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## **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 2017**

### **FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2017, unaudited operating results of the Group (as defined below) were as follows:

- Revenue reached approximately HK\$176,689,000, representing a decrease of 0.5% compared to the same period of the previous financial year;
- Loss attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately HK\$23,748,000, while loss attributable to owners of the Company amounted to approximately HK\$8,881,000 from the same period of the previous financial year;
- Basic loss per share for the six months ended 30 June 2017 based on weighted average number of ordinary shares of 522,266,000 issued was HK5 cents;
- No dividend was declared for the six months ended 30 June 2017.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board”) of U Banquet Group Holding Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2017*

		For six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	4	176,689	177,605
Other income	4	2,255	763
Cost of revenue	5	(46,647)	(42,857)
Employee benefit expenses		(53,388)	(55,267)
Depreciation		(9,937)	(7,622)
Operating lease payments		(40,412)	(34,287)
Utilities expenses		(16,158)	(16,047)
Other expenses	6	(35,167)	(30,522)
Operating loss		(22,765)	(8,234)
Finance income		98	182
Finance cost		(858)	(436)
Finance cost – net		(760)	(254)
Loss before income tax		(23,525)	(8,488)
Income tax expenses	7	(223)	(393)
Loss attributable to owners of the Company for the period		(23,748)	(8,881)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2017

		For six months ended	
		30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
<b>Other comprehensive income and expenses</b>			
Item that will not be re-classified to profit or loss:			
Exchange difference arising on translation to presentation currency		<u>1,038</u>	<u>—</u>
Total other comprehensive income for the period		<u><u>1,038</u></u>	<u><u>—</u></u>
Loss and total comprehensive expenses attributable to owners of the Company		<u><u>(22,710)</u></u>	<u><u>(8,881)</u></u>
Basic loss per share (HK\$)	9	<u><u>5 cents</u></u>	<u><u>2 cents</u></u>
Diluted loss per share (HK\$)	9	<u><u>N/A</u></u>	<u><u>N/A</u></u>
Dividends (HK\$)	8	<u><u>—</u></u>	<u><u>—</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		62,380	53,285
Investment properties		128,213	24,400
Rental deposits		14,394	14,394
Prepayment for acquisition of property, plant and machinery		–	3,200
Prepayment for consultancy services		1,687	3,582
Deferred income tax assets		7,984	6,632
		<u>214,658</u>	<u>105,493</u>
<b>Current assets</b>			
Trade receivables	10	925	1,993
Deposits and prepayments		27,542	33,351
Current income tax recoverable		779	800
Held for trading investment	11	14,123	–
Cash and cash equivalents		226,023	298,604
		<u>269,392</u>	<u>334,748</u>
<b>Total assets</b>		<u><b>484,050</b></u>	<u><b>440,241</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		5,580	4,650
Share premium		236,119	90,326
Other reserves		25,316	23,883
Accumulated losses		(109,921)	(86,173)
<b>Total equity</b>		<u><b>157,094</b></u>	<u><b>32,686</b></u>

# CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

		30 June 2017 (Unaudited) Note HK\$'000	31 December 2016 (Audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Accruals and provisions		7,703	7,704
Deposits received		3,515	552
Obligation under finance lease		112	207
Deferred income tax liabilities		3,836	2,660
Provision for reinstatement costs		2,951	2,896
		<u>18,117</u>	<u>14,019</u>
<b>Current liabilities</b>			
Trade payables	12	12,671	13,645
Accruals, provisions and other payables		96,368	24,529
Loan from a director of subsidiaries	14(c)(i)	45,000	–
Deposits received		40,773	26,605
Current income tax liabilities		1,296	522
Amount due to a director	14(c)(ii)	1,100	1,100
Loans from a shareholder	14(c)(iii)	111,000	280,387
Provision for reinstatement costs		441	436
Obligation under finance lease		190	188
Borrowings		–	46,124
		<u>308,839</u>	<u>393,536</u>
<b>Total liabilities</b>		<u>326,956</u>	<u>407,555</u>
<b>Total equity and liabilities</b>		<u>484,050</u>	<u>440,241</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2017 (audited)	4,650	90,326	4,986	(53)	18,950	(86,173)	32,686
Issue of shares on placement, net	930	145,793	–	–	–	–	146,723
Recognition of equity-settled share-based payments	–	–	–	–	395	–	395
Loss and total comprehensive income for the period	–	–	–	1,038	–	(23,748)	(22,710)
<b>Balance at 30 June 2017 (Unaudited)</b>	<b>5,580</b>	<b>236,119</b>	<b>4,986</b>	<b>985</b>	<b>19,345</b>	<b>(109,921)</b>	<b>157,094</b>
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)
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>4,650</b>	<b>90,326</b>	<b>4,986</b>	<b>–</b>	<b>18,950</b>	<b>(41,208)</b>	<b>77,704</b>

