Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 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: 1483)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016, unaudited operating results of the Group (as defined below) were as follows:

- Revenue reached approximately HK\$177,605,000, representing a decrease of 11.0% compared to the same period of the previous financial year;
- Loss attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately HK\$8,881,000, while profit attributable to owners of the Company amounted to approximately HK\$3,943,000 from the same period of the previous financial year;
- Basic loss per share for the six months ended 30 June 2016 based on weighted average number of ordinary shares of 440,570,000 issued was HK2 cents;
- No dividend was declared for the six months ended 30 June 2016.

#### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding periods in 2015 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For six months ended 30 Ju	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	4	177,605	199,652
Other income	4	763	490
Cost of revenue	5	(42,857)	(51,020)
Employee benefit expenses		(55,267)	(51,048)
Depreciation		(7,622)	(7,048)
Operating lease payments		(34,287)	(33,532)
Utilities expenses		(16,047)	(16,726)
Other expenses	6	(30,522)	(34,895)
Operating (loss)/profit		(8,234)	5,873
Finance income		182	176
Finance cost		(436)	(529)
Finance cost — net		(254)	(353)
(Loss)/profit before income tax		(8,488)	5,520
Income tax expenses	7	(393)	(1,577)
(Loss)/profit and total comprehensive income			
for the period		(8,881)	3,943

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June 2016

		For six months ended 30 June		
		2016	2015	
		(Unaudited)	(Unaudited)	
	Notes	HK\$'000	HK\$'000	
(Loss)/profit and total comprehensive income				
attributable to owners of the Company		(8,881)	3,943	
Basic (loss)/earnings per share	9	(2) cents	0.9 cents	
Diluted (loss)/earnings per share	9	N/A	0.8 cents	
Dividends	8			

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	30 June 2016 <i>HK\$</i> '000	31 December 2015 <i>HK\$</i> '000
ASSETS			
Non-current assets			
Property, plant and equipment		40,560	47,207
Investment properties		24,000	24,000
Goodwill		18,576	18,576
Rental deposits		9,655	16,387
Prepayment for consultancy services		5,477	7,372
Deferred income tax assets		4,942	4,999
		103,210	118,541
Current assets			
Trade receivables	10	2,279	1,918
Deposits and prepayments		49,198	25,300
Current income tax recoverable		2,551	3,849
Cash and cash equivalents		31,981	29,820
		86,009	60,887
Total assets		189,219	179,428
EQUITY			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,650	4,650
Share premium		90,326	90,326
Other reserves		23,936	23,936
Accumulated losses		(41,208)	(32,327)
Total equity		77,704	86,585

# CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2016

		30 June	31 December
		2016	2015
	Note	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Accruals and provisions		8,974	8,671
Deposits received		1,330	790
Borrowings		300	395
Deferred income tax liabilities		98	36
Provision for reinstatement costs		3,035	2,982
		13,737	12,874
Current liabilities			
Trade payables	11	8,991	12,265
Accruals and provisions		16,269	18,950
Deposits received		22,927	23,051
Amounts due to related companies		301	320
Current income tax liabilities		140	802
Borrowings		49,150	24,581
		97,778	79,969
Total liabilities		111,515	92,843
Total equity and liabilities		189,219	179,428

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

				Share-based		
	Share	Share	Capital	payment	Accumulated	Total
	capital	premium	reserve	reserve	losses	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016						
(audited)	4,650	90,326	4,986	18,950	(32,327)	86,585
Loss and total						
comprehensive income						
for the period			_		(8,881)	(8,881)
Balance at 30 June 2016						
(Unaudited)	4,650	90,326	4,986	18,950	(41,208)	77,704
Balance at 1 January 2015						
(audited)	4,650	90,326	4,986	18,950	(26,349)	92,563
Profit and total						
comprehensive income						
for the period					3,943	3,943
Balance at 30 June 2015						
(Unaudited)	4,650	90,326	4,986	18,950	(22,406)	96,506

#### 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 Unit F, 28/F, Block 2, Vigor Industrial Building, 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong.

