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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

The board of Directors announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*4*	**368,832**	363,806
Other income		**1,254**	1,073
Cost of revenue		**(98,854)**	(89,769)
Employee benefits expenses		**(106,056)**	(110,948)
Depreciation		**(23,900)**	(16,414)
Operating lease payments		**(79,389)**	(74,617)
Utilities expenses		**(32,415)**	(33,344)
Other expenses	*5*	**(77,550)**	(73,212)
Gain on disposal of financial assets at fair value through profit or loss		**2,206**	–
Fair value gain of financial assets at fair value through profit or loss		**108**	–
Fair value gain of investment properties		**1,094**	400
Impairment loss of goodwill		**–**	(18,576)
Impairment of property, plant and equipment		**(9,369)**	–
Other gain		**295**	718

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

	Note	**Year ended 31 December**	
		2017	2016
		HK$'000	*HK$'000*
Operating loss		**(53,744)**	(50,883)
Finance income	*6*	**615**	349
Finance costs	*6*	**(2,178)**	(1,325)
Finance costs – net	*6*	**(1,563)**	(976)
Loss before income tax		**(55,307)**	(51,859)
Income tax expense	*7*	**(879)**	(1,987)
Loss for the year attributable to owners of the Company		**(56,186)**	(53,846)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		**3,259**	(53)
Total other comprehensive income/(loss) for the year		**3,259**	(53)
Total comprehensive loss for the year attributable to owners of the Company		**(52,927)**	(53,899)
Basic loss per share	*8*	**(11 cents)**	(12 cents)
Diluted loss per share	*8*	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

		As at 31 December	
	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**43,260**	53,285
Investment properties	*16*	**108,865**	24,400
Goodwill		**21,720**	–
Rental deposits		**12,351**	14,394
Prepayment for acquisition of property, plant and equipment		**–**	3,200
Prepayment for consultancy services		**–**	3,582
Deferred income tax assets		**5,345**	6,632
		191,541	105,493
Current assets			
Trade receivables	*10*	**1,955**	1,993
Financial assets at fair value through profit or loss		**3,447**	–
Deposits, prepayments and other receivables		**25,873**	33,351
Current income tax recoverable		**571**	800
Cash and cash equivalents		**196,335**	298,604
		228,181	334,748
Non-current assets held for sale		**32,182**	–
Total assets		**451,904**	440,241
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**5,580**	4,650
Share premium	*11*	**236,120**	90,326
Other reserves		**31,620**	23,883
Accumulated losses		**(142,359)**	(86,173)
Total equity		**130,961**	32,686

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2017

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Accruals		**4,500**	7,704
Deposits received		**4,653**	552
Borrowings	*13*	**–**	207
Deferred income tax liabilities		**24,769**	2,660
Provision for reinstatement costs		**3,278**	2,896
		37,200	14,019
Current liabilities			
Trade payables	*12*	**17,550**	13,645
Accruals, provisions and other payables		**24,228**	24,529
Deposits received		**40,577**	26,605
Amount due to a related company		**3,621**	–
Current income tax liabilities		**804**	522
Amount due to a director		**1,100**	1,100
Loans from a shareholder	*14*	**150,690**	280,387
Provision for reinstatement costs		**173**	436
Borrowings	*13*	**45,000**	46,312
		283,743	393,536
Total liabilities		**320,943**	407,555
Total equity and liabilities		**451,904**	440,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

U Banquet Group Holding Limited (the "Company") was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Floor 4, Willow House, Cricket Square P.O. Box 2804, Grand Cayman KY1-1112, 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 (collectively, the "Group") are principally engaged in the operation and franchising of a chain of Chinese restaurants, property leasing and securities trading business.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Going concern basis

During the year ended 31 December 2017, the Group recorded a net loss of HK$56,186,000 (2016:HK$53,846,000) and had operating net cash outflow of HK$9,416,000 (2016:HK$2,665,000). As at the same date, the Group's current liabilities exceeded its current assets (including non-current asset held for sale) by approximately HK$23,380,000 (2016: HK$58,788,000).

