



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 2015

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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 2015, unaudited operating results of the Group (as defined below) were as follows:

- Revenue reached approximately HK\$199,652,000, representing an increase of 11.1% compared to the same period of the previous financial year;
- Profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$3,943,000, while loss attributable to owners of the Company amounted to approximately HK\$822,000 from the same period of the previous financial year;
- Basic and diluted earnings per share for the six months ended 30 June 2015 based on the weighted average number of ordinary shares of 440,570,000 and 465,000,000, respectively in issue was HK0.9 cents and HK0.8 cents, respectively;
- No dividend was declared for the six months ended 30 June 2015.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2015

		For six months ended 30 June		For three months ended 30 June	
		2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>				
Revenue	4	199,652	179,726	88,850	77,025
Other income	4	490	620	174	341
Cost of revenue	5	(51,020)	(43,328)	(24,149)	(18,360)
Employee benefit expenses		(51,048)	(50,251)	(23,831)	(23,674)
Depreciation		(7,048)	(7,408)	(2,806)	(3,869)
Operating lease payments		(33,532)	(29,465)	(16,566)	(14,373)
Utilities expenses		(16,726)	(16,969)	(8,583)	(8,432)
Other expenses	6	(34,895)	(32,926)	(15,409)	(11,865)
Operating profit/(loss)		5,873	(1)	(2,320)	(3,207)
Finance income		176	378	18	231
Finance cost		(529)	(37)	(183)	—
Finance cost — net		(353)	341	(165)	231
Profit/(loss) before income tax		5,520	340	(2,485)	(2,976)
Income tax expenses	7	(1,577)	(213)	(100)	1,076
Profit/(loss) and total comprehensive Income for the year		3,943	127	(2,585)	(1,900)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the three months and six months ended 30 June 2015

		For six months ended 30 June		For three months ended 30 June	
		2015	2014	2015	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) and total comprehensive Income attributable to:					
	Owners of the Company	3,943	(822)	(2,585)	(1,810)
	Non-controlling interest	—	949	—	(90)
		<u>3,943</u>	<u>127</u>	<u>(2,585)</u>	<u>(1,900)</u>
	Basic earnings/(loss) per share	<u>0.9 cents</u>	<u>(0.2) cents</u>	<u>(0.6) cents</u>	<u>(0.5) cents</u>
	Diluted earnings/(loss) per share	<u>0.8 cents</u>	<u>(0.2) cents</u>	<u>(0.6) cents</u>	<u>(0.5) cents</u>
	Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

		30 June	31 December
		2015	2014
		(Unaudited)	(Audited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		53,133	57,856
Investment properties		25,500	25,500
Goodwill		18,576	18,576
Rental deposits		10,191	10,191
Prepayment for consultancy services		9,267	11,162
Deferred income tax assets		4,890	4,150
		<hr/>	<hr/>
		121,557	127,435
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Current assets			
Trade receivables	10	1,491	2,568
Deposits and prepayments		27,728	25,530
Cash and cash equivalents		44,141	38,370
		<hr/>	<hr/>
		73,360	66,468
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Total assets		194,917	193,903
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,650	4,650
Share premium		90,326	90,326
Other reserves		23,936	23,936
Accumulated losses		(22,406)	(26,349)
		<hr/>	<hr/>
		96,506	92,563
Non-controlling interests		<hr/>	<hr/>
		—	—
Total equity		96,506	92,563
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CONDENSED CONSOLIDATED BALANCE SHEET (Continued)*As at 30 June 2015*

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Accruals and provisions		8,512	7,805
Deposits received		1,607	838
Borrowings		18	155
Deferred income tax liabilities		1,428	88
Provision for reinstatement costs		2,930	2,730
		<u>14,495</u>	<u>11,616</u>
Current liabilities			
Trade payables	<i>11</i>	10,587	12,423
Accruals and provisions		15,332	18,285
Deposits received		32,405	32,884
Amounts due to related companies	<i>13</i>	308	341
Current income tax liabilities		404	613
Borrowings		24,880	25,178
		<u>83,916</u>	<u>89,724</u>
Total liabilities		<u>98,411</u>	<u>101,340</u>
Total equity and liabilities		<u>194,917</u>	<u>193,903</u>
Net current liabilities		<u>(10,556)</u>	<u>(23,256)</u>
Total assets less current liabilities		<u>111,001</u>	<u>104,179</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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>
Balance at 1 January 2015 (audited)	4,650	90,326	4,986	18,950	(26,349)	92,563	—	92,563
Profit and total comprehensive income for the period	—	—	—	—	3,943	3,943	—	3,943
Balance at 30 June 2015 (unaudited)	<u>4,650</u>	<u>90,326</u>	<u>4,986</u>	<u>18,950</u>	<u>(22,406)</u>	<u>96,506</u>	<u>—</u>	<u>96,506</u>
Balance at 1 January 2014 (audited)	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)
Balance at 30 June 2014 (unaudited)	<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>