The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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 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 2016 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 2015, 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 2015, 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 2015 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 2016, the Group's current liabilities exceeded its current assets by approximately HK\$11,769,000 (as at 31 December 2015: approximately HK\$19,082,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$22,927,000 (as at 31 December 2015: approximately HK\$23,051,000), 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\$28,350,000 (as at 31 December 2015: approximately HK\$13,650,000) 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\$20,000,000, were pledged against the investment properties as well as certain land and building as of 30 June 2016, 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 desision-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 2016, 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 2016. Accordingly, no analysis by geographical segment is provided. For the six months ended 30 June 2016, 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 six months ended 30 June 2016 together with the comparative unaudited figures for the corresponding periods in 2015 are as follows:

	For six months 6	ended 30 June
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Revenue from Chinese restaurant operations	172,906	193,687
Revenue from provision of wedding services	963	2,130
Revenue from distribution of goods	2,176	2,234
Franchise income	1,560	1,601
	177,605	199,652
	For six months	ended 30 June
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Forfeiture of deposits received	424	174
Rental income	307	308
Miscellaneous income	32	8
	763	490
Total revenue and other income	178,368	200,142

## 5. COST OF REVENUE

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of materials consumed	41,213	49,211
Cost of provision of wedding services	91	278
Cost of distribution of goods	1,553	1,531
	42,857	51,020

## 6. OTHER EXPENSES

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	101	95
Advertising and promotions	5,781	5,967
Cleaning and laundry expense	3,204	3,649
Credit card charges	1,696	1,961
Kitchen consumables	470	558
Repair and maintenance	2,131	2,736
Entertainment	1,538	1,208
Consumable stores	1,132	1,421
Insurance	838	976
Legal and professional fee	1,695	2,443
Printing and stationery	536	639
Staff messing	1,014	1,147
Service fee to temporary workers	6,165	6,455
Consultancy service fee	1,895	1,895
Wedding banquet expenses	262	1,026
Transportation	492	1,069
Others	1,572	1,650
	30,522	34,895

#### 7. INCOME TAX EXPENSES

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
Current income tax on profits for the period	272	977
Deferred income tax		
Origination and reversal of temporary differences	121	600
Income tax expenses	393	1,577

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 30 June 2016 and 2015.

#### 8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 9. (LOSS)/EARNINGS PER SHARE

#### (a) Basic

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

	For six months e	nded 30 June
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company		
(HK\$'000)	(8,881)	3,943
Weighted average number of ordinary shares in issue		
(thousands)	440,570	440,570
(Loss)/earnings per share (HK\$)	(2) cents	0.9 cents

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to owners of the Company of HK\$8,881,000 (six months ended 30 June 2015: profit attributable to owners of the Company HK\$3,943,000) and the weighted average of 440,570,000 ordinary shares in issue (six months ended 30 June 2015: 440,570,000 ordinary shares).

#### (b) Diluted

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

	For six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(8,881)	3,943
Weighted average number of ordinary shares in issue (thousands)	440,570	440,570
Adjustment for:— — Contingent returnable shares	N/A	24,430
Weighted average number of ordinary shares for diluted earnings per share (thousands)	440,570	465,000
Diluted (loss)/earnings per share (HK\$)	N/A	0.8 cents

For the six months ended 30 June 2016, the potential ordinary shares arising from the conversion of 24,430,000 contingent returnable shares had an anti-dilutive effect on the basic loss per share, hence they were ignored in the calculation of diluted loss per share.

For the six months ended 30 June 2015, the calculation of diluted earnings per share is based on the profits attributable to owners of the Company of HK\$3,943,000 and the weighted average of 465,000,000 ordinary shares in issue.

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.

