



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 2014

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 2014 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

| | | Year ended 31 December | |
|---|------|------------------------|------------------|
| | Note | 2014 HK\$'000 | 2013 HK\$'000 |
| Revenue | 4 | 398,068 | 361,771 |
| Other income | 4 | 1,773 | 1,820 |
| Cost of revenue | 5 | (93,521) | (98,649) |
| Employee benefit expenses | | (99,982) | (83,746) |
| Depreciation | | (16,118) | (16,552) |
| Operating lease payments | | (62,211) | (46,897) |
| Utilities expenses | | (33,679) | (31,431) |
| Other expenses | 6 | (67,103) | (70,963) |
| Operating profit | | <u>27,227</u> | <u>15,353</u> |
| Finance income | | 682 | 524 |
| Finance costs | | (121) | (517) |
| Finance income — net | 7 | <u>561</u> | <u>7</u> |
| Profit before income tax | | 27,788 | 15,360 |
| Income tax expense | 8 | (5,036) | (5,223) |
| Profit and total comprehensive income for the year | | <u>22,752</u> | <u>10,137</u> |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the Company | | 21,429 | 8,358 |
| Non-controlling interests | | 1,323 | 1,779 |
| | | <u>22,752</u> | <u>10,137</u> |
| Basic earnings per share | 9 | <u>5 cents</u> | <u>3 cents</u> |
| Diluted earnings per share | 9 | <u>5 cents</u> | <u>2 cents</u> |
| Dividends | 10 | <u>—</u> | <u>40,866</u> |

CONSOLIDATED BALANCE SHEET*As at 31 December 2014*

| | | Year ended 31 December | |
|---|-------------|-------------------------------|-----------------|
| | | 2014 | 2013 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 57,856 | 48,928 |
| Investment properties | <i>11</i> | 25,500 | — |
| Goodwill | | 18,576 | 18,576 |
| Rental deposits | | 10,191 | 11,038 |
| Prepayment for consultancy services | | 11,162 | 14,952 |
| Deferred income tax assets | | 4,150 | 4,247 |
| | | <hr/> | <hr/> |
| | | 127,435 | 97,741 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Trade receivables | <i>12</i> | 2,568 | 9,090 |
| Deposits and prepayments | | 25,530 | 22,473 |
| Amount due from a non-controlling shareholder | | — | 275 |
| Pledged bank deposits | <i>13</i> | — | 1,396 |
| Cash and cash equivalents | | 38,370 | 48,422 |
| | | <hr/> | <hr/> |
| | | 66,468 | 81,656 |
| | | <hr/> | <hr/> |
| Total assets | | 193,903 | 179,397 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>14</i> | 4,650 | 4,000 |
| Share premium | | 90,326 | 39,873 |
| Other reserves | | 23,936 | 74,602 |
| Accumulated losses | | (26,349) | (47,778) |
| | | <hr/> | <hr/> |
| | | 92,563 | 70,697 |
| Non-controlling interests | | — | 41 |
| | | <hr/> | <hr/> |
| Total equity | | 92,563 | 70,738 |
| | | <hr/> | <hr/> |

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2014*

| | | Year ended 31 December | |
|--|-------------|-------------------------------|-----------------|
| | | 2014 | 2013 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Accruals and provisions | | 7,805 | 8,516 |
| Deposits received | | 838 | 1,907 |
| Borrowings | <i>16</i> | 155 | 88 |
| Deferred income tax liabilities | | 88 | 52 |
| Provision for reinstatement costs | | 2,730 | 3,110 |
| | | 11,616 | 13,673 |
| Current liabilities | | | |
| Trade payables | <i>15</i> | 12,423 | 22,240 |
| Accruals and provisions | | 18,285 | 28,718 |
| Deposits received | | 32,884 | 28,934 |
| Amounts due to related companies | | 341 | 1,279 |
| Amounts due to directors | | — | 114 |
| Current income tax liabilities | | 613 | 3,642 |
| Borrowings | <i>16</i> | 25,178 | 10,059 |
| | | 89,724 | 94,986 |
| Total liabilities | | 101,340 | 108,659 |
| Total equity and liabilities | | 193,903 | 179,397 |
| Net current liabilities | | (23,256) | (13,330) |
| Total assets less current liabilities | | 104,179 | 84,411 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