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, Phase II, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries 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.

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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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 2014, except for the amendments and interpretations of Hong Kong Financial Reporting Standards ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which have become effective in this period as detailed in note 2 of the 2014 financial statements. The adoption of such New HKFRSs has no material impact on the accounting policies in the Group's interim financial statements for the period.

As at 30 June 2015, the Group's current liabilities exceeded its current assets by approximately HK\$10,556,000 (as at 31 December 2014: HK\$23,256,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$32,405,000 (as at 31 December 2014: HK\$32,884,000), which is to be recognised as revenue upon rendering of the relevant banquet and wedding related services in the next twelve months; as well as an amount of approximately HK\$14,550,000 (as at 31 December 2014: HK\$14,850,000) representing a portion of the total bank borrowings being classified as current liabilities 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 30 June 2015, 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, 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.

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 2015, 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 2015. Accordingly, no analysis by geographical segment is provided. For the six months ended 30 June 2015, 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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 are as follows:

	For six months ended 30 June		For three months ended 30 June	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Revenue				
Revenue from Chinese restaurant operations	193,687	175,651	85,983	75,317
Revenue from provision of wedding services	2,130	1,946	1,185	808
Revenue from distribution of goods	2,234	2,129	931	900
Franchise income	1,601	—	751	—
	<u>199,652</u>	<u>179,726</u>	<u>88,850</u>	<u>77,025</u>
Other income				
Forfeiture of deposits received	174	497	20	232
Rental income	308	—	154	—
Miscellaneous income	8	123	—	109
	<u>490</u>	<u>620</u>	<u>174</u>	<u>341</u>
Total revenue and other income	<u>200,142</u>	<u>180,346</u>	<u>89,024</u>	<u>77,366</u>

5. COST OF REVENUE

	For six months ended 30 June		For three months ended 30 June	
	2015	2014	2015	2014
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Cost of materials consumed	49,211	41,701	23,340	17,658
Cost of provision of wedding services	278	414	160	168
Cost of distribution of goods	1,531	1,213	649	534
	<u>51,020</u>	<u>43,328</u>	<u>24,149</u>	<u>18,360</u>

6. OTHER EXPENSES

	For six months ended 30 June		For three months ended 30 June	
	2015	2014	2015	2014
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Auditor's remuneration	95	97	47	48
Advertising and promotions	5,967	5,477	3,421	2,703
Cleaning and laundry expense	3,649	3,062	2,078	1,500
Credit card charges	1,961	1,880	935	855
Kitchen consumables	558	798	272	300
Repair and maintenance	2,736	2,288	1,539	680
Entertainment	1,208	1,145	395	6
Consumable stores	1,421	1,296	548	593
Insurance	976	1,147	472	519
Legal and professional fee	2,443	2,836	896	811
Printing and stationery	639	609	292	281
Staff messing	1,147	1,014	538	380
Service fee to temporary workers	6,455	5,683	1,441	900
Consultancy service fee	1,895	1,895	947	948
Wedding banquet expenses	1,026	897	362	105
Transportation	1,069	1,178	498	549
Others	1,650	1,624	728	687
	<u>34,895</u>	<u>32,926</u>	<u>15,409</u>	<u>11,865</u>

7. INCOME TAX EXPENSES

	For six months ended 30 June		For three months ended 30 June	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Current income tax				
Current income tax on profits for the period	977	414	(343)	(775)
Deferred income tax				
Origination and reversal of temporary differences	600	(201)	443	(301)
Income tax expenses	<u>1,577</u>	<u>213</u>	<u>100</u>	<u>(1,076)</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 2015 and 2014.

