	—	(19,350)	(19,350)	—	(19,350)
<b>Balance at 30 September 2013</b>	<b>11</b>	<b>—</b>	<b>50,486</b>	<b>—</b>	<b>(36,439)</b>	<b>14,058</b>	<b>2,611</b>	<b>16,669</b>

## NOTES TO THE THIRD QUARTERLY 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 financial information has not been audited.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited quarterly financial statements have been prepared in accordance with The Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies used in the preparation of the unaudited condensed consolidated results are consistent with those used in the audited financial statements and notes thereto for the year ended 31 December 2013.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January 2014, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The third quarterly financial statements have been prepared under the historical cost basis. The third quarterly financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

The third quarterly results are unaudited but have been reviewed by the Company's audit committee.

### 3. 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 nine months ended 30 September 2014 together with the comparative unaudited figures for the corresponding periods in 2013 are as follows:

	For nine months ended 30 September		For three months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>				
Revenue from Chinese restaurants operations	274,140	237,630	98,488	78,868
Revenue from provision of wedding services	2,960	4,293	1,015	1,176
Revenue from distribution of goods	3,143	4,770	1,013	1,426
	<u>280,243</u>	<u>246,693</u>	<u>100,516</u>	<u>81,470</u>
<b>Other income</b>				
Forfeiture of deposits received	530	283	33	115
Reversal of provision for reinstatements costs	559	—	559	—
Franchise and Management fee	438	—	438	—
Miscellaneous income	129	175	6	14
	<u>1,656</u>	<u>458</u>	<u>1,036</u>	<u>129</u>
Total revenue and other income	<u>281,899</u>	<u>247,151</u>	<u>101,552</u>	<u>81,599</u>

### 4. COST OF REVENUE

	For nine months ended 30 September		For three months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of materials consumed	64,394	60,639	22,693	21,368
Cost of provision of wedding services	583	1,095	168	403
Cost of distribution of goods	1,883	2,995	670	841
	<u>66,860</u>	<u>64,729</u>	<u>23,531</u>	<u>22,612</u>

## 5. OTHER EXPENSES

	For nine months ended 30 September		For three months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Auditor's remuneration	169	124	72	41
Advertising and promotions	7,614	6,080	2,137	1,753
Cleaning and laundry expense	4,585	3,741	1,523	1,136
Credit card charges	2,807	2,445	927	842
Kitchen consumables	1,158	1,529	360	439
Repair and maintenance	3,111	2,612	823	1,102
Entertainment	1,717	2,055	572	718
Consumable stores	1,885	1,603	589	596
Insurance	1,625	1,645	478	529
Legal and professional fee	4,306	880	1,470	358
Printing and stationery	930	821	321	295
Staff messing	1,514	1,644	500	507
Service fee to temporary workers	10,201	9,809	4,518	3,581
Consultancy service fee	2,843	—	948	—
Wedding banquet expenses	1,585	1,831	688	574
Transportation	1,790	1,193	612	555
Professional fee in respect of listing of the Company's shares	—	8,107	—	2,458
Others	2,396	2,388	772	791
	<b>50,236</b>	<b>48,507</b>	<b>17,310</b>	<b>16,275</b>

## 6. INCOME TAX EXPENSES

	For nine months ended 30 September		For three months ended 30 September	
	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	1,527	4,051	1,113	679
Deferred income tax				
Origination and reversal of temporary differences	(478)	(958)	(277)	994
Income tax expenses	<b>1,049</b>	<b>3,093</b>	<b>836</b>	<b>1,673</b>

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

## 7. DIVIDENDS

Dividends of HK\$19,350,000 were declared and paid by the Company's subsidiary to their then shareholders during the three months and nine months ended 30 September 2013.

The Directors do not recommend payment of dividend for the nine months ended 30 September 2014.