On 20 April 2017, the Company entered into a memorandum of understanding ("MOU") with Gefeng Environmental Protection Technology Co., Ltd. ("Ge Feng") and Dr. Feng Xiangdong ("Dr. Feng") in respect of the proposed capital injection into Ge Feng. Ge Feng and its subsidiaries (collectively as " Ge Feng Group") has patented technologies in nanoceramics with targeted bonding features and principally engaged in sales of new materials and equipment used for environmental control and undertaken various environmental projects, including water treatment, soil remediation and atmospheric control in Mainland China. Subsequent to the balance sheet date, on 20 January 2018, the Company, Ge Feng and Dr. Feng entered into a second supplemental agreement to the MOU pursuant to which the parties agreed to, among others, further extend the exclusivity period for further six-month in order to allow additional time for the negotiation process. Upon the execution of the second supplemental agreement to the MOU, the exclusivity period shall expired on fifteen-month period from the date of the MOU.

On 9 February 2018, a wholly owned subsidiary of the Company (the "Purchaser") and Mr. Wan Zhong (the "Vendor") entered into a sales and purchase agreement in which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell 51% of the entire issued share capital of BYL Property Holdings Group Limited, a company incorporated in the British Virgin Islands and wholly owned by the Vendor ("BYL"), at aggregate consideration of RMB132,600,000 (subject to adjustments) (equivalent to approximately HK$159,120,000). BYL and its subsidiaries (collectively as "BYL Target Group") is principally engaged in the environmental maintenance business in Mainland China. The completion of the agreement is subject to certain conditions, including but not limited to, the satisfactory completion of due diligence by the Company which has yet been fulfilled up to the date of this announcement.

The above matters indicated that the Group will need additionals funds to finance these transactions which are currently yet to be secured.

In view of these circumstances, the directors of the Company have given careful consideration of the liquidity requirement for its current operation and future acquisition plans, the performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management covering a period of not less than twelve months from 31 December 2017. Several measures have been put in place by the directors of the Company to alleviate the liquidity pressure. It includes:

(i) The Company and Mr. Sang Kangqiao, a controlling shareholder and the chairman of the Board, entered into a loan facility agreement for a term of 2 years from 1 November 2016 of which Mr. Sang Kangqiao has agreed to make available to the Company from time to time an unsecured loan facility amounting to HK$300,000,000 with an interest rate of 4.5% per annum. As at 31 December 2017, loans due to a shareholder, totaled to HK$150,690,000, was drawn down for providing short term liquidity to finance the potential acquisition of 51% of the entire issued share capital of BYL Property Holdings Group Limited. Subsequent to the balance sheet date, the loans from a shareholder of HK$142,920,000 were repaid to minimise the interest expenses incurred by the Group. Mr. Sang Kangqiao also confirmed that he will not demand for repayment of the remaining outstanding balances as at 31 December 2017 for a period of twelve months from the date of this announcement.

(ii) U Banquet Group Limited, a subsidiary of the Company, also entered into a loan facility agreement with a director of certain subsidiaries pursuant to which the director has agreed to make available to the Company from time to time an unsecured loan facility amounting to HK$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years from 9 May 2017. As at 31 December 2017, a total of HK$45,000,000 was drawn down for general working capital purpose.

    Subsequent to the balance sheet date, with the completion of the disposal of the industrial properties and residential properties classified under non-current assets held for sale, the Group repaid HK$20,000,000 loans due to a director of certain subsidiaries. The director has confirmed that he will not demand for repayment of the remaining outstanding balances for a period of twelve months from the date of this announcement.

(iii) On 15 March 2018, the Company entered into an agreement for the placing of up to an aggregate of 180,000,000 new ordinary shares of the Company to not less than six placees at a price of HK$1.8 per share, subject to the conditions precedent set out in the agreement.

On the same date, the Company entered into a subscription agreement with CASIC Investment Fund Management (Beijing) Limited Company (the "Subscriber") in which the Subscriber has conditionally agreed to subscribe for (or procure the subscription by its nominee(s)) and the Company has conditionally agreed to allot and issue an aggregate of another 180,000,000 new ordinary shares of the Company at a price of HK$1.8 per share.

Upon the fulfillment of the conditions precedent and completion of the above share placement and share subscription, the Company expects to receive a net proceeds of approximately HK$643,300,000.