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 | | | |
| For the year ended 31 December 2013 | | | | | | | | |
| 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 |
| Total contributions by and distributions to owners of the Company recognised directly in equity | | | | | | | | |
| 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) |
| Total transactions with owners | 3,989 | 39,873 | 5,166 | 18,950 | (40,866) | 27,112 | (3,100) | 24,012 |
| Balance as at 31 December 2013 | 4,000 | 39,873 | 55,652 | 18,950 | (47,778) | 70,697 | 41 | 70,738 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2014

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 | | | |
| For the year ended 31 December 2014 | | | | | | | | |
| Balance as at 1 January 2014 | 4,000 | 39,873 | 55,652 | 18,950 | (47,778) | 70,697 | 41 | 70,738 |
| Profit and total comprehensive income for the year | — | — | — | — | 21,429 | 21,429 | 1,323 | 22,752 |
| Total contributions by and distributions to owners of the Company recognised directly in equity | | | | | | | | |
| Acquisition of the remaining equity interest of subsidiaries of the Group | 580 | 45,763 | (50,666) | — | — | (4,323) | (374) | (4,697) |
| Acquisition of a subsidiary | 70 | 4,690 | — | — | — | 4,760 | — | 4,760 |
| Dividends | — | — | — | — | — | — | (990) | (990) |
| Total transactions with owners | 650 | 50,453 | (50,666) | — | — | 437 | (1,364) | (927) |
| Balance as at 31 December 2014 | 4,650 | 90,326 | 4,986 | 18,950 | (26,349) | 92,563 | — | 92,563 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 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 (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, and franchising the use of “U Banquet” in a Chinese restaurant 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 POLICIES

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, as modified by the revaluation of investment properties, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK\$23,256,000 (2013: HK\$13,330,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$32,884,000 (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 financial year; as well as an amount of approximately HK\$14,850,000 (2013: HK\$4,761,000) representing a portion of the total bank borrowings being classified as current due to the repayment on demand clause. This portion of bank borrowings, together with a revolving loan of HK\$10,000,000, were pledged against the investment properties as well as certain land and building as of 31 December 2014, hence its repayment is expected to be through realisation of these assets by sale should the repayment on demand clause be exercised. 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 2015 and have not been early adopted:

| | | Effective for accounting period beginning on or after |
|-----------------------|--|--|
| Amendment to HKFRS 10 | Consolidated financial statements | 1 January 2016 |
| Amendment to HKFRS 16 | Property, plant and equipment | 1 January 2016 |
| Amendment to HKFRS 27 | Consolidated and separate financial statements | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |

The Group 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 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, distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meats, and franchising the use of "U Banquet" in a Chinese restaurant 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 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 31 December 2014. Accordingly, no analysis by geographical segment is provided. For the year ended 31 December 2014, 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, (iii) distribution of goods, consisting of fresh vegetables, fruits, seafood and frozen meat, and (iv) franchising the use of “U Banquet” in a Chinese restaurant during the year are as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | | |
| Revenue from Chinese restaurants operations | 388,217 | 342,543 |
| Revenue from provision of wedding services | 3,836 | 5,486 |
| Revenue from distribution of goods | 4,777 | 13,742 |
| Franchise income | 1,238 | — |
| | <u>398,068</u> | <u>361,771</u> |
| Other income | | |
| Forfeiture of deposits received | 767 | 709 |
| Reversal of provision for reinstatement costs | 559 | 1,047 |
| Gain on acquisition of a subsidiary | 388 | — |
| Miscellaneous income | 59 | 64 |
| | <u>1,773</u> | <u>1,820</u> |
| Total revenue and other income | <u><u>399,841</u></u> | <u><u>363,591</u></u> |

5 COST OF REVENUE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Cost of materials consumed | 89,955 | 86,234 |
| Cost of provision of wedding services | 546 | 1,407 |
| Cost of distribution of goods | 3,020 | 11,008 |
| | <u>93,521</u> | <u>98,649</u> |

