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JC Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8326)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of JC Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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

- Revenue for the six months ended 30 September 2015 increased by approximately 10% to approximately HK\$134,364,000 (2014: approximately HK\$122,096,000).
- Loss for the six months ended 30 September 2015 amounted to approximately HK\$4,728,000 (2014: loss for the period of approximately HK\$2,540,000).
- Basic and diluted loss per share attributable to ordinary equity holders of the Company for the six months ended 30 September 2015 was approximately HK\$0.0119 (2014: basic and diluted loss per share of approximately HK\$0.0069).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2015.

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the “Group”) for the six months ended 30 September 2015, together with the unaudited comparative figures for the respective corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2015

	Notes	Three months ended 30 September		Six months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
REVENUE	4	69,105	63,578	134,364	122,096
Other income and gains	4	46	103	102	191
Cost of inventories sold		(20,681)	(17,980)	(39,647)	(34,265)
Staff costs		(21,496)	(18,569)	(41,482)	(37,144)
Depreciation and amortisation		(4,020)	(4,070)	(9,033)	(8,028)
Property rentals and related expenses		(15,200)	(12,667)	(29,615)	(25,268)
Fuel and utility expenses		(1,441)	(1,423)	(2,856)	(2,745)
Other operating expenses		(6,274)	(9,375)	(13,964)	(15,897)
Other expenses, net		(1,083)	–	(1,083)	–
LOSS BEFORE FINANCE COSTS AND TAX		(1,044)	(403)	(3,214)	(1,060)
Finance costs	5	(87)	–	(87)	–
LOSS BEFORE TAX	5	(1,131)	(403)	(3,301)	(1,060)
Income tax expense	6	(754)	(285)	(1,427)	(1,480)
LOSS FOR THE PERIOD		(1,885)	(688)	(4,728)	(2,540)
Other comprehensive income, net of tax		–	–	–	–
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(1,885)	(688)	(4,728)	(2,540)
Attributable to:					
Owners of the Company		(2,035)	(839)	(4,775)	(2,758)
Non-controlling interests		150	151	47	218
		(1,885)	(688)	(4,728)	(2,540)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
– Basic and diluted (HK cents)	7	(0.51)	(0.21)	(1.19)	(0.69)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2015*

		30 September 2015 <i>HK\$'000</i> (Unaudited)	31 March 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	25,332	26,535
Intangible assets	10	767	826
Deposits paid for acquiring property, plant and equipment		–	580
Non-current rental deposits		17,371	17,865
		<hr/>	<hr/>
Total non-current assets		43,470	45,806
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		2,834	2,635
Trade receivables	11	1,412	1,291
Prepayments, deposits and other receivables		6,143	6,746
Due from related parties		4,734	1,943
Due from ultimate holding company		–	8
Due from non-controlling shareholders		127	125
Tax recoverable		674	1,112
Cash and cash equivalents		92,991	49,852
		<hr/>	<hr/>
Total current assets		108,915	63,712
		<hr/> <hr/>	<hr/> <hr/>
CURRENT LIABILITIES			
Trade payables	12	7,006	6,561
Other payables and accruals		14,752	8,511
Due to related parties		4,437	575
Due to non-controlling shareholders		1,922	1,912
Provision for reinstatement costs		2,409	2,409
Tax payable		1,346	996
		<hr/>	<hr/>
Total current liabilities		31,872	20,964
		<hr/> <hr/>	<hr/> <hr/>
NET CURRENT ASSETS		77,043	42,748
		<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		120,513	88,554
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 September 2015*

		30 September 2015 <i>HK\$'000</i> (Unaudited)	31 March 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Provision for reinstatement costs		4,139	3,539
Borrowing	<i>13</i>	36,087	–
		<hr/>	<hr/>
Total non-current liabilities		40,226	3,539
		<hr/>	<hr/>
Net assets		80,287	85,015
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	4,000	4,000
Reserves		71,635	76,410
		<hr/>	<hr/>
		75,635	80,410
Non-controlling interests		4,652	4,605
		<hr/>	<hr/>
Total equity		80,287	85,015
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves	(Accumulated losses)/ Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (audited)	4,000	27,847	51,567	(3,004)	80,410	4,605	85,015
(Loss)/profit for the period	–	–	–	(4,775)	(4,775)	47	(4,728)
Total comprehensive (expense)/income for the period	–	–	–	(4,775)	(4,775)	47	(4,728)
At 30 September 2015 (unaudited)	<u>4,000</u>	<u>27,847</u>	<u>51,567</u>	<u>(7,779)</u>	<u>75,635</u>	<u>4,652</u>	<u>80,287</u>
At 1 April 2014 (audited)	4,000	27,847	51,567	(3,543)	79,871	5,293	85,164
(Loss)/profit for the period	–	–	–	(2,758)	(2,758)	218	(2,540)
Total comprehensive (expense)/income for the period	–	–	–	(2,758)	(2,758)	218	(2,540)
Acquisition of a subsidiary	–	–	–	–	–	4	4
At 30 September 2014 (unaudited)	<u>4,000</u>	<u>27,847</u>	<u>51,567</u>	<u>(6,301)</u>	<u>77,113</u>	<u>5,515</u>	<u>82,628</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 21 November 2013. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at 14th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company's principal activity during the six months ended 30 September 2015 was investment holding. The Group's principal activity during the six months ended 30 September 2015 was the operation and management of various restaurants and cake shops in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared in accordance with the accounting principles generally accepted in Hong Kong, and comply with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 September 2015 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2015, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2015. The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements included in the annual report of the Company dated 23 June 2015.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the six months ended 30 September 2015 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 September 2015.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the six months ended 30 September 2015 are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

3. SEGMENT INFORMATION

The directors of the Company review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

The directors of the Company consider that the business of the Group is organised in one operating segment which is operation and management of restaurants and cake shops in Hong Kong. Additional disclosure in relation to segment information is not presented as the directors of the Company assess the performance of the only operating segment identified based on the consistent information as disclosed in the condensed consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the period as shown in the condensed consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the condensed consolidated statement of financial position.

Details of interest income, depreciation and amortisation in relation to the operating segment are disclosed in notes 4 and 5, respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. Substantially all of the Group's revenues from external customers for the six months ended 30 September 2015 and 2014 were derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong.

4. REVENUE, OTHER INCOME AND GAINS

	Three months ended		Six months ended	
	30 September		30 September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Restaurant operations	69,105	63,578	134,364	122,096
Other income and gains				
Bank interest income	36	59	36	59
Sponsorship income	–	32	–	106
Others	10	12	66	26
	46	103	102	191

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories sold	20,681	17,980	39,647	34,265
Amortisation of intangible assets	80	97	159	195
Auditors' remuneration	–	(3)	–	(3)
Depreciation	3,940	3,973	8,874	7,833
Lease payments under operating lease in respect of land and buildings:				
Minimum lease payments	14,574	11,814	28,243	23,626
Contingent rents	143	477	399	883
	<u>14,717</u>	<u>12,291</u>	<u>28,642</u>	<u>24,509</u>
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	19,823	17,040	38,293	34,143
Retirement benefits scheme contributions	782	704	1,473	1,351
	<u>20,605</u>	<u>17,744</u>	<u>39,766</u>	<u>35,494</u>
Write-off of items of property, plant and equipment	–	1,583	–	1,583
Exchange differences, net	(4)	5	(17)	(1)
Write-off of amount due from a former subsidiary [#]	6,972	–	6,972	–
Gain on disposal of subsidiaries [#]	(6,489)	–	(6,489)	–
Donation [#]	600	–	600	–
	<u>–</u>	<u>1,588</u>	<u>–</u>	<u>1,582</u>
Finance costs:				
Interest expenses on promissory note	87	–	87	–
	<u>87</u>	<u>–</u>	<u>87</u>	<u>–</u>

[#] included in other expenses, net

6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax – charge for the period	754	285	1,427	1,480

Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2014 and 2015.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to owners of the Company for the three and six months ended 30 September 2015 was based on (i) the unaudited condensed consolidated loss attributable to owners of the Company of approximately HK\$2,035,000 and HK\$4,775,000 respectively; and (ii) the weighted average number of 400,000,000 and 400,000,000 ordinary shares in issue during the respective periods.

The calculation of the basic loss per share attributable to owners of the Company for the three and six months ended 30 September 2014 was based on (i) the audited condensed consolidated loss attributable to owners of the Company of approximately HK\$839,000 and HK\$2,758,000 respectively; and (ii) the weighted average number of 400,000,000 and 400,000,000 ordinary shares in issue during the respective periods.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the three and six months ended 30 September 2014 and 2015.

8. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment of approximately HK\$8,716,000 (for the six months ended 30 September 2014: approximately HK\$4,099,000) for the purpose of operation. During the six months ended 30 September 2015, none of the property, plant and equipment was written off by the Group (for the six months ended 30 September 2014: approximately HK\$1,583,000). The Group disposed property plant and equipment through disposal of subsidiary for the six months ended 30 September 2015 with the net carrying amount of approximately HK\$1,045,000 (for the six months ended 30 September 2014: nil).

10. INTANGIBLE ASSETS

	Franchise cost <i>HK\$'000</i>
At 31 March 2015 and 1 April 2015 (audited):	
Cost	2,341
Accumulated amortisation	(1,515)
	<hr/>
Net carrying amount	826
	<hr/> <hr/>
At 1 April 2015, net of accumulated amortisation (audited)	826
Additions	100
Amortisation provided during the period	(159)
	<hr/>
At 30 September 2015, net of accumulated amortisation (unaudited)	767
	<hr/> <hr/>
At 30 September 2015 (unaudited):	
Cost	2,440
Accumulated amortisation	(1,673)
	<hr/>
Net carrying amount	767
	<hr/> <hr/>

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash, credit card and smart card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivable are non-interest bearing.

An ageing analysis of the trade receivables, based on invoice date at the end of the reporting period, is as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within 1 month	1,229	1,150
Over 1 month but less than 3 months	43	87
Over 3 months	140	54
	<u>1,412</u>	<u>1,291</u>

The trade receivables included in the above ageing analysis are considered not impaired. As at 30 September 2015 and 31 March 2015, no trade receivables were past due or impaired. No provision for impairment of trade receivables was made as at 30 September 2015 and 31 March 2015.

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within 1 month	7,000	6,553
Over 1 month but less than 2 months	6	5
Over 2 months	–	3
	<u>7,006</u>	<u>6,561</u>

The trade payables are non-interest bearing and generally have payment terms of 30 – 45 days. Trade payables from related parties are also repayable on similar credit terms to those offered by the major suppliers of the Group.

13. BORROWING

During the current interim period, the Group obtained new borrowing with principal amount of HK\$36,000,000 (31 March 2015: Nil).

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Promissory note	<u>36,087</u>	<u>–</u>
Secured	<u><u>36,087</u></u>	<u><u>–</u></u>

During the current interim period, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK\$36,000,000 for a term of 2 years. The entire issued share capital of a subsidiary were pledged to secure the issuance of the promissory note.

At the ending of the reporting period, the above borrowing was repayable as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within one year	–	–
More than one year but not more than two years	36,087	–
More than two years but not more than five years	<u>–</u>	<u>–</u>
	<u>36,087</u>	<u>–</u>
Amount due after one year shown under non-current liabilities	<u><u>36,087</u></u>	<u><u>–</u></u>

The exposure of the Group's fixed rate borrowing and the contractual maturity date was as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Fixed-rate borrowing:		
Within one year	–	–
More than one year but not more than two years	<u>36,087</u>	<u>–</u>
	<u><u>36,087</u></u>	<u><u>–</u></u>

The fixed rate borrowing carries interest rate of 4% per annum.

14. ISSUED CAPITAL

	Number of ordinary share of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 March 2015 and 30 September 2015	2,000,000,000	20,000
Issued and fully paid:		
At 31 March 2015 and 30 September 2015	400,000,000	4,000

15. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
JC & Associates Limited		
– purchase of food (<i>note (i)</i>)	2,147	1,467
– food processing fee (<i>note (ii)</i>)	460	–
R & C Corporate Services Limited		
– corporate service fee (<i>note (i)</i>)	224	170
Rich Base Limited		
– franchise fee (<i>note (i)</i>)	–	101
Well-in Hotel Supplies Company Limited		
– purchase of property, plant and equipment (<i>note (ii)</i>)	–	104
– purchase of kitchen utensils (<i>note (i)</i>)	156	539
– administrative expenses (<i>note (i)</i>)	319	–

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Unless otherwise stated, all of the above related companies are controlled by Mr. Wu and/or Ms. Wong, the executive directors of the Company.

Notes:

- (i) These related party transactions also constitute continuing connected transactions as defined in the GEM Listing Rules.
- (ii) These related party transactions also constitute connected transactions as defined in the GEM Listing Rules.
- (b) Compensation of key management personnel of the Group, including directors' and chief executive's remuneration, is as follows:

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	2,657	2,494
Post-employment benefits	23	310
	<u>2,680</u>	<u>2,804</u>

16. DISPOSAL OF SUBSIDIARIES

On 31 August 2015, the Group disposed of its entire equity interest in Holy Charm Limited ("Holy Charm") to an independent third party at a cash consideration of HK\$2,000,000.

On 18 September 2015, the Group disposed of its entire equity interest in Cheerful Time Holdings Limited ("Cheerful Time") to Mr. Wu Kai Char, the Executive Director of the Company, at a cash consideration of HK\$1. Cheerful Time held 100% of equity interest in Inakaya (China) Limited.

The consolidated net assets of Holy Charm and Cheerful Time as at the date of disposal were as follows:

	Holy Charm	Cheerful Time	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	1,045	–	1,045
Prepayments, deposits and other receivables	224	2,014	2,238
Due from fellow subsidiary	–	900	900
Cash and cash equivalents	1,255	65	1,320
Due to fellow subsidiaries	–	(2,011)	(2,011)
Due to a related party	–	(1,000)	(1,000)
Due to immediate holding company	(6,972)	(9)	(6,981)
	<u>6,448</u>	<u>41</u>	<u>6,489</u>
Gain on disposal of subsidiaries	6,448	41	6,489
Total consideration received	2,000	–	2,000
Net cash inflow/(outflow) arising on disposal:			
Cash consideration	2,000	–	2,000
Cash and cash equivalents disposed of	(1,255)	(65)	(1,320)
	<u>745</u>	<u>(65)</u>	<u>680</u>

17. OPERATING LEASE COMMITMENTS

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

	30 September	31 March
	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	57,605	38,685
In the second to five years, inclusive	49,690	28,128
Beyond five years	—	—
	<hr/>	<hr/>
	107,295	66,813
	<hr/> <hr/>	<hr/> <hr/>

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the revenue of the restaurants pursuant to the terms and conditions as set out in the respective tenancy agreements. As the future revenue of the restaurants could not be reliably determined, the minimum lease commitments are based on the fixed rental.

18. PLEDGE OF ASSETS

As at 30 September 2015, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issuance of a promissory note to an independent third party (31 March 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a food and beverage group in Hong Kong operating 11 full-service restaurants, 2 cake shops and 1 café as at 30 September 2015, namely “Inakaya”, “Harlan’s”, “Kaika”, “Mekikinoginji-Okinawa” in Tuen Mun, Causeway Bay, Tsim Sha Tsui and Mongkok, “Hooray”, “Pearl Delights”, “PHO Hoi An” in Tsim Sha Tsui and San Po Kong, “Harlan’s Cake Shop”, “Carousel” and “a la Folie”, of which some are operated by way of franchising agreement.

The Group endeavored to work out the philosophy – “unique dining concepts” through quality dishes accompanied by a pleasant atmosphere and attentive services. The Group continues to explore fresh and high quality food ingredients with reasonable prices and sources some seafood supply directly from Japan to our Japanese style restaurants. The chefs are committed to preparing innovative dishes and executing stringent food quality control.

The Group adopted the diversification strategy by operating fine-dining and casual dining restaurants as well as restaurants in middle-class market to broaden the stream of customers. By launching our fourth restaurant under the Japanese franchise name of “Mekikinoginji – Okinawa” in May 2015, we have increased penetration of our brand in the middle-class market and increased the awareness of our brand among young customers through the splendid menu and unique dishes from Okinawa.

Mekikinoginji – Okinawa

The Group operates restaurants under the franchise name of “Mekikinoginji-Okinawa”, a famous izakaya chain well known for its creative dishes and contemporary interior design in Okinawa Prefecture of Japan.

Due to the successful launch of restaurants under the franchise name of “Mekikinoginji-Okinawa” in V city, Tuen Mun, World Trade Centre, Causeway Bay and The ONE, Tsim Sha Tsui, which serve contemporary Japanese cuisine and are frequently patronized by young customers, the Group further opened the fourth restaurant in MOKO, Mongkok in May 2015 under the brand name of “Royal Grill Ginji” in view of the potential demand in prime area. The brand name of “Royal Grill Ginji” was established under the franchise name of “Mekikinoginji-Okinawa”. It is a new concept izakaya restaurant that serves teppanyaki delights together with signature izakaya dishes.

Inakaya

Being one of the few robatayaki Japanese restaurants that is located on the upper floors of one of the tallest buildings in the world, Inakaya has successfully maintained and strengthened its upscale and fine-dining image in Hong Kong. Our executive chef brought in the new Japanese cuisine essence together with traditional style to the restaurant and further established the unique connection between Japan and Hong Kong. Inakaya was included in the world-famous “The MICHELIN GUIDE” (Hong Kong and Macau 2015) with two Fork & Spoon designations representing “comfortable restaurant”, and was granted an award from “Hong Kong Tatler Best Restaurants – Hong Kong & Macau Edition 2015”.

Harlan’s

With an inviting ambience and plush interior design, in 2015, Harlan’s successfully joined the quality wedding merchant scheme held by ESD Services Limited which further demonstrate our strength in providing perfect venue and attentive services for holding wedding banquets and corporate events. Harlan’s also received accolades from “Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition” in 2015, and has maintained its unique position as one of the finest restaurants with splendid view in Tsim Sha Tsui.

Kaika

The Teppanyaki brand has been moving on with enormous momentum which transcended itself from merely a teppanyaki restaurant from Ginza Tokyo. Kaika also received accolades from “Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition in 2015”. With the completion of the interior renovation in early April 2015, the restaurant captured not only frequent diners but also new customers with a discerning palate.

Hooray

Acclaimed as the sky garden restaurant, “Hooray”, with a 12,000 sq. ft. venue, continued to explore new cuisine and dining fashions for the young and trend-setting customers. Hooray has established a sharp image for modern and adventurous cuisine which had been popular among the young clientele. Together with Harlan’s, Hooray also successfully joined the quality wedding merchant scheme held by ESD Services Limited in 2015.

Pearl Delights

Being a Chinese cuisine restaurant, “Pearl Delights” brings in a new Cantonese cuisine dining concept that focuses on dim sum and Cantonese barbeque meat for its customers in the Shatin District, one of the most populous districts in Hong Kong. The performance of Pearl Delights was satisfactory, which was mainly attributable to traditional cantonese gourmet and the delicate cuisines prepared by our chefs.

PHO Hoi An

The Vietnamese eatery continues to maintain its image as major casual dining restaurant of the Group. Through providing efficient service and an array of Vietnamese cuisines inspired from Hoi An, the world heritage town in Vietnam, the new brand is expected to strengthen the clientele base and establish a new stream of customers for the Group.

Harlan's Cake Shop

Harlan's Cake Shop has been growing with a strong and loyal customer base. Delightful pastry, aromatic coffee together with the graceful décor set an inviting tone for the shop which won the heart among the locals and tourists in the Tsim Sha Tsui area.

Carousel

Carousel Fine Cake & Pastries, being a dainty cake shop brimming with sweet delights, is well accepted as an exclusive cake shop that excels in tailor-made cakes. The shop provides a series of delicate pastry at reasonable prices such as cakes, macarons, cookies, and is usually frequented by regular customers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2015, the Group recorded an unaudited revenue of approximately HK\$134,364,000, representing an increase of approximately 10% compared with approximately HK\$122,096,000 of the corresponding period in 2014. The growth in revenue was mainly attributable to the increase in total number of outlets to 14 as at 30 September 2015 (2014: 12). As the Group realised the potential of middle-class market and casual dining, the Group further expanded its business by opening two more outlets in these segments. The effect of the drop in revenue in some of the brands especially for those of fine dining as a result of the weakened global economy and inbound tourism when compared with the corresponding period in last year had been offset by the growth in revenue of restaurants from other brands.

Cost of inventories sold

The cost of inventories sold for the six months ended 30 September 2015 amounted to approximately HK\$39,647,000 (2014: approximately HK\$34,265,000). Despite the economic uncertainty looming over Hong Kong, the inflation rate remained at a high level in the market. However, the Group was still able to maintain the overall cost margin at a level below 30% of revenue for both of the six months ended 30 September 2014 and 2015. The Directors will continue to monitor the cost of inventories sold as a percentage of revenue, which is a key performance indicator of the overall efficiency and profitability of the restaurant operations.

Staff costs

The staff costs for the six months ended 30 September 2015 amounted to approximately HK\$41,482,000, representing an increase by approximately 12% when compared with that of approximately HK\$37,144,000 from the corresponding period in 2014. The increase was mainly attributable to the increase in the number of outlets of the Group as well as the increase in salaries to attract experienced staffs in view of the shortage of labour and high staff turnover rate in the food and beverage industry. The expansion of the size of corporate headquarters by increasing the hiring for operation management, accounting and finance and human resources department in order to strengthen the functions of the Group's strategic future development also contributed to the increase in staff costs.

Depreciation and amortisation

Depreciation and amortisation increased by approximately 13% to approximately HK\$9,033,000 for the six months ended 30 September 2015 (2014: approximately HK\$8,028,000). The increase was mainly attributable to the decoration cost, expenses for purchase of property, plant and equipment, and the provision of reinstatement cost in relation to newly-opened outlets.

Property rentals and related expenses

The property rentals and related expenses for the six months ended 30 September 2015 amounted to approximately HK\$29,615,000 (2014: approximately HK\$25,268,000), representing an increase of approximately 17% as compared to the corresponding period in 2014. Such increase was mainly attributable to the property rentals and related expenses of newly-opened outlets and the rise in the rent of some existing outlets upon the renewal of tenancy agreements.

Other operating expenses

Other operating expenses decreased by approximately 12% to approximately HK\$13,964,000 for the six months ended 30 September 2015 from approximately HK\$15,897,000 for the corresponding period in 2014. The decrease was mainly attributable to the write-off of property, plant and equipment with the amount of approximately HK\$1,583,000 for the six months ended 30 September 2014 which was one-off in nature and caused by the rebranding of restaurants in Tsim Sha Tsui and no longer existed for the current interim period.

Finance costs

Finance costs amounted to approximately HK\$87,000 for the six months ended 30 September 2015 (2014: nil), which comprised interest expenses derived from the promissory note issued by the Group to an independent third party.

Net loss for the period

For the six months ended 30 September 2015, the Group recorded loss attributable to owners of the Company of approximately HK\$4,775,000 (2014: loss of approximately HK\$2,758,000). The loss was mainly attributable to i) expenses incurred for the Group's business and strategic development; ii) written-off of amount due from a former subsidiary amounting to approximately HK\$6,972,000; and iii) the losses incurred for the six months ended 30 September 2015 in relation to the lower operating efficiency in some of the newly-opened outlets. The inefficiency of newly-opened outlets are expected to be short-term in nature and the written off of amount due from a former subsidiary was one-off in nature. The loss was partially offset by the gain on disposal of subsidiaries amounting to approximately HK\$6,489,000.

FUTURE PROSPECTS

Despite the keen competition of the restaurant business in Hong Kong, the Group is able to maintain its market position. To maintain its competitive edge, the Group will continue to adhere to its philosophy – “unique dining concepts”, by developing innovative and tasty dishes, creating a pleasant atmosphere and providing attentive services.

In addition, the Group looks for other attractive business in an attempt to diversify its businesses areas to reduce the reliance upon existing food and beverages business and broaden its revenue base. The Group, by utilising its internal resources, intends to commence a new business segment of energy business, which may include research and development of solar power technology, operation and construction of solar power station, EPC (Engineering, Procurement and Construction) business and sales of solar mounting and tracking system materials etc.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 September 2015, the share capital and equity attributable to owners of the Company amounted to HK\$4,000,000 and approximately HK\$75,635,000 respectively (31 March 2015: HK\$4,000,000 and approximately HK\$80,410,000 respectively).

Cash position

As at 30 September 2015, the cash and cash equivalents of the Group amounted to approximately HK\$92,991,000 (31 March 2015: approximately HK\$49,852,000), representing an increase of approximately 87% as compared to that as at 31 March 2015. The increase was derived from the fund obtained by issuance of promissory note.

Borrowing

As at 30 September 2015, total borrowing of the Group amounted to HK\$36,087,000 (31 March 2015: nil) which was derived from the issuance of a promissory note. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK\$36,000,000 which bears an interest rate of 4% per annum for a term of 2 years. For details, please refer to the announcement of the Company dated 9 September 2015.

Pledge of assets

As at 30 September 2015, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issuance of a promissory note to an independent third party (31 March 2015: nil).

Gearing ratio

As at 30 September 2015, the gearing ratio of the Group was approximately 35% (31 March 2015: approximately 3%). The significant increase was mainly attributable to the issuance of promissory note during the period. The gearing ratio is calculated based on the total debt at the end of the period/year divided by the total debt plus total equity at the end of the respective period/year. Total debt represents all liabilities excluding trade payables, other payables and accruals, tax payables and provision for reinstatement costs.

Exchange Rate Exposure

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

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2015. Save for the business plan as disclosed in the prospectus of the Company dated 14 November 2013 (the “Prospectus”), there is no plan for material investments or capital assets as at 30 September 2015.

Contingent Liabilities

As at 30 September 2015, the Group had no material contingent liabilities (31 March 2015: nil).

Capital Commitment

As at 30 September 2015, the Group had no material capital commitment (31 March 2015: nil).

Employee and Emolument Policies

The Group had 308 employees (including Directors) as at 30 September 2015 (31 March 2015: 285 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

Interim Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2015 (2014: nil)

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2015, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.1.8 of the Code as described below.

Under code provision A.1.8 of the Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company does not have such insurance cover for its Directors. This is a deviation from code provision A.1.8 of the Code.

With regular and timely communications among the Directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of an actual litigation against the Directors is low. The Company understands the importance to arrange insurance cover for its Directors and will consider to make such an arrangement as and when it considers necessary.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Messis Capital Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 12 August 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

For the six months ended 30 September 2015, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2015.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the “Share Option Scheme”) on 2 November 2013.

Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the six months ended 30 September 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors for the six months ended 30 September 2015.

AUDIT COMMITTEE

The Company has established an audit committee with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the audit committee are (i) to review the financial systems of the Group; (ii) to review the accounting policy, financial position and financial reporting procedures of the Group; (iii) to communicate with external auditors; (iv) to assess the performance of internal financial and audit personnel; and (v) to assess the internal controls of the Group. The audit committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the six months ended 30 September 2015 and this announcement, and considered that the results and this announcement have been prepared in accordance with the applicable accounting standards and requirements.

PUBLICATION OF 2015 INTERIM REPORT

The 2015 interim report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.jcgroup.hk> and the “HKExnews” website of the Stock Exchange at <http://www.hkexnews.hk>.

By order of the Board
JC Group Holdings Limited
Wu Kai Char
Chairman and Executive Director

Hong Kong, 9 November 2015

As at the date of this announcement, the executive Directors are Mr. Wu Kai Char, Ms. Wong Wai Ling, Ms. Shen Meng Hong, Mr. Wu Jian Nong and Mr. Xu Shui Sheng; and the independent non-executive Directors are Mr. Chan Wai Hung Clarence, Mr. Pao Ping Wing, Ms. Au Man Yi and Mr. Yuan Haiyang.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website (www.hkexnews.hk) for 7 days from the date of its posting and will also be published on the Company’s website (www.jcgroup.hk).