(iv) As at 31 December 2017, the Group had total banking facilities of approximately HK$29,000,000, of which approximately HK$11,086,000 was utilised for issuance of letters of guarantee in favour of landlords for rental and utility deposits. The Group's banking facilities are subject to annual review for renewal, and the upcoming renewal date is in April 2018. Management is in negotiation with the bank for renewal of the Group's banking facilities. The directors of the Company are of the opinion that such banking facilities will be renewed upon expiry and continue to be available to the Group for the next twelve months from the date of this announcement.

(v) Implementing measures to improve profitability/cash flows and cost containment measures to reduce capital and operational expenditures.

(b) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of deferred tax assets for unrealised losses – Amendments to HKAS 12
- Disclosure initiative – amendments to HKAS 7
- Disclosure of interests in other entities – amendments to HKFRS 12

Except for the amendments to HKAS 7 which results additional disclosure of changes in liabilities arising from financing activities, the adoption of the above amendments to standards did not have material impact on the consolidated financial statements or result in any significant changes to the Group's significant accounting policies.

(c) ***New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group***

		Effective for annual periods beginning on or after
HKFRS 1 (Amendments)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance Contracts	1 January 2018 or when the entity first applies HKFRS 9
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations have been published that are not mandatory for the annual reporting periods commencing 1 January 2017 and have not been early adopted by the Group. The Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *HKFRS 9 Financial Instruments*

Nature of change

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value on equity instruments in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. The new model applies to debt instruments measured at FVOCI, financial assets classified at amortised cost, contract assets under HKFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The HKFRS 9 ECL model contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Impact

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have any debt instruments that would be classified as available-for-sale financial assets or held-to-maturity under HKAS 39. There are no material difference in measurements and classification for equity investment measured at fair value through profit or loss.

The Group also does not expect there will be any significant impact on the Group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities.

For the new impairment model requires the recognition of impairment provisions based on ECL model, based on the assessments undertaken by the Group to date, the implementation is not expected to result in any significant impact on the Group's consolidated financial position and results of operations except that it may result in an earlier recognition of credit losses.

Date of adoption by Group

The new standard are mandatory for adoption for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

HKFRS 15 "Revenue from Contracts with Customers" – This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied.

The core principle is that the entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Impact

The Group is principally engaged in the operation of Chinese restaurant and wedding business, property leasing business and securities trading business. Management has assessed the effects of applying the new standard on the Group's consolidated financial statements. Based on the assessments undertaken to date, the implementation of HKFRS 15 is not expected to result in any significant impact on the Group's financial position and results of operations as the Group does not introduce any customer loyalty programme or sales of any bundle of goods or services which are likely to be affected by the new HKFRS 15.

Date of adoption by group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside the statements of financial position. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the consolidated statement of financial position. In profit or loss, rental expenses will be replaced with depreciation and interest expense and the classification of cash flows in the cash flow statements may also be affected.

Impact

The Group is a lessee of certain land and buildings for its Chinese restaurant and wedding business operation and office which are currently classified as operating leases. The Group's current accounting for such leases is to record the rental expenses in the Group's consolidated statement of comprehensive income in the year they are incurred with the related operating lease commitments being separately disclosed.

The adoption of HKFRS 16 will therefore result in derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the Group's consolidated balance sheet. In the Group's consolidated statement of comprehensive income, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the financial liabilities will increase.

As at the announcement date, the Group has non-cancellable operating lease commitments of HK$128,881,000. However, the Group has not yet determined to what extent of these commitment will result in the recognition of assets and liabilities for future payments and the impact on Group's profit and classification in cash flows.

For the leases which the Group is the lessor, the adoption of HKFRS 16 is not expected to result in any significant changes in its recognition and measurements.

Date of adoption by group

Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

The CODM has been identified as the Chief Executive Officer ("CEO") and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

In previous years, the Group was principally engaged in the operation of a chain of Chinese restaurants, provision of wedding services, distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meats and franchising the use of "U Banquet" to a Chinese restaurant. Since the operation of a chain of Chinese restaurants attributed to majority of the Group's revenue, results and assets, the CODM considered that all the business was included in a single operating segment.