# **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. The Company's principal place of business is located at Suite 1307, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, 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 2017 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 2016, 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 2016, 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 2016 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 2017, the Group's current liabilities exceeded its current assets by approximately HK\$39,447,000 (as at 31 December 2016: approximately HK\$58,788,000). The current liabilities mainly consisted of deposits received from customers of approximately HK\$40,773,000 (as at 31 December 2016: approximately HK\$26,605,000), which is to be recognised as revenue upon rendering of the relevant banquet and wedding related services in the next twelve months.

Based on the Group's history of its operating performance and its expected future working capital, the directors of the Company ("Director") 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 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 2017, no business segment analysis is presented accordingly.

No geographic information is presented as the Group's operating profit is entirely derived from its business activities in Hong Kong for the six month period ended 30 June 2017.

For the six months ended 30 June 2017, 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, (iii) distribution of goods (which consists of fresh vegetables, fruits, seafood and frozen meat) and (iv) franchising the use of “U Banquet” in a Chinese restaurant, for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding periods in 2016 are as follows:

	<b>For six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Revenue from Chinese restaurant operations	<b>174,725</b>	172,906
Revenue from provision of wedding services	<b>652</b>	963
Revenue from distribution of goods	<b>671</b>	2,176
Franchise income	<b>641</b>	1,560
	<b>176,689</b>	177,605
<b>Other income</b>		
Forfeiture of deposits received	<b>440</b>	424
Rental income	<b>304</b>	307
Change in fair value of held for trading investment	<b>565</b>	–
Realised gain on disposal of held for trading investment	<b>408</b>	–
Dividend income from held for trading investment	<b>169</b>	–
Gain on disposal of property, plant and equipment	<b>295</b>	–
Miscellaneous income	<b>74</b>	32
	<b>2,255</b>	763
<b>Total revenue and other income</b>	<b>178,944</b>	178,368

## 5. COST OF REVENUE

	For six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of materials consumed	46,003	41,213
Cost of provision of wedding services	86	91
Cost of distribution of goods	558	1,553
	<b>46,647</b>	<b>42,857</b>

## 6. OTHER EXPENSES

	For six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	139	101
Advertising and promotions	6,303	5,781
Cleaning and laundry expense	2,835	3,204
Credit card charges	2,206	1,696
Kitchen consumables	639	470
Repair and maintenance	2,876	2,131
Entertainment	1,203	1,538
Consumable stores	1,429	1,132
Insurance	1,060	838
Legal and professional fee	1,481	1,695
Printing and stationery	718	536
Staff messing	890	1,014
Service fee to temporary workers	7,600	6,165
Consultancy service fee	1,895	1,895
Wedding banquet expenses	234	262
Transportation	587	492
Share-based payment	395	—
Others	2,677	1,572
	<b>35,167</b>	<b>30,522</b>

## 7. INCOME TAX EXPENSES

	For six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
Current income tax on profits for the period	47	272
Deferred income tax		
Origination and reversal of temporary differences	176	121
Income tax expenses	<u>223</u>	<u>393</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 2017 and 2016.