6 OTHER EXPENSES

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Auditors' remuneration | 1,154 | 1,353 |
| Advertising and promotions | 9,857 | 8,621 |
| Cleaning and laundry expenses | 6,106 | 5,009 |
| Credit card charges | 3,740 | 3,416 |
| Kitchen consumables | 1,508 | 1,827 |
| Repairs and maintenance | 3,630 | 3,154 |
| Entertainment | 2,828 | 2,103 |
| Consumable stores | 2,680 | 2,525 |
| Insurance | 2,143 | 1,990 |
| Legal and professional fee | 2,533 | 278 |
| Printing and stationery | 1,185 | 1,147 |
| Staff messing | 2,040 | 2,151 |
| Service fee to temporary workers | 13,344 | 11,091 |
| Consultancy service fee | 3,790 | 208 |
| Wedding banquet expenses | 2,616 | 2,768 |
| Transportation | 2,429 | 1,958 |
| Professional fee in respect of listing of the Company's shares | 100 | 17,017 |
| Others | 5,420 | 4,347 |
| | <u>67,103</u> | <u>70,963</u> |

7 FINANCE INCOME — NET

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Finance income | | |
| — Interest income on short-term bank deposits | 3 | — |
| — Interest income arising from discount of non-current rental deposits | 679 | 524 |
| | <u>682</u> | <u>524</u> |
| Finance costs | | |
| — Interest expense on bank borrowings wholly repayable within five years | (13) | (292) |
| — Interest expense on finance lease liabilities | (10) | (149) |
| — Unwinding of discount of provision for reinstatement costs | (98) | (76) |
| | <u>(121)</u> | <u>(517)</u> |
| Finance income — net | <u>561</u> | <u>7</u> |

8 INCOME TAX EXPENSE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current income tax | | |
| Current income tax on profits for the year | 4,982 | 7,025 |
| Deferred income tax | | |
| Origination and reversal of temporary differences | 54 | (1,802) |
| Income tax expense | <u>5,036</u> | <u>5,223</u> |

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2013: 16.5%).

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.

| | 2014 | 2013 |
|---|----------------|----------------|
| Profit attributable to owners of the Company (HK\$'000) | <u>21,429</u> | <u>8,358</u> |
| Weighted average number of ordinary shares in issue (thousands) | <u>394,671</u> | <u>328,595</u> |
| Basic earnings per share (HK\$) | <u>5 cents</u> | <u>3 cents</u> |

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit attributable to owners of the Company of HK\$21,429,000 (2013: HK\$8,358,000) and the weighted average of 394,671,000 ordinary shares in issue (2013: 328,595,000 ordinary shares).

(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.

| | 2014 | 2013 |
|---|----------------|----------------|
| Profit attributable to owners of the Company (HK\$'000) | <u>21,429</u> | <u>8,358</u> |
| Weighted average number of ordinary shares in issue (thousands) | <u>394,671</u> | <u>328,595</u> |
| Adjustment for: | | |
| — contingent returnable shares | <u>24,430</u> | <u>24,430</u> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <u>419,101</u> | <u>353,025</u> |
| Diluted earnings per share (HK\$) | <u>5 cents</u> | <u>2 cents</u> |

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to owners of the Company of HK\$21,429,000 (2013: HK\$8,358,000) and the weighted average of 419,101,000 ordinary shares in issue (2013: 353,025,000 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 2014 adjusted by the conversion of 24,430,000 contingent returnable shares (2013: 24,430,000 contingent returnable shares). The contingent returnable shares were granted to Century Great Investment Limited in 2013 for services to be provided. The shares are restricted for a period of 5 years.

10 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2014 (2013: Nil).

During the year ended 31 December 2013, prior to the Reorganisation, interim and special dividends approximately totalling HK\$40,866,000 were declared and paid to the Group's then shareholders by certain Group's subsidiaries. The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this announcement.