8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

9. 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 six months ended 30 June		For three months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>3,943</u>	<u>(822)</u>	<u>(2,585)</u>	<u>(1,810)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>440,570</u>	<u>375,570</u>	<u>440,570</u>	<u>375,570</u>
Earnings/(loss) per share (HK\$)	<u><u>0.9 cents</u></u>	<u><u>(0.2) cents</u></u>	<u><u>(0.6) cents</u></u>	<u><u>(0.5) cents</u></u>

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the loss attributable to owners of the Company of HK\$3,943,000 (2014: loss attributable to owners of the Company HK\$822,000) and the weighted average of 440,570,000 ordinary shares in issue (2014: 375,570,000 ordinary shares).

The weighted average number of shares in issue during the three months and six months ended 30 June 2015 represents the 465,000,000 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 2015 is based on the loss attributable to owners of the Company of HK\$2,585,000 (2014: HK\$1,810,000) and the weighted average of 440,570,000 ordinary shares in issue (2014: 375,570,000 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.

	For six months ended 30 June		For three months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Profit/(loss) attributable to owners of the Company (HK\$'000)	3,943	(822)	(2,585)	(1,810)
Weighted average number of ordinary shares in issue (thousands)	440,570	375,570	440,570	375,570
Adjustment for:—				
— Contingent returnable shares	24,430	—	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	465,000	375,570	440,570	375,570
Diluted earnings/(loss) per share (HK\$)	0.8 cents	(0.2) cents	(0.6) cents	(0.5) cents

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit attributable to owners of the Company of HK\$3,943,000 (2014: loss attributable to owners of the Company HK\$822,000) and the weighted average of 465,000,000 ordinary shares outstanding (2014: 375,570,000 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 six months ended 30 June 2015 adjusted by the conversion of 24,430,000 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 calculation of diluted loss per share for the three months ended 30 June 2015 is based on the loss attributable to owners of the Company of HK\$2,585,000 (2014: HK\$1,810,000) and the weighted average of 440,570,000 ordinary shares in issue (2014: 375,570,000 ordinary 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 three months ended 30 June 2015 and 30 June 2014.

10. TRADE RECEIVABLES

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
0 to 30 days	896	1,090
31 to 60 days	348	767
61 to 90 days	222	802
Over 90 days	25	209
	<hr/> 1,491 <hr/>	<hr/> 2,568 <hr/>

The Group's revenue from its Chinese restaurant 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 2015, trade receivables that were not past due nor impaired amounted to approximately HK\$1,466,000 (2014: HK\$2,359,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 30 June 2015, trade receivables of approximately HK\$25,000 (2014: HK\$209,000) 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 2015, no trade receivables were impaired (2014: same). No provision for impairment of trade receivables was made as at 30 June 2015 (2014: same).

11. TRADE PAYABLES

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

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
0-30 days	7,385	9,139
31-60 days	3,202	3,276
61-90 days	—	8
	<u>10,587</u>	<u>12,423</u>

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 the lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with the landlord.

The operating leases of certain restaurant properties also call for additional rentals, which will be based on a certain percentage of the 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:

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
No later than 1 year	45,115	50,040
Later than 1 year and no later than 5 years	56,058	62,322
	<u>101,173</u>	<u>112,362</u>

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

	30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
No later than 1 year	9,010	1,068
Later than 1 year and no later than 5 years	146,922	143,457
Over 5 years	11,371	22,778
	<hr/> 167,303 <hr/>	<hr/> 167,303 <hr/>

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 2015 and the corresponding period in 2014:

Name	Relationship with the Group
Billion Treasure Property Development Limited ("Billion Treasure")	Controlled by the Mr. Cheung Ka Ho and Mr. Cheung Ka Kei (ii)
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 2015 and the corresponding period in 2014:

	For six months ended 30 June 2015 (Unaudited) HK\$'000	For six months ended 30 June 2014 (Unaudited) HK\$'000	For three months ended 30 June 2015 (Unaudited) HK\$'000	For three months ended 30 June 2014 (Unaudited) HK\$'000
Continuing transactions:				
Rental expenses paid or payable to a related company				
— Billion Treasure (<i>Notes (i) & (ii)</i>)	—	210	—	105
Purchase of stationery from a related company, Ka Ho Educational Paper (<i>Note (i)</i>)	245	205	99	79
Purchase of cleaning and sanitary materials from a related company, Tai Cheong Hong (<i>Note (i)</i>)	779	710	388	345
	<u>779</u>	<u>710</u>	<u>388</u>	<u>345</u>

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.
- (ii) Billion Treasure becomes an indirect wholly-owned subsidiary of the Group since 22 December 2014, hence, no related party transaction between the Group and Billion Treasure thereafter.