## 8. EARNINGS/LOSS 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 period.

	For nine months ended 30 September		For three months ended 30 September	
	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$	2014 (Unaudited) HK\$	2013 (Unaudited) HK\$
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>5,084</u>	<u>(1,819)</u>	<u>5,906</u>	<u>(3,008)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>381,306</u>	<u>325,570</u>	<u>392,592</u>	<u>325,570</u>
Earnings/(loss) per share (HK\$)	<u><u>1.3 cents</u></u>	<u><u>(0.6) cents</u></u>	<u><u>1.5 cents</u></u>	<u><u>(0.9) cents</u></u>

The calculation of basic earning per share for the nine months ended 30 September 2014 is based on the profit attributable to owners of the Company of HK\$5,084,000 (2013: loss attributable to owners of the Company HK\$1,819,000) and the weighted average of 381,306,000 ordinary shares in issue (2013: 325,570,000 ordinary shares).

The weighted average number of shares in issue during the three months and nine months ended 30 September 2014 represents the 458,000,000 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 earning per share for the three months ended 30 September 2014 is based on the profit attributable to owners of the Company of HK\$5,906,000 (2013: loss attributable to owners of the Company HK\$3,008,000) and the weighted average of 392,592,000 ordinary shares in issue (2013: 325,570,000 ordinary shares).

The weighted average number of shares in issue during the three months and nine months ended 30 September 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 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>For nine months ended 30 September</b>		<b>For three months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$</b>	<b>2013 (Unaudited) HK\$</b>	<b>2014 (Unaudited) HK\$</b>	<b>2013 (Unaudited) HK\$</b>
Profit/(loss) attributable to owners of the Company (HK\$'000)	<b>5,084</b>	(1,819)	<b>5,906</b>	(3,008)
Weighted average number of ordinary shares in issue (thousands)	<b>381,306</b>	325,570	<b>392,592</b>	325,570
Adjustment for:— — Contingent returnable shares	<b>24,430</b>	—	<b>24,430</b>	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>405,736</b>	325,570	<b>417,022</b>	325,570
Diluted earnings/(loss) per share (HK\$)	<b>1.3 cents</b>	(0.6) cents	<b>1.4 cents</b>	(0.9) cents

The calculation of diluted earnings per share for the nine months ended 30 September 2014 is based on the profit attributable to owners of the Company of HK\$5,084,000 (2013: loss attributable to owners of the Company HK\$1,819,000) and the weighted average of 405,736,000 ordinary shares outstanding (2013: 325,570,000 ordinary shares assuming conversion of contingent returnable shares).

The weighted average number of ordinary shares for diluted earnings per share represents the weighted average number of shares in issue during the nine months ended 30 September 2014 adjusted by the conversion of 24,430,000 contingent returnable shares.

The calculation of diluted earnings per share for the three months ended 30 September 2014 is based on the profit attributable to owners of the Company of HK\$5,906,000 (2013: loss attributable to owners of the Company HK\$3,008,000) and the weighted average of 417,022,000 ordinary shares in issue (2013: 325,570,000 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 three months ended 30 September 2014 adjusted by the conversion of 24,430,000 contingent returnable shares.

The weighted average number of shares in issue during the three months and nine months ended 30 September 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.

## 9. 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 September 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30 September 2013 (Unaudited) <i>HK\$'000</i>
No later than 1 year	54,671	54,691
Later than 1 year and no later than 5 years	68,726	116,700
Over 5 years	—	8,922
	<u>123,397</u>	<u>180,313</u>

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

	<b>30 September 2014</b> <b>(Unaudited)</b> <i>HK\$'000</i>	30 September 2013 (Unaudited) <i>HK\$'000</i>
No later than 1 year	—	—
Later than 1 year and no later than 5 years	130,906	93,440
Over 5 years	36,397	73,863
	<u>167,303</u>	<u>167,303</u>

## 10. EVENT AFTER THE REPORTING PERIOD

On 10 October 2014, Kind Access Development Limited (“Kind Access”), a direct wholly-owned subsidiary of the Company, the Company and our executive Directors, Mr. Cheung Ka Ho and Mr. Cheung Ka Kei (the “Vendor”) entered into a sale and purchase agreement pursuant to which Kind Access conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of Billion Treasure Property Development Limited (“Billion Treasure”). Pursuant to the Sale and Purchase Agreement, the consideration for the Sale Shares is HK\$4,900,000, which shall be satisfied by the issue and allotment of the 7,000,000 Consideration Shares at a price of HK\$0.70 per share to the Vendors or their nominee upon Completion.