Following a change in the Group's operating and reporting structure, starting from the year ended 31 December 2017, the Group has 3 reportable and operating segments (i) Chinese restaurant and wedding business, (ii) property leasing business, and (iii) securities trading business. Property leasing and securities trading business are new business segments identified during the year.

Certain comparative figures has been reclassified to conform with current year's presentation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Chinese restaurant and wedding business		**Property leasing business**		**Securities trading business**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
External revenue	**365,374**	363,215	**3,269**	591	**189**	–	**368,832**	363,806
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**2,206**	–	**2,206**	–
Segment (loss)/profit	**(37,351)**	(34,275)	**2,950**	734	**2,405**	–	**(31,996)**	(33,541)
Finance income							**615**	349
Finance costs							**(2,178)**	(1,325)
Unallocated corporate expenses							**(21,748)**	(17,342)
Loss before tax							**(55,307)**	(51,859)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/loss incurred by each segment without allocation of central administration costs, depreciation of certain plant and equipment, directors' emoluments, finance income, finance cost and exchange gain/loss. This is the measure reported to the CODM for purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Chinese restaurant and wedding business		**Property leasing business**		**Securities trading business**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**78,055**	101,902	**130,856**	24,467	**3,654**	–	**212,565**	126,369
Cash and cash equivalents							**196,335**	298,604
Current income tax recoverable							**571**	800
Deferred income tax assets							**5,345**	6,632
Non-current assets held for sale							**32,182**	–
Other unallocated corporate assets							**4,906**	7,836
Total assets							**451,904**	440,241
Segment liabilities	**87,008**	73,541	**3,616**	89	**–**	–	**90,624**	73,630
Borrowings							**45,000**	46,519
Deferred income tax liabilities							**24,769**	2,660
Amount due to a related company							**3,621**	–
Amount due to a director							**1,100**	1,100
Loans from a shareholder							**150,690**	280,387
Current income tax liabilities							**804**	522
Other unallocated liabilities							**4,335**	2,737
Total liabilities							**320,943**	407,555

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, cash and cash equivalents, certain deposits and prepayment, and other receivables, current income tax recoverable and deferred income tax assets.

- all liabilities are allocated to operating segments other than certain deposit and accruals and other payables, amount due to a related company, current income tax liabilities, deferred income tax liabilities, borrowings and loans from a shareholder.

Other segment information

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Chinese restaurant and wedding business		Property leasing business		Securities trading business		Other unallocated segment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation of property, plant and equipment	**23,669**	16,414	**16**	–	**–**	–	**215**	–	**23,900**	16,414
Impairment loss of property, plant and equipment	**(9,369)**	–	**–**	–	**–**	–	**–**	–	**(9,369)**	–
Fair value changes of investments properties	**–**	–	**1,094**	400	**–**	–	**–**	–	**1,094**	400
Additions of non-current assets	**26,847**	25,692	**–**	–	**–**	–	**953**	–	**27,800**	25,692
Transfer assets to non-current assets held for sale	**(7,883)**	–	**(24,299)**	–	**–**	–	**–**	–	**(32,182)**	–
Acquisition of subsidiaries	**–**	–	**103,808**	–	**–**	–	**–**	–	**103,808**	–

Geographical Information

The Group's operations are located in Hong Kong and Mainland China. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**366,319**	**363,806**	**60,706**	105,493
Mainland China	**2,513**	**–**	**130,835**	–
Total	**368,832**	**363,806**	**191,541**	105,493

The Group had no inter-segment sales for the year ended 31 December 2016 and 2017.

For the year ended 31 December 2017, there are no single external customers contributed to more than 10% of revenue of the Group (2016: Same)

4 REVENUE

An analysis of revenue, which is also the Group's turnover, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurants operations	**362,538**	355,020
Revenue from provision of wedding services	**1,636**	1,785
Revenue from distribution of goods	**671**	3,987
Franchise income	**529**	2,423
	365,374	363,215
Property leasing business:		
Rental income	**3,269**	591
Securities trading business:		
Dividend income	**189**	–
Total revenue	**368,832**	363,806