11 INVESTMENT PROPERTIES

**Group
2014
HK\$'000**

| | |
|-----------------------------|----------------------|
| At 1 January | — |
| Acquisition of a subsidiary | <u>25,500</u> |
| At 31 December | <u><u>25,500</u></u> |

The investment properties were revalued at 31 December 2014 by an independent professionally qualified valuer, B.I. Appraisals Limited using the direct comparison approach by making reference to comparable sale evidence as available in the relevant market.

The Group's interests in investment properties, held on leases of between 36 and 40 years, are located in Hong Kong.

At 31 December 2014, certain investment properties situated in Hong Kong with fair value of HK\$14,800,000 were pledged as a security for bank borrowings made available to the Group.

12 TRADE RECEIVABLES

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0 to 30 days | 1,090 | 2,366 |
| 31 to 60 days | 767 | 6,517 |
| 61 to 90 days | 502 | 192 |
| Over 90 days | 209 | 15 |
| | <hr/> 2,568 <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 periods granted by the Group to its customers in wedding related business, customers in distribution of goods and a franchisee range from 0 to 90 days. As at 31 December 2014, trade receivables that were not past due nor impaired amounted to approximately HK\$2,359,000 (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 31 December 2014, trade receivables of approximately HK\$209,000 (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. The ageing analysis of these trade receivables by overdue date is as follows:

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|--------------|--------------------------------|-------------------------|
| Over 90 days | 209 | 15 |
| | <hr/> 209 <hr/> | <hr/> 15 <hr/> |

As at 31 December 2014, no trade receivables were impaired (2013: same). No provision for impairment of trade receivables was made as at 31 December 2014 (2013: 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.

13 PLEDGED BANK DEPOSITS

The pledged bank deposit amounted to approximately HK\$1.4 million was released during the year upon early repayment of the term loan as at 31 December 2013.

14 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 2014 | | 10 billion | 100,000 | — |
| Issued and fully paid: | | | | |
| At 20 June 2013 | <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> | — | — | (6,138) |
| At 31 December 2013 | | 400,000,000 | 4,000 | 39,873 |
| At 1 January 2014 | | 400,000,000 | 4,000 | 39,873 |
| Issue of share for acquisition of the remaining equity interest of subsidiaries of the Group | <i>(f)</i> | 58,000,000 | 580 | 45,763 |
| Issue of share for acquisition of a subsidiary | <i>(g)</i> | 7,000,000 | 70 | 4,690 |
| At 31 December 2014 | | 465,000,000 | 4,650 | 90,326 |

- (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.

- (f) On 4 September 2014, the Group completed the acquisition of the remaining non-controlling interest in each of General Corporation Limited (“General Corporation”) and Smart Award Limited (“Smart Award”) by the issue of 36,800,000 ordinary shares and 21,200,000 ordinary shares with a fair value on completion date of HK\$0.88 per share respectively, net of transaction cost of HK\$4,697,000.
- (g) On 22 December 2014, the Group completed the acquisition of the entire equity interest in Billion Treasure Property Development Limited (“Billion Treasure”) through issuance of 7,000,000 ordinary shares with a fair value on completion date of HK\$0.68 per share.

15 TRADE PAYABLES

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days | 9,139 | 10,580 |
| 31 to 60 days | 3,276 | 11,653 |
| 61 to 90 days | 8 | 7 |
| | <u>12,423</u> | <u>22,240</u> |

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

16 BORROWINGS

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---------------------------|-------------------------|-------------------------|
| Non-current | | |
| Finance lease liabilities | <u>155</u> | <u>88</u> |
| | ----- 155 | ----- 88 |
| Current | | |
| Bank borrowings | 24,850 | 9,956 |
| Finance lease liabilities | <u>328</u> | <u>103</u> |
| | ----- 25,178 | ----- 10,059 |
| Total borrowings | <u>25,333</u> | <u>10,147</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 and franchising the use of “U Banquet” to a Chinese restaurant in Hong Kong.

Restaurants Operation

For the financial year ended 31 December 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.

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 continued to operate nine restaurants with steady growth in turnover. The Directors originally expected that the lease agreement for a new restaurant would be entered into in the second quarter of 2014. However, the Group has not entered into any lease agreement for a new restaurant during the year 2014 as the Group could not reach a reasonable lease arrangement with any landlord. The Company is actively looking for suitable locations with a view to launch a new restaurant in the year 2015.