## 8. DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 9. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss 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	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HK\$'000)	<u>23,748</u>	<u>8,881</u>
Weighted average number of ordinary shares in issue (thousands)	<u>522,266</u>	<u>440,570</u>
Loss per share (HK\$)	<u>5 cents</u>	<u>2 cents</u>

(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. For the six months ended 30 June 2017, the Company has two categories of dilutive potential ordinary shares: contingent returnable shares and share options (six months ended 30 June 2016: contingent returnable shares).

The potential ordinary shares arising from the conversion of contingent returnable shares and share options had an anti-dilutive effect on the basic loss per share, hence they were ignored in the calculation of diluted loss per share (six months ended 30 June 2016: same).

**10. TRADE RECEIVABLES**

	<b>30 June 2017 (Unaudited) HK\$'000</b>	<b>31 December 2016 (Audited) HK\$'000</b>
0 to 30 days	<b>586</b>	1,469
31 to 60 days	<b>231</b>	372
61 to 90 days	<b>108</b>	152
	<b>925</b>	1,993

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 2017, trade receivables that were not past due nor impaired amounted to approximately HK\$925,000 (31 December 2016: approximately HK\$1,993,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 30 June 2017, no trade receivables were impaired (31 December 2016: same). No provision for impairment of trade receivables was made as at 30 June 2017 (31 December 2016: same).

**11. HELD FOR TRADING INVESTMENTS**

The held for trading investment are listed equity shares in Hong Kong.

## 12. TRADE PAYABLES

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

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>6,924</b>	8,507
31-60 days	<b>5,741</b>	5,110
61-90 days	–	27
Over 90 days	<b>6</b>	1
	<hr/>	<hr/>
	<b>12,671</b>	13,645
	<hr/> <hr/>	<hr/> <hr/>

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

### 13. 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:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	<b>31 December 2016 (Audited) HK\$'000</b>
No later than 1 year	<b>75,991</b>	74,512
Later than 1 year and no later than 5 years	<b>88,859</b>	98,251
	<b><u>164,850</u></b>	<b><u>172,763</u></b>

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

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Later than 1 year and no later than 5 years	<b>117,798</b>	65,780
Over 5 years	<b>9,847</b>	2,879
	<u><b>127,645</b></u>	<u>68,659</u>

**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 2016: HK\$1,098,000).

**14. 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**

The Directors are of the view that the following companies were related parties that had transactions or balances with the Group during the year:

<b>Name</b>	<b>Relationship with the Group</b>
Ka Ho Educational Paper Company Limited ("Ka Ho Educational Paper")	A company owned by connected person of Mr. Cheung Ka Ho ( <i>Note (i)</i> )
Tai Cheong Hong	Controlled by Mr. Cheung Ka Kei ( <i>Note (i)</i> )
Carmax Development Limited	A company owned by Mr. Cheung Ka Ho ( <i>Note (i)</i> )
Beijing Rixing Property Development Company Limited	A Company partially owned by a director, Mr. Xu Wenzhe

*Note (i):*

Mr. Cheung Ka Ho ("Mr. Cheung") has resigned as chairman & CEO and executive director and Mr. Cheung Ka Kei has resigned as executive director of the Company respectively on 27 October 2016. Also, Mr. Cheung and Mr. Cheung Ka Kei ceased to be the controlling shareholders who exercise control/significant influence over the Company and thus they are not regarded as related parties since 27 October 2016.

**(b) Transactions with related parties**

Except for the transactions disclosed elsewhere in this announcement, the Group had the following significant transactions with its related parties during the period:

	<b>For six months end 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cleaning expenses paid or payable to a related company – Tai Cheong Hong ( <i>Note (i)</i> )	–	826
Loan interest expenses paid or payable to a director of subsidiaries ( <i>Notes 14(c)(i)</i> )	<b>288</b>	–
Printing and stationery expenses paid or payable to a related company – Ka Ho Educational Paper ( <i>Note (i)</i> )	–	136
Rental expenses paid or payable to a related company – Carmax Development Limited	<b>480</b>	–

*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**

The Group had the following balances with related parties:

(i) ***Loan from a director of subsidiaries***

	<b>30 June 2017 (Unaudited) HK\$'000</b>	<b>31 December 2016 (Audited) HK\$'000</b>
Loan from Mr. Cheung Ka Ho	<b>45,000</b>	–