Upon completion of the aforesaid acquisitions, Billion Treasure will become an indirect wholly-owned subsidiary of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Board is pleased to announce the Group's third quarterly results for the three months and nine months ended 30 September 2014.

### **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 nine months ended 30 September 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 nine months ended 30 September 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 for local restaurants and other food ingredient suppliers. During the nine months ended 30 September 2014, we continued to seek potential customers in respect of distribution of goods business to broaden our revenue stream.

## FINANCIAL REVIEW

### Nine months ended 30 September 2014 compared with nine months ended 30 September 2013

#### Revenue

During the nine months ended 30 September 2014, the Group's revenue amounted to approximately HK\$280,243,000, representing an increase of approximately 14% 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\$274,140,000, representing approximately 98% of total revenue. It increased by approximately 15% or HK\$36,510,000 from approximately HK\$237,630,000 as compared to the corresponding period in 2013. Excluding those restaurants that are/is newly opened or closed, revenue from operation of restaurants for the nine months ended 30 September 2014 decreased by approximately 1% or HK\$2,550,000. The decrease was mainly due to the drop of revenue generated from U Banquet Mongkok (1) and U Banquet Mongkok (2) restaurants by approximately 8% or HK\$4,561,000 as the Group refurbished U Banquet Mongkok (1) and U Banquet Mongkok (2) restaurants for around 1.5 months during the nine months ended 30 September 2014.

Revenue arising from provision of wedding services decreased by approximately 31% or HK\$1,333,000 which was mainly due to the decrease in number of wedding banquet services during the nine months ended 30 September 2014 compared to the corresponding period in 2013.

Revenue arising from the distribution of goods decreased by approximately 34% or HK\$1,627,000 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 nine months ended 30 September 2014 amounted to approximately HK\$66,860,000, 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 nine months ended 30 September 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 nine months ended 30 September 2014 (2013: approximately 26%).

#### Employee Benefit Expenses

Employee benefits expenses were approximately HK\$74,612,000 (2013: HK\$61,877,000). The increase was mainly due to nine months expenses incurred for U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant whereas only five 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 nine months ended 30 September 2014 amounted to approximately HK\$45,868,000, representing an increase of approximately 35% 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 nine months ended 30 September 2014, other expenses amounted to approximately HK\$50,236,000, representing an increase of approximately 4% 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 nine months ended 30 September 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 nine months ended 30 September 2014 amounted to approximately HK\$2,843,000, while no such expenses was incurred for the corresponding period in 2013.

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

The profit attributable to owners of the Company for the nine months ended 30 September 2014 amounted to approximately HK\$5,084,000 (2013: loss attributable to owners of the company amounted to approximately HK\$1,819,000). The net profit margin for the nine months ended 30 September 2014 was 2% (2013: the net loss margin was 1%). When compared with the result for the corresponding period in 2013, there was an increase in profit attributable to owners of the Group and net profit margin. The increase was mainly due to no listing expenses was incurred during the nine months ended 30 September 2014 (2013: HK\$ 8.1 million).

## **Dividends**

The Directors do not recommend payment of dividend for the nine months ended 30 September 2014.

## **Subsequent Event**

### ***Acquisition of entire interest in Billion Treasure***

Other than disclosed in note 10 on this third quarterly results announcement, further details of the acquisition are set out in the announcement dated 10 October 2014.

## **Prospects**

The operating environment in Hong Kong is expected to be challenging for the foreseeable future. Nonetheless, the management is confident that the Group 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 was opened in September this year and located in Kowloon Bay. The Group had received approximately HK\$438,000 in respect of franchise and management fee during the three months ended 30 September 2014.

The Group will continue expanding its business scale, including opening more local restaurants proactively 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 monthly meetings to review the Group's compliance with the GEM Listing Rules, internal control measures and all relevant laws and regulations. The results of such review were satisfactory.

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

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, Quam Capital Limited (the "Compliance Adviser"), except for the financial adviser agreement entered into between the Company and Compliance Adviser in relation to a connected transaction in relation to the acquisition to entire interest in Billion Treasure as disclosed in the announcement of the Company dated 10 October 2014, 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 September 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 third quarterly financial results of the Group for the nine months ended 30 September 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, 10 November 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).*