The management resolved to improve the operating efficiency and control expenditures of the Group. The Group increased bulk purchases of food materials from the suppliers in order to enjoy larger discount and successfully reflect it in our financial performance during the year under review. 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 payments 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

During the year, we operated two wedding 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 year, we continued to seek potential customers in respect of distribution of goods business to broaden our revenue stream.

Franchise of Restaurants Operation

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-year 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 restaurant was opened in September 2014 and locates in Kowloon Bay.

Acquisition of Entire Equity Interest in Billion Treasure

On 22 December 2014, the Group completed the acquisition of the entire equity interest of Billion Treasure by issue and allotment of 7,000,000 consideration shares of the Company at HK\$0.70 per share to the vendors. Billion Treasure is a property investing entity previously held by Mr. Cheung Ka Ho and Mr. Cheung Ka Kei, Executive Directors of the Company. The fair value of the consideration shares as at the completion date was HK\$0.68 per share. As a result of the acquisition, the Group is expected to expand its revenue stream and receive a stable rental income.

Acquisition of Non-Controlling Interests of General Corporation and Smart Award

On 4 September 2014, the Group completed the acquisition of the remaining 49.995% non-controlling interest in each of General Corporation and Smart Award, which are principally engaged in the distribution of fresh vegetables, fruits, seafood and frozen meat. The consideration was settled by the issue of 58,000,000 consideration shares by the Company at an issue price of HK\$0.55 per share to the vendor. The fair value of the consideration shares as at completion date was HK\$0.88 per share.

FINANCIAL REVIEW

Revenue

During the year 2014, the Group reported a total revenue of approximately HK\$398 million (2013: approximately HK\$362 million) and recorded a year-on-year increase of approximately HK\$36 million or 10 % from the last year, primarily due to the strong growth in comparable restaurant sales, especially the full-year contribution from the restaurants in Wong Tai Sin and Sino Plaza.

Revenue mainly came from the operation of restaurants of approximately HK\$388 million, representing approximately 97% of total revenue. It increased by approximately 13% or HK\$45 million from approximately HK\$343 million as compared to last year. Revenue from distribution of goods for the year ended 31 December 2014 amounted to approximately HK\$4,777,000, a decrease of approximately 65% as compared to last year. Significant decrease of the revenue generated from distribution of goods was mainly because one of the Group's major customers had ceased its business during the year under review.

For the franchise of restaurant operation in Kowloon Bay, 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 Group had received approximately HK\$1,238,000 in respect of franchise and management fee during the year ended 31 December 2014 (2013: nil).

Cost of Revenue

The cost of revenue comprised cost of materials consumed, cost of distribution of goods and cost of provision of wedding services. Cost of revenue for the year ended 31 December 2014 amounted to approximately HK\$93,521,000, a decrease of approximately 5% as compared to last year. Such decrease was mainly due the decrease of cost of distribution of goods for the year ended 31 December 2014. The cost of revenue was decreased from approximately 27% to 23% of the Group's revenue for the year ended 31 December 2014 as the Group effectively control the cost of materials consumed from the suppliers though increased bulk purchases to enjoy greater discount.

Employee Benefit Expenses

Employee benefit expenses for the year ended 31 December 2014 amounted to approximately HK\$99,982,000, an increase of approximately 19% as compared to last year. The increase was mainly due to the full-year operation of 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 2014. 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 2014 amounted to approximately HK\$62,211,000, an increase of approximately 33% as compared to last year. The increase was mainly due to a new lease agreement being signed during the year for restaurants located in Mong Kok. In addition, the effect of monthly fixed rentals of restaurants located in Wong Tai Sin and Sino Plaza had been fully reflected in our result of operations for the year ended 31 December 2014.

Utilities Expenses

Utilities expenses for the year ended 31 December 2014 amounted to approximately HK\$33,679,000, an increase of approximately 7% as compared to last year. The increase was in line with the increase of revenue of the Group for the year ended 31 December 2014.