5 OTHER EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**1,246**	1,200
– Non-audit services	**1,150**	400
Advertising and promotions	**10,862**	12,727
Cleaning and laundry expenses	**8,322**	6,599
Credit card charges	**4,339**	3,685
Kitchen consumables	**1,188**	1,243
Repairs and maintenance	**4,474**	4,210
Entertainment	**1,861**	3,279
Consumable stores	**3,149**	2,781
Insurance	**1,987**	1,715
Legal and professional fee	**4,877**	7,191
Printing and stationery	**1,648**	1,201
Staff messing	**1,711**	2,002
Service fee to temporary workers	**17,570**	13,166
Consultancy service fee	**3,790**	3,790
Wedding banquet expenses	**588**	1,153
Transportation	**1,325**	1,066
Share-based payment expenses granted to consultants	**3,043**	–
Others	**4,420**	5,804
	77,550	73,212

6 FINANCE COSTS – NET

	2017 *HK$'000*	2016 *HK$'000*
Finance income		
– Interest income on short-term bank deposits	**121**	8
– Interest income arising from discount of non-current rental deposits	**494**	341
	615	349
Finance costs		
– Interest expense on bank borrowings	**(505)**	(980)
– Interest expense on other borrowings	**(1,309)**	–
– Interest expense on finance lease liabilities	**(12)**	(24)
– Interest expense on loans from a shareholder	**(233)**	(209)
– Unwinding of discount of provision for reinstatement costs	**(119)**	(112)
	(2,178)	(1,325)
Finance costs – net	**(1,563)**	(976)

7 INCOME TAX EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
Current income tax		
Hong Kong profit tax	**135**	996
PRC enterprise income tax	**109**	–
Deferred income tax		
Origination and reversal of temporary differences	**635**	991
Income tax expense	**879**	1,987

8 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 year.

	2017	2016
Loss attributable to owners of the Company *(HK$'000)*	**(56,186)**	(53,846)
Weighted average number of ordinary shares in issue *(thousands)*	**528,190**	440,570
Basic loss per share *(HK$)*	**(11 cents)**	(12 cents)

(b) Diluted

The Company has two categories of dilutive potential ordinary shares: (i) contingent returnable shares and (ii) share options issued under the Share Options Scheme. For the year ended 31 December 2017 and 2016, the potential ordinary shares arising from the conversion of 24,430,000 (2016: 24,430,000) contingent returnable shares and 11,600,000 share options granted under the Share Option Scheme (2016: Nil) had an anti-dilutive effect on the basic loss per share, hence no diluted earnings per share was presented.

9 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2017 (2016: Nil).

10 TRADE RECEIVABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**1,955**	1,469
31 to 60 days	**–**	372
61 to 90 days	**–**	152
Over 90 days	**–**	–
	1,955	1,993

The Group's revenue from its Chinese restaurants operations is mainly conducted in cash or by credit cards. The credit periods granted by the Group to its customers in wedding related business and distribution of goods, a franchisee and its tenants range from 0 to 90 days. As at 31 December 2017, trade receivables that were not past due nor impaired amounted to approximately HK$1,955,000 (2016: HK$1,993,000). These balances relate to customers for whom there was no recent history of default.

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

The carrying amounts of trade receivables approximate their fair values and are denominated in HK$ except for HK$140,000 which are denominated in RMB. The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Share premium *HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 31 December 2016 and 31 December 2017	10,000,000,000	100,000	–
Issued and fully paid:			
At 1 January 2016, 31 December 2016 and 1 January 2017	465,000,000	4,650	90,326
Issue of ordinary shares by placing *(Note)*	93,000,000	930	145,794
At 31 December 2017	558,000,000	5,580	236,120

Note:

On 4 January 2017, the Company entered into an agreement for the placing of up to an aggregate of 93,000,000 new ordinary shares to not less than six placees at a price of HK$1.61 per share.

On 23 January 2017, the conditions set out in the placing agreement was fulfilled and the placing were completed on the same date, in which 93,000,000 shares were placed to not less than six placees at HK$1.61 per share. The net proceeds of HK$146,724,000 (after deduction of the placing commission and other expenses from the gross proceeds of HK$149,730,000) were raised from the placing and credited to the share capital and share premium account of the Company. For the use of proceeds, please refer to the Company's announcement dated 28 February 2017.

12 TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 to 30 days	**10,338**	8,507
31 to 60 days	**6,314**	5,110
61 to 90 days	**898**	27
Over 90 days	**–**	1
	17,550	13,645

The carrying amounts of trade payables approximate their fair values and are denominated in HK$.