On 9 May 2017, U Banquet Group Limited (“UBGL”), the Company’s wholly owned subsidiary company, and Mr. Cheung entered into a loan facility agreement under which Mr. Cheung has agreed to make available to UBGL from time to time an unsecured loan facility amounted to HK\$60,000,000 with an interest rate of 4.5% per annum for a term of 30 months. As at 30 June 2017, a total of HK\$45,000,000 were drawn down. The carrying amounts of loans from a director of subsidiaries approximate their fair values, are denominated in HK\$ and repayable on demand.

(ii) ***Amount due to a director***

	<b>30 June 2017 (Unaudited) HK\$'000</b>	<b>31 December 2016 (Audited) HK\$'000</b>
Amount due to a director		
– Xu Wenze	<b>1,100</b>	1,100

As at 30 June 2017, amount due to a director is unsecured, interest-free and repayable on demand. The carrying amount of amount due to a director approximates its fair value and is denominated in HK\$.

**(iii) Loans from a shareholder**

	<b>30 June 2017 (Unaudited) HK\$'000</b>	<b>31 December 2016 (Audited) HK\$'000</b>
Loans from a shareholder	<b><u>111,000</u></b>	<b><u>280,387</u></b>

On 1 November 2016, the Company and Mr. Sang Kangqiao, a controlling shareholder and the chairman of the board of directors of the Company, entered into a loan facility agreement under which Mr. Sang Kangqiao has agreed to make available to the Company from time to time an unsecured loan facility amounted to HK\$300,000,000 with an interest rate of 4.5% per annum for a term of 2 years. As at 30 June 2017, a total of HK\$111,000,000 were drawn down. The carrying amounts of loans from a shareholder approximate their fair values, are denominated in HK\$ and repayable on demand. Subsequent to the balance sheet date, on 3 July 2017, the loans from a shareholder amounting to HK\$111,000,000 were fully repaid.

## **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 2017 (the “Interim Period”), the Group operated a total of ten restaurants, eight of which were under “U Banquet (譽宴)” brand (including “U Banquet • The StarView”), one was under “U-Kitchen (譽廚)” brand and one was under “U-Pot (譽鍋)” 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 to 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.

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 Interim Period, we operated a wedding shop at Tsim Sha Tsui which provides 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 one-stop wedding service provider) our customers with 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 Interim Period, we continued to seek potential customers in respect of distribution of goods business to broaden our revenue stream.

### **Franchise of Restaurants Operation**

During the Interim Period, we had one franchised restaurant operated in Kowloon Bay under the trade name “U Banquet”. The franchisee did not renew the franchise agreement after its expiry on 9 July 2017. The Directors will consider 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 Interim Period and the corresponding period in 2016:

	For the six months ended	
	30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
– from Chinese restaurants operations	174,725	172,906
– from provision of wedding services	652	963
– from distribution of goods	671	2,176
– franchise income	641	1,560
	<u>176,689</u>	<u>177,605</u>

During the Interim Period, the Group reported a total revenue of approximately HK\$176,689,000 (six months ended 30 June 2016: approximately HK\$177,605,000), representing a decrease of approximately 0.5% as compared to the corresponding period in 2016. The decrease was primarily due to the decrease of revenue from franchise income and distribution of goods.

Revenue mainly came from the operation of restaurants of approximately HK\$174,725,000, representing approximately 98.9% of total revenue. It has increased by approximately 1.1% or HK\$1,800,000 from approximately HK\$172,906,000 as compared to the corresponding period in 2016.