#### 10. TRADE RECEIVABLES

	<b>30 June 2016</b>	31 December 2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 to 30 days	1,216	1,251
31 to 60 days	550	405
61 to 90 days	488	237
Over 90 days	25	25
	2,279	1,918

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 2016, trade receivables that were not past due nor impaired amounted to approximately HK\$2,254,000 (31 December 2015: approximately HK\$1,893,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 30 June 2016, trade receivables of approximately HK\$25,000 (31 December 2015: approximately HK\$25,000) 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 2016, no trade receivables were impaired (31 December 2015: same). No provision for impairment of trade receivables was made as at 30 June 2016 (31 December 2015: same).

#### 11. TRADE PAYABLES

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

30 June 2016	31 December 2015
(Unaudited)	(Audited)
HK\$'000	HK\$'000
6,151	8,745
2,760	3,512
80	
8,991	12,257
	(Unaudited)  HK\$'000  6,151 2,760 80

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

#### 12. COMMITMENTS

#### a. Operating lease commitments

The Group leases various restaurant properties and equipment under non-cancellable operating lease agreements. The lease agreements are between two and nine years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with 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 2016	31 December 2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
No later than 1 year	70,899	64,516
Later than 1 year and no later than 5 years	116,278	125,399
	187,177	189,915

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

	<b>30 June 2016</b>	31 December 2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
No later than 1 year	5,760	1,440
Later than 1 year and no later than 5 years	99,940	55,751
Over 5 years	23,547	37,388
	129,247	94,579

#### b. Capital Commitments

In addition to the operating lease commitments above, at the end of the reporting period, the Group had the capital commitments contracted, but not provided for property, plant and equipment of HK\$11,046,000 (31 December 2015: Nil).

#### 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 2016 and the corresponding period in 2015:

Name	Relationship with the Group
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 six months period ended 30 June 2016 and the corresponding period in 2015:

	For six months	For six months
	ended 30 June	ended 30 June
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Continuing transactions:		
Purchase of stationery from a related company,		
Ka Ho Educational Pape (Note (i))	136	245
Purchase of cleaning and sanitary materials		
from a related company, Tai Cheong Hong (Note (i))	826	779

Note:

(i) Purchases of goods or services from related companies were carried out at a rate mutually-agreed between the parties involved in the transactions.

# (c) Balances with related parties

# (i) Amounts due to related parties

	30 June 2016	31 December 2015
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-trade payable to related companies:	20	47
— Ka Ho Educational Paper	29	47
— Tai Cheong Hong	272	273
	301	320

#### 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 2016, 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.

In April, 2016, the Group entered into a three-year tenancy agreement with a landlord for the purpose of opening a new restaurant in Tsim Sha Tsui in the third quarter of 2016. The tenancy agreement contains provisions which allow the Group to extend the tenancy by 3 years upon mutual agreement with the landlord upon expiry of the tenancy.

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 success factors in business growth and sustainability. We have a reliable management team to oversee daily restaurant operations and wedding banquet services, to maintain quality control standards, to monitor workforce performance and to 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 they are familiar with different aspects of operations of these industries.

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

During the six months ended 30 June 2016, we operated a wedding shop at Tsim Sha Tsui which to provide services 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 2016, we continued to seek potential customers in respect of distribution of goods business to broaden our revenue stream.

#### Franchise of Restaurants Operation

During the six months ended 30 June 2016, we had one franchised restaurant operated in Kowloon Bay under the trade name "U Banquet". We had successfully extend the franchise agreement up to July 2017 with the current franchisee. The Directors will review and evaluate the performance of the current franchise business from time to time, and will consider any potential franchisee if and when opportunities arise in the future.

#### FINANCIAL REVIEW

#### Revenue

The table below sets forth the revenue breakdown of the Group's for the six months ended 30 June 2016 and the corresponding period in 2015:

	For the six months ended 30 June		
	2016	2015	
	HK\$'000	HK\$'000	
Revenue			
— from Chinese restaurants operations	172,906	193,687	
— from provision of wedding services	963	2,130	
— from distribution of goods	2,176	2,234	
— franchise income	1,560	1,601	
	177,605	199,652	

During the six months ended 30 June 2016, the Group reported a total revenue of approximately HK\$177.6 million (six months ended 30 June 2015: approximately HK\$199.7 million), representing a decrease of approximately 11.0% as compared to the corresponding period in 2015. The decrease was primarily due to the decrease of revenue from the operation of restaurants.