13 BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Non-current		
Finance lease liabilities	**–**	207
Current		
Bank borrowings – secured	**–**	46,124
Finance lease liabilities	**–**	188
Other borrowings – unsecured *(Note)*	**45,000**	–
	45,000	46,312
Total borrowings	**45,000**	46,519

Note:

On 9 May 2017, U Banquet Group Limited, a subsidiary of the Company, entered into a loan facility agreement with a director of certain subsidiaries of which the director has agreed to make available to the Group from time to time an unsecured loan facility amounting to HK$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years from 9 May 2017. As at 31 December 2017, a total of HK$45,000,000 was the carrying amount of this loan drawn down approximates its fair value, is denominated in HK$ and repayable on demand.

Subsequent to the balance sheet date, the Group has repaid HK$20,000,000 of this loan. This director had confirmed his intention not to demand for repayment of the remaining outstanding balance of HK$25,000,000 for coming twelve months from the date of this announcement.

14 LOANS FROM A SHAREHOLDER

	2017	2016
	HK$'000	*HK$'000*
Loans from a shareholder	**150,690**	280,387

On 1 November 2016, the Company and Mr. Sang Kangqiao, 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 from 1 November 2016. As at 31 December 2017, a total of HK$150,690,000 (2016: HK$280,387,000) were drawn down. The carrying amounts of loans from a shareholder approximate their fair values, are denominated in HK$ and repayable on demand.

Subsequent to the balance sheet date, the Group has repaid HK$142,920,000 of this loan. This shareholder, Mr. Sang Kangqiao had confirmed his intention not to demand for repayment of the remaining outstanding balance for coming twelve months from the date of this announcement.

15 PROPERTY, PLANT AND EQUIPMENT

Due to the continuing unsatisfactory performance of certain restaurants, management has recognised an impairment loss of HK$9,369,000 for certain property, plant and equipment during the year ended 31 December 2017, which is estimated based on the recoverable amount of each individual restaurant cash generating unit. The recoverable amount of the restaurant cash generating unit is determined based on the value-in-use calculation using cash flow projections based on financial budgets covering a period of the remaining lease term.

16 INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**24,400**	24,000
Acquisition of subsidiaries	**103,698**	–
Fair value gain	**1,094**	400
Transfer to assets classified as held for sale	**(24,299)**	–
Exchange difference	**3,972**	–
At 31 December	**108,865**	24,400

17 BUSINESS COMBINATION

On 16 June 2017, the Group has entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to purchase and the vendor, a third party, conditionally agreed to sell the entire issued share capital of New Fortune Holdings Group Limited ("New Fortune") and its subsidiaries (collectively as "New Fortune Group"), together with the loans from the then shareholder, at a total consideration of RMB76,500,000 (equivalent to HK$87,800,000).

On 30 June 2017, upon the fulfillment of the conditions precedent set out in the sales and purchase agreement, the Group has completed the above acquisition. As a result of the acquisition, the Group held a commercial property located in Xicheng District of Beijing, Mainland China, with a total gross floor area of approximately 2,389.9 square meters. The commercial property comprised a whole office floor and twenty-four basement car parking spaces. The Directors consider the acquisition will be able to generate a stable and constant stream of rental income to the Group's new business segment – Property leasing business.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	2017
	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**110**
Investment properties	**103,698**
Cash and cash equivalents	**4,728**
Deposits received	**(4,462)**
Accruals, provision and other payables	**(1,255)**
Amounts due to related companies	**(14,117)**
Loan from the then shareholder	**(12,851)**
Current income tax liabilities	**(20)**
Deferred tax liabilities	**(21,802)**
Total identifiable net assets	**54,029**
Purchase consideration	**87,800**
Less: Loan from the then shareholder	**(12,851)**
Goodwill	**20,920**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in operation of full-services Chinese restaurants including the provision of dining and wedding banquet services, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat. The Group also has franchised the use of "U Banquet" to a Chinese restaurant in Hong Kong.

Following a change in the Group's operating and reporting structure, starting from the year ended 31 December 2017, the Group has three reportable and operating segments (i) Chinese restaurant and wedding business, (ii) property leasing business, and (iii) securities trading business. Property leasing and securities trading business are new business segments identified during the year.

Restaurants Operation

For the financial year ended 31 December 2017, the Group operated a total of 11 restaurants ((i) We have changed the restaurants names from "U Banquet (Wong Tai Sin)" and "Hot Pot Cuisine" to U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin) since March 2017; (ii) U Banquet (North Point) was split into two different style restaurants and was renamed to U • Kitchen (North Point) and U • Pot (North Point) at late July 2017; and (iii) U Banquet (Kwun Tong) was changed to U Banquet • The StarView (Kwun Tong) in mid September 2017), seven of which were under "U Banquet（譽宴）" brand (including "U Banquet • The StarView（譽宴•星海）"), two were under "U • Kitchen（譽廚）" brand and two were 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 year, 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". The Company decided not to renew the shop's tenancy agreement upon expiry and ceased the wedding service business on 31 December 2017.

Distribution of Goods

Our distribution of goods business consists of sourcing fresh vegetables, fruits, seafood and frozen meat to mainly local restaurants and other food ingredient suppliers. During the year, we mainly distribute the goods to Group's restaurants which aim to minimise the cost of materials consumed.

Franchise of Restaurants Operation

During the year, 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 franchisees 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 two years ended 31 December 2017:

	2017	2016
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurants operations	**362,538**	355,020
Revenue from provision of wedding services	**1,636**	1,785
Revenue from distribution of goods	**671**	3,987
Franchise income	**529**	2,423
	365,374	363,215
Property leasing business:		
Rental income	**3,269**	591
Securities trading business:		
Dividend income	**189**	–
Total revenue	**368,832**	363,806

Chinese restaurant and wedding business accounted for over 99.1% of total revenue during the year (2016: 99.8%).

Revenue of the Chinese restaurant and wedding business increased by approximately 0.6% from approximately HK$363.2 million in 2016 to approximately HK$365.4 million in 2017. It is mainly due to the increase in the revenue from the Chinese restaurant operation as a result of the full year revenue contribution from U Banquet • The StarView (The One). Revenue from provision of wedding services remain stable in 2017. The franchise income dropped significantly by approximately 78.2% from approximately HK$2.4 million to approximately HK$0.5 million as the franchisee did not renew the franchise agreement after its expiry on 9 July 2017.

As the franchisee is our major customer in distribution of goods business, as a result, the revenue from distribution of goods dropped significantly as well, by approximately 83.2% from approximately HK$4.0 million to approximately HK$0.7 million.

Rental revenue increased by approximately 453.1% from approximately HK$0.6 million to approximately HK$3.3 million, as a result of the acquisition of an office property located in Beijing on 30 June 2017.

Operating Performance by Restaurant

The table below sets forth the seat turnover rate, average spending per customer and average daily revenue generated by each of the Group's restaurants for the two years ended 31 December 2017:

	Year ended 31 December		**Year ended 31 December**				**Year ended 31 December**	
	2017	2016	**2017**		2016		**2017**	2016
	Seat turnover rate *(Note 1)*		**Average spending per customer**				**Average daily revenue**	
			Dining customer	**Wedding banquet customer**	Dining customer	Wedding banquet customer		
	Times	*Times*	***HK$***	***HK$***	*HK$*	*HK$*	***HK$***	*HK$*
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	**3.01**	2.92	**98**	**609**	102	611	**195,768**	201,820
U Banquet (Tsim Sha Tsui)	**3.12**	3.61	**89**	**607**	90	610	**68,612**	84,537
U Banquet (Kwun Tong)/ U Banquet • The StarView (Kwun Tong) *(Note 4)*	**3.87**	4.08	**100**	**613**	98	605	**104,772**	126,086
U Banquet (Causeway Bay)	**2.25**	2.42	**104**	**646**	104	608	**108,995**	122,243
U Banquet (North Point)/ U • Kitchen (North Point) and U • Pot (North Point) *(Note 3)*	**2.45**	2.67	**92**	**653**	85	582	**123,524**	125,152
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant/ U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin) *(Notes 2)*	**3.02**	3.44	**84**	**612**	74	583	**169,873**	181,907
U Banquet (Sino Plaza)	**2.