(c) Balances with related parties

(i) *Amounts due to related parties*

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-trade payable to related companies:		
— Ka Ho Educational Paper	48	79
— Tai Cheong Hong	260	262
	<u>308</u>	<u>341</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL OVERVIEW

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 six months ended 30 June 2015, 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 six months ended 30 June 2015, the Group continued to operate nine restaurants with steady growth in turnover. The Group has not entered into any lease agreement for a new restaurant during the year 2014 and six months ended 30 June 2015 as the Group could not reach a reasonable lease arrangement with any landlord. The Group 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 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 six months ended 30 June 2015, 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 six months ended 30 June 2015, 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.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2015, the Group reported a total revenue of approximately HK\$200 million (six months ended 30 June 2014: approximately HK\$180 million), representing an increase of approximately 11.1% as compared to the corresponding period in 2014. The increase was primarily due to the increase of revenue from the operation of restaurants.

Revenue mainly came from the operation of restaurants of approximately HK\$193.7 million, representing approximately 96.9% of the total revenue. It increased by approximately 10.2% or HK\$18 million from approximately HK\$175.7 million as compared to the corresponding period in 2014. This was mainly due to the revenue generated from U Banquet (Mong Kok) increased significantly by approximately 27.7% or HK\$8.5 million from approximately HK\$30.6 million to HK\$39.1 million as compared to the corresponding period in 2014. U Banquet (Mongkok) closed temporary during the refurbishing period in April 2014 to mid-May 2014 and no revenue was generated during the refurbishing period. During the six months ended 30 June 2015, the operation remains normal.

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\$1,601,000 in respect of franchise and management fee during the six months ended 30 June 2015 (six months ended 30 June 2014: 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 six months ended 30 June 2015 amounted to approximately HK\$51,020,000, representing an increase of approximately 17.8% as compared to the corresponding period in 2014. The rise was larger than the increase of revenue for the six months ended 30 June 2015. It is because more fresh seafood with lower gross profit margin had been purchased to cater for the special seafood menu during the period. As a result, the cost of revenue increased to approximately 25.6% of the Group's revenue for the six months ended 30 June 2015 (six months ended 30 June 2014: 24.1%).

Employee Benefit Expenses

Employee benefit expenses were approximately HK\$51,048,000 (six months ended 30 June 2015: HK\$50,251,000), an increase of approximately 1.6% as compared to the corresponding period in 2014. The increase was mainly due to the wage adjustments to retain experienced staff under the inflationary environment. 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 six months ended 30 June 2015 amounted to approximately HK\$33,532,000, representing an increase of approximately 13.8% as compared to the corresponding period in 2014. The increase was mainly due to the effect of lease renewal in March 2014 for restaurants located in Mong Kok which fully reflected in the six months ended 30 June 2015.

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 2015, other expenses amounted to approximately HK\$34,895,000, representing an increase of approximately 6% as compared to the corresponding period in 2014. The increase was in line with the increase of revenue during the period under review.

Profit Attributable to Owners and Net Profit Margin

The profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately HK\$3,943,000 (six months ended 30 June 2014: loss attributable to owners of the Company amounted to approximately HK\$822,000). The net profit margin for the six months ended 30 June 2015 was approximately 2% (six months ended 30 June 2014: the net loss margin was approximately 0.5%). The significant increase of profit attributable to the owners of the Company and the net profit margin was mainly due to (i) increase of proportion of revenue from wedding banquets to the revenue from operation of restaurants since wedding banquet normally generate a higher profit margin than dining services; (ii) 100% profit contribution amounting approximately HK\$3 million (approximately HK\$0.9 million profit contribution to the owners of the Company for the six months ended 30 June 2014) from distribution of goods business for the six months ended 30 June 2015 since the acquisition of 49.995% interest in each of General Corporation Limited and Smart Award Limited which took place on 4 September 2014; and (iii) receipt of approximately HK\$1.6 million franchise income for the six months ended 30 June 2015 from a franchisee pursuant to a franchise agreement (six months ended 30 June 2014: nil). Hence, the profit attributable to owners of the Company and the net profit margin increased.