Revenue mainly came from the operation of restaurants of approximately HK\$172.9 million, representing approximately 97.4% of total revenue. It decreased by approximately 10.7% or HK\$20.8 million from approximately HK\$193.7 million as compared to the corresponding period in 2015. This was mainly due to the deterioration in Hong Kong's retail industry in 2016. The total number of wedding banquet customers and dining customers has declined by approximately 14% as compared to that of the corresponding period in 2015.

## **Operating Performance by Restaurant**

The table below sets forth the seat turnover rate, average spending per customer and average daily revenue generated by each of the Group's restaurants for the six months ended 30 June 2016 and the corresponding period in 2015:

	Six months	ended					Six month	s ended
	30 June			Six months ended 30 June			30 June	
	2016	2015	201	16	201	15	2016	2015
	Seat turnov	er rate						
	(Note )	1)	Av	erage spendin	g per custom	er	Average dai	ly revenue
				Wedding		Wedding		
			Dining	banquet	Dining	banquet		
			customer	customer	customer	customer		
	Times	Times	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	2.95	3.29	106	603	97	557	199,637	215,801
U Banquet (Tsim Sha Tsui)	3.60	4.34	90	596	87	570	80,578	102,436
U Banquet (Kwun Tong)	4.19	443	102	578	103	562	130,012	146,312
U Banquet (Causeway Bay)	2.74	3.13	105	609	104	600	129,500	142,508
U Banquet (North Point)	2.78	3.18	88	613	82	519	132,898	143,807
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant	3.42	4.23	75	626	69	528	183,271	211,143
U Banquet (Sino Plaza)	3.35	3.99	113	599	102	587	94,135	108,070

#### *Note:*

1. The seat turnover rate was calculated by dividing the total number of diners (including wedding banquet diners) by the total number of seats available for regular dining service in the relevant restaurant then divided by the total number of operation days for the relevant period.

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\$1,560,000 in respect of franchise and management fee during the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$1,601,000). The Group had extended the franchise agreement up to July 2017 with the franchisee. According to the new franchise agreement, the Group will receive a monthly franchise fee of HK\$60,000 for 12 months and the franchisee will also pay the Group 5% of the monthly gross turnover of the franchised business as management fee.

#### **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 2016 amounted to approximately HK\$42,857,000, representing a decrease of approximately 16.0% as compared to the corresponding period in 2015. The decrease in cost of revenue was larger than the decrease of revenue for the six months ended 30 June 2015. It is because the Group control the cost of materials consumed effectively. As a result, the cost of revenue decreased to approximately 24.1% of the Group's revenue for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately 25.6%).

#### **Employee Benefit Expenses**

Employee benefit expenses were approximately HK\$55,267,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$81,048,000), an increase of approximately 8.3% as compared to the corresponding period in 2015. 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 2016 amounted to approximately HK\$34,287,000, representing an increase of approximately 2.3% as compared to the corresponding period in 2015. The increase was mainly due to the effect of lease renewal in July 2015 for restaurants located in Causeway Bay which fully reflected in the six months ended 30 June 2016.

#### **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 2016, other expenses amounted to approximately HK\$30,522,000, representing decrease of approximately 12.5% as compared to the corresponding period in 2015. The decrease was in line with the decrease of revenue during the period under review.

#### Loss Before Tax and Loss Attributable to Owners of the Company

During the period under review, the performance of restaurant operation for dining services did not reach the expectation from the Group's management. It is primarily due to deterioration in Hong Kong's retail industry in 2016. As the result, the revenue generated from dining services decreased from approximately HK\$150,536,000 in 2015 to approximately HK\$138,877,000 in 2016.