## Operating Performance by Restaurants

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 Interim Period and the corresponding period in 2016:

	Six months ended 30 June		Six months ended 30 June				Six months ended 30 June	
	2017	2016	2017	2016			2017	2016
Seat turnover rate							Average	
(Note 1)			Average spending per customer				daily revenue	
			Wedding		Wedding			
			Dining	banquet	Dining	banquet		
			customer	customer	customer	customer		
	Times	Times	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
U Banquet (Mong Kok) (I) and U Banquet (Mong Kok) (II)	2.78	2.95	105	628	106	603	187,487	199,637
U Banquet (Tsim Sha Tsui)	3.24	3.60	91	601	90	596	70,739	80,578
U Banquet (Kwun Tong)	3.77	4.19	102	619	102	578	116,190	130,012
U Banquet (Causeway Bay)	2.25	2.74	106	654	105	609	108,410	129,500
U Banquet (North Point)	2.52	2.78	88	494	88	613	120,868	132,898
U-Kitchen (Wong Tai Sin) and U-Pot (Note 2)	3.12	3.42	82	N/A	75	626	179,340	183,271
U Banquet (Sino Plaza)	2.97	3.35	128	658	113	599	87,547	94,135
U Banquet (The One)	0.95	N/A	323	764	N/A	N/A	111,595	N/A

*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.
2. We changed the restaurant name from "U Banquet (Wong Tai Sin)" and "Hot Pot Cuisine" to U-kitchen (Wong Tai Sin) and U-Pot since March 2017 which the restaurants mainly focus on dining business.

For the franchise of restaurant operation in Kowloon Bay, the Group had received approximately HK\$641,000 in respect of franchise and management fee during the Interim Period (six months ended 30 June 2016: approximately HK\$1,560,000).

## **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 Interim Period amounted to approximately HK\$46,647,000, representing an increase of approximately 8.8% as compared to the corresponding period in 2016. The increase in cost of revenue was more than the increase of revenue for the Interim Period. It is because the Group offer promotion dishes at discount price to dining customers. As a result, the cost of revenue increased to approximately 26.4% of the Group's revenue for the Interim Period (six months ended 30 June 2016: approximately 24.1%).

## **Employee Benefit Expenses**

Employee benefit expenses were approximately HK\$53,388,000 for the Interim Period (six months ended 30 June 2016: approximately HK\$55,267,000), a decrease of approximately 3.4% as compared to the corresponding period in 2016. The decrease was mainly due to the wage reduction of senior management under the deteriorated 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 Interim Period amounted to approximately HK\$40,412,000, representing an increase of approximately 17.9% as compared to the corresponding period in 2016. The increase was mainly due to the opening of a new restaurant located in The One in September 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 Interim Period, other expenses amounted to approximately HK\$35,167,000, representing an increase of approximately 15.2% as compared to the corresponding period in 2016. The increase was mainly due to the opening of a new restaurant located in The One in September 2016.

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

During the period under review, the performance of restaurant operation for dining services was below the expectation of the Group's management. It is primarily due to deterioration in Hong Kong's retail industry in 2017 and the loss of revenue during the decoration period of U Banquet (Mong Kok) (I) and (II) and U Banquet (Wong Tai Sin) in the first half of 2017. As a result, even though aggregated with the revenue of the new restaurant located in The One opened in September 2016, the revenue generated from dining services still slightly decreased from approximately HK\$138,877,000 in the first half of 2016 to approximately HK\$138,470,000 for the Interim Period.

The impact of the above-mentioned economic downturn did not affect the performance of our wedding banquet operation in the first half of 2017. The revenue generated from wedding banquets had increased from approximately HK\$34,029,000 in the first half of 2016 to approximately HK\$36,255,000 for the Interim Period.

With an increase in the operating cost which includes employee benefit expenses and operating lease payment, the Group had incurred a loss before tax and a loss attributable to owners of the Company for the Interim Period of approximately HK\$23,525,000 and HK\$23,748,000 respectively, while loss before tax and loss attributable to owners of the Company amounted to approximately HK\$8,488,000 and HK\$8,881,000 respectively for the six months ended 30 June 2016.

## **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 Interim Period, was to lower the gearing ratio to an acceptable level.



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

As at 30 June 2017, the Group's cash and cash equivalents were approximately HK\$226,023,000, representing a decrease of approximately 24.3% as compared with approximately HK\$298,604,000 as at 31 December 2016. The decrease was mainly due to the fully repayment of bank borrowing during the Interim Period.

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

The bank borrowing was fully repaid during the Interim Period. The bank borrowing amount was HK\$46,124,000 as at 31 December 2016.

### ***Trade receivables***

As at 30 June 2017, the Group's trade receivables were approximately HK\$925,000, representing a decrease of approximately 53.6% as compared to such amount as at 31 December 2016. The trade receivables mainly comprised of trade receivable from the distribution of goods and franchisee. The decrease in trade receivables was primarily due to reduction in franchise income during the Interim Period.

### ***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 2017, the Group's gearing ratio was approximately 39.1% (As at 31 December 2016: 46.4%).

### **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**

### **Lapse of Acquisition Agreement**

On 7 December 2016, the Company announced that 北京慧事通科技有限公司 (Beijing Huishitong Technology Company Limited\*) (“the Purchaser”), an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the “Acquisition Agreement”), pursuant to which the Purchaser conditionally agreed to purchase and 北京日興房地產發展有限公司 (Beijing Rixing Property Development Company Limited\*), a company incorporated in the PRC with limited liability (the “Vendor”) conditionally agreed to sell the target property at the consideration of approximately RMB101,100,000 (approximately HK\$113,000,000), (the “Acquisition Announcement”). For details, please refer to the Company’s announcement dated 7 December 2016.

On 28 February 2017, the Company announced that as the conditions precedent to the Acquisition Agreement have not been fulfilled by the Long-Stop Date and no extension of time was agreed by the Vendor and the Purchaser, the Acquisition Agreement has lapsed in accordance with the terms thereof. For details, please refer to the Company’s announcement dated 28 February 2017.

### **Placing of new shares under general mandate**

On 4 January 2017, the Company entered into the placing agreement with a placing agent for the placing of up to an aggregate of 93,000,000 new shares to the placees at the placing price of HK\$1.61 per placing share under general mandate. Placing agreement have been fulfilled and completion of the placing took place on 23 January 2017 in accordance with the terms and conditions of the placing agreement.

The net proceeds of the placing amounted to approximately HK\$146,700,000, after deducting relevant expenses incurred in relation to the placing, are estimated to apply approximately HK\$107,400,000 for payment of second instalment of the proposed property acquisition as referred in the Acquisition Announcement and the balance of approximately HK\$39,300,000 to be applied for the repayment of part of shareholder’s loan and the general working capital of the Group. For details, please refer to the Company’s announcement dated 4 January and 23 January 2017.

\* For identification purpose only

Upon the announcement of lapse of acquisition agreement dated 28 February 2017, the Company intended to allocate the Proceeds for Proposed Property Acquisition in the amount of approximately HK\$107,400,000 towards acquisition of other potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of rental income to the Group.

### **Acquisition of office property located in Beijing**

During the period, the Company acquired an office property located in Beijing, classified as investment property, through the acquisition of the entire issued share capital in New Fortune Holding Group Limited (“New Fortune”) (the “Acquisition”) at a consideration of RMB76,000,000 (approximately HK\$87,800,000).

The Acquisition was completed on 30 June 2017. New Fortune is an investment holding company which indirectly holds the entire issued share capital in Beijing Huashu Property Development Limited\* (北京華樹房地產開發有限公司) (the “Beijing Huashu”). Beijing Huashu is principally engaged in leasing of self-owned commodity property located at No. 8, Fuchengmen Road, Xicheng District, Beijing, the PRC (北京市西城區阜成門外大街8號樓). For details, please refer to the Company’s announcements dated 16 June 2017 and 30 June 2017.

### **Acquisition of held for trading investment**

As at 30 June 2017, the Group has held for trading investment amounting to approximately HK\$14,100,000 (As at 31 December 2016: Nil). All of them are listed equity shares in Hong Kong.

During the Interim Period, the Group recorded realised gain on disposal of held for trading investment and dividend income from held for trading investment in the amount of HK\$408,000 and HK\$169,000 respectively (six month ended 30 June 2016: Nil and Nil).

\* For identification purpose only

## **Potential future investment**

On 20 April 2017, the Company entered into a memorandum of understanding agreement with Mr. Feng Xiangdong\* (奉向東先生) and Gefeng Environmental Protection Technology Co. Ltd\* (格豐環保科技有限公司) (the “Target company”) in respect of the proposed capital injection into the Target Company. For details, please refer to the Company’s announcement dated 20 April 2017. The proposed investment is still under negotiation up to the date of this announcement.

Save for the above business plan as disclosed, there is no plan for material investment or capital assets as at 30 June 2017.

## **USE OF PROCEEDS**

The Company has conducted the following equity fund raising activities during the Interim Period and subsequently after 30 June 2017:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of the net proceeds (approximately)</b>	<b>Actual use of the net proceeds (approximately)</b>
4 and 23 January 2017	Placement of new shares under general mandate	HK\$146,700,000	HK\$107,400,000 for payment of second instalment of the proposed property acquisition as referred in the Acquisition Announcement and the balance HK\$39,300,000 to be applied for the repayment of part of shareholder’s loan and the general working capital of the group.	Part of the net proceed of HK\$87,800,000 was utilized for the acquisition of office property located in Beijing and HK\$14,100,000 was applied for the acquisition of held for trading investment. The remaining HK\$44,800,000 was applied for the repayment of part of shareholder’s loan and the general working capital of the group.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the Interim Period and the period immediately prior to the date of this announcement.

\* For identification purpose only

## **Contingent Liabilities**

As at 30 June 2017, the Group did not have any material contingent liabilities.

## **Employees and Remuneration Policies**

The Group had 475 (31 December 2016: 514) employees as at 30 June 2017. The staff costs, including Directors' emoluments, of the Group were approximately HK\$53,400,000 and HK\$55,300,000 for the six months ended 30 June 2017 and 2016 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 Interim Period (six months ended 30 June 2016: Nil).

## **Share Option**

On 17 May 2017, the Company has granted share options (the "Options") under its share option scheme (the "Share Option Scheme") adopted on 19 November 2013 to certain eligible grantees (the "Grantees"), which, subject to acceptance by the Grantees, will enable the Grantees to subscribe for an aggregate of 11,600,000 ordinary shares of the Company of HK\$0.01 each in the share capital of the Company as stated in the announcement of the Company dated 17 May 2017. No option had been exercised during the Interim Period. As at 30 June 2017, no Option was lapsed and there were 11,600,000 Options outstanding under the Share Option Scheme.

## **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 had opened a new restaurant located in The One, Tsim Sha Tsui, namely, U Banquet (The One) with new brand “U Banquet • The StarView”. The management believed that U Banquet (The One) would bring a luxurious dining experience for both wedding banquet and dining customers and 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. Apart from this, the Group will also explore business opportunities to strengthen its revenue base such as acquisition of potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of rental income to the Group. In addition, the Company will also continue to explore potential business opportunities in other sectors including but not limited to high and new technology sector which may bring higher return and additional source of revenue to the Group as well as maximise its return of the shareholders and value of the Company.

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

For the Interim Period, 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 Interim Period.

## **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 2017. 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 2017, 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 period under review, the Company has not filled the post of Chief Executive Officer subsequent to the resignation of Mr. Cheung in October 2016. In the Company, decisions are made collectively by the executive directors and occasionally are made after the discussion with the management. The board of directors believes that this arrangement enables the Company to make decisions, operate and implement follow up actions quickly.

## **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 2017.

## **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. Lam Ka Tak and the other two members are Mr. Xu Zhihao and Ms. Liu Yan.

The unaudited interim financial results of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the Company's website ([www.u-banquetgroup.com](http://www.u-banquetgroup.com)) and the HKExnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) of Hong Kong Exchanges and Clearing Limited. The 2017 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By Order of the Board  
**U Banquet Group Holding Limited**  
**Sang Kangqiao**  
*Chairman and Executive Director*

Hong Kong, 24 August 2017

*As at the date of this announcement, the Executive Directors are Mr. Sang Kangqiao, Mr. Xu Wenze and Mr. Cui Peng; the Independent Non-executive Directors are Mr. Xu Zhihao, Mr. Lam Ka Tak and Ms. Liu Yan.*