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 year ended 31 December 2014, other expenses amounted to approximately HK\$67,103,000, representing a decrease of approximately 5% as compared to last year. The decrease was primarily due to the one-off listing expenses of approximately HK\$17,017,000 incurred in last year while no such expenses was incurred for the year ended 31 December 2014. Eliminating the effect of

one-off listing expenses, total other expenses increased by approximately HK\$13,157,000, it was primarily due to increase of certain administrative expenses incurred related to the listing of the Company on the GEM and other expenses for two restaurants, i.e. U Banquet (Wong Tai Sin) and U Banquet (Sino Plaza) compared to last year. In addition, consultancy service fees related to corporate advisory services incurred by the Group for the year 2014 amounted to approximately HK\$3,790,000, while only approximately HK\$208,000 were incurred in last year.

Profit Before Tax and Net Profit Margin

Profit before tax for the year ended 31 December 2014 amounted to approximately HK\$27,788,000, an increase of approximately 81% compared to last year. The net profit margin improved from approximately 3% for the year ended 31 December 2013 to approximately 6% for the year ended 31 December 2014. Eliminating the effect of one-off listing expenses, (i) the profit before tax for the year ended 31 December 2014 would have decreased by approximately 14% as compared to last year; and (ii) the net profit margin would have decreased from approximately 8% for the year ended 31 December 2013 as compared to approximately 6% for the year ended 31 December 2014. During the year under review, the Group acquired the remaining non-controlling interest in each of General Corporation and Smart Award. Our net profit attributable to owners of the Company increased by approximately HK\$966,000 for the year ended 31 December 2014 since the completion of the acquisition.

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 its capital on the basis of the gearing ratio. The Group's strategy (save for the acquisition of entire equity interest in Billion Treasure which completed in December 2014), which was unchanged during the year ended 31 December 2014, was to lower the gearing ratio to an acceptable level.

As at 31 December 2014, the Group's cash and cash equivalents were approximately HK\$38,370,000, representing a decrease of 21% as compared to approximately HK\$48,422,000 as at 31 December 2013. The decrease was mainly due to refurbishing work on the U Banquet (Mong Kok) during the year 2014. There were no pledged bank deposits as at 31 December 2014 as the pledged bank deposit of approximately HK\$1.4 million was released during the year upon early repayment of a term loan as at 31 December 2013. The pledged bank deposit as at 31 December 2013 was pledged to a bank for guarantee on rental and utilities deposits of the Group.

The bank borrowings outstanding as at 31 December 2014 amounted to approximately HK\$24,850,000, representing an increase of approximately 150% as compared to the previous year due to the acquisition of the entire equity interest in Billion Treasure which completed in December 2014. The bank borrowings are secured by certain investment properties and buildings held under Billion Treasure.

As at 31 December 2014, the Group's trade receivables were approximately HK\$2,568,000, representing a decrease of approximately 81% as compared to the last year. 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.

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 2014, the Group was at net cash position (2013:same), hence the gearing ratio is not applicable.

Prospects

The operating environment in Hong Kong is expected to remain 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 did not launch any new restaurant in the year 2014 as the Group could not reach a reasonable lease arrangement with any landlord. Nevertheless, the Group is actively looking for suitable locations with a view to launch a new restaurant for the year 2015. This new restaurant is expected to become another major income stream for the Group and 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.

Looking forward, the Group will continue to utilise its available resources to engage in its current business. The Group will continue expanding its scope of business, including opening more local restaurants proactively in order to sustain the Group's growth, seeking potential customers in respect of distribution of good business to deliver satisfactory returns to its shareholders. The acquisition of Billion Treasure provides an opportunity for the Group to broaden its earnings base and enables the Group to receive a stable rental income. Apart from this, the Group will also continue to explore business opportunities associated with its core business to strengthen its revenue base and maximise its return of the shareholders and value of the Company.

To manage the Group's compliance status, the Legal and Compliance Committee held monthly meetings 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 2014 (2013: Nil).

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 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 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 2014, 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 2014.

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 2014 have been reviewed by the Audit Committee.

COMPETING BUSINESS

For the year ended 31 December 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.

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, 19 March 2015

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 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.