The impact of above mentioned economic downturn also affected the performance of our wedding banquet operation in the first half of 2016. The revenue generated from wedding banquets had decreased from approximately HK\$43,152,000 to approximately HK\$34,029,000.

With an increase in the operating cost which includes employee benefit expenses and operating lease payment the Group incurred a loss before tax and a loss attributable to owners of the Company for the six months ended 30 June 2016 of approximately HK\$8,488,000 and HK\$8,881,000 respectively, while profit before tax and profit attributable to owners of the Company amounted to approximately HK\$5,520,000 and HK\$3,943,000 for the six months ended 30 June 2015.

#### 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 2016, was to lower the gearing ratio to an acceptable level.

#### Cash position and pledged bank deposit

As at 30 June 2016, the Group's cash and cash equivalents were approximately HK\$31,981,000, representing an increase of approximately 7.2% as compared with approximately HK\$29,820,000 as at 31 December 2015. The increase was mainly due to new bank borrowing proceed during the six months ended 30 June 2016.

#### Bank Borrowing and charges on the Group's assets

The bank borrowing outstanding as at 30 June 2016 amounted to approximately HK\$49,150,000 representing an increase of approximately 100.0% as compared to 31 December 2015. The bank borrowing existed due to i) the acquisition of the entire equity interest in Billion Treasure Property Development Limited ("Billion Treasure") which was completed in December 2014; ii) and the provision of operating fund for the new restaurant which will be opened at Tsim Sha Tsui in September 2016. The bank borrowings are secured by certain investment properties and buildings held under Billion Treasure

#### Trade receivables

As at 30 June 2016, the Group's trade receivables were approximately HK\$2,279,000, representing an increase of approximately 18.8% as compared to 31 December 2015. The trade receivables mainly comprised of trade receivable from the distribution of goods and franchisee. The increase in trade receivables was primarily due to longer credit term was granted to franchisee during the six months ended 30 June 2016.

#### 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 2016, the Group's gearing ratio was approximately 18.4% (six months ended 30 June 2015: 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 acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2016.

Save for the business plan as disclosed in this announcement, there is no plan for material investment or capital assets as at 30 June 2016.

## **Contingent Liabilities**

As at 30 June 2016, the Group did not have any material contingent liabilities.

#### **Employees and Remuneration Policies**

The Group had 514 (31 December 2015: 552) employees as at 30 June 2016. 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 2016 and 2015 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 2016 (six months ended 30 June 2015: 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 had entered into a tenancy agreement in April 2016 with a landlord for a restaurant in Tsim Sha Tsui which is expected to be opened in September 2016. 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 to deploy 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 utilize its available resources to engage in its current business. The Group will continue to develop its core 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 Group had extended the franchise agreement with the franchisee up to July 2017 which enables the Group to receive a stable franchise 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.

#### POSSIBLE TRANSACTION

Reference is made to the announcements made by the Company dated 4 July 2016 and 4 August 2016 (the "Announcements"). As stated in the Announcements, the Directors were informed by the Company's controlling shareholders, Mr. Cheung Ka Ho and U Banquet (Cheung's) Holdings Company Limited that they had entered into a memorandum of understanding with a potential purchaser in respect of the possible sale of their controlling interest in the Company (the "Possible Transaction"). The Possible Transaction, if materialises, will give rise to an obligation of the potential purchaser to make a mandatory unconditional general offer for the securities of the Company.

#### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2016, 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 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 2016.

#### **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 14 of the Listing Rules throughout the six months ended 30 June 2016. 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 2016, 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 2016 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 Appendix 10 of the Listing Rules (the "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 enquiries to 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 2016.

#### **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee"). The Audit Committee performs, amongst others, review financial information of the Group; review relationship with and the terms of appointment of the external auditors; and review the Company's financial reporting system, internal control system and risk management system.

The existing Audit Committee of the Company consists of three independent non-executive directors 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 2016 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, 17 August 2016

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.