Liquidity, Financial Resources and Capital structure

Capital Structure

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, which was unchanged during the six months ended 30 June 2015, was to lower the gearing ratio to an acceptable level.

Cash position and pledged bank deposit

As at 30 June 2015, the Group's cash and cash equivalents were approximately HK\$44,141,000, representing an increase of approximately 15% as compared with approximately HK\$38,370,000 as at 31 December 2014. The increase was mainly due to net cash inflow from the operating activities during the six months ended 30 June 2015.

Bank Borrowing and charges on the Group's assets

The bank borrowings outstanding as at 30 June 2015 amounted to approximately HK\$24,550,000, representing a decrease of approximately 1.2% as compared to 31 December 2014. The bank borrowing existed due to the acquisition of the entire equity interest in Billion Treasure Property Development Limited ("Billion Treasure") which was completed in December 2014. The bank borrowings are secured by certain investment properties and buildings held under Billion Treasure.

Trade receivables

As at 30 June 2015, the Group's trade receivables were approximately HK\$1,491,000, representing a decrease of approximately 41.9% as compared to 31 December 2014. The trade receivables mainly comprised of trade receivable from the distribution of goods and franchisee. The decrease in trade receivables was primarily due to promptly repayment from franchisee during the six months ended 30 June 2015.

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 30 June 2015, the Group was at net cash position (six months ended 30 June 2014: same), hence the gearing ratio is not applicable.

Foreign Exchange Exposure

Since most of the revenue and expenditure are made in Hong Kong dollars, the Group is not exposed to significant foreign exchange exposure.

Significant Investment Held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies and Plans for Material Investment or Capital Assets

There were no significant investment held, material acquisitions or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2015.

Save for the business plan as disclosed in this interim announcement, there is no plan for material investment or capital assets as at 30 June 2015.

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

The Group had 581 (31 December 2014: 580) employees as at 30 June 2015. The staff costs, including Directors' emoluments, of the Group were approximately HK\$51 million and HK\$50.3 million for the six months ended 30 June 2015 and 2014 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.

Dividend

The Directors do not recommend payment of dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

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 in 2015. This new restaurant is expected to become another major income stream for the Group and to 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 goods 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.

On 15 April 2015, the Company submitted an application to the Stock Exchange for the transfer of listing of all shares of the Company (the "Shares") from the GEM to the Main Board of the Stock Exchange (the "Transfer of Listing") pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board also considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility. There is no intention of the Board to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve issue of any new Shares by the Company. The Transfer of Listing is subject to the approval of the Stock Exchange.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2015, 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 2015.

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 six months ended 30 June 2015. 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 2015, 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 2015 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.

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 six months ended 30 June 2015.

INTERESTS OF THE COMPLIANCE ADVISER

Save as disclosed herein and confirmed by the Company’s compliance adviser, Quam Capital Limited (“Compliance Adviser”) and its directors, employees and associates had no interest in the share capital of the Company as at 30 June 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules:

- Financial adviser agreement entered into between the Company and the Compliance Adviser in relation to the acquisition of the entire issued share capital of Billion Treasure Property Development Limited as disclosed in the announcement of the Company dated 10 October 2014; and
- Financial adviser agreement entered into between the Company and the Compliance Adviser in relation to the Transfer of Listing as disclosed in the announcement of the Company dated 15 April 2015.

AUDIT COMMITTEE

The Company has established an Audit Committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee performs, amongst others, review financial information of the Group; review relationship with and terms of appointment of the external auditors; and review the Company’s financial reporting system, internal control system and risk management system.

The Audit Committee of the Company consists of three INEDs of the Company, chaired by Mr. Wong Sui Chi and the other two members are Mr. Chung Kong Mo JP and Ms. Wong Tsip Yue, Pauline.

The unaudited interim financial results of the Group for the six months ended 30 June 2015 have 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 August 2015

As at the date of this announcement, the executive Directors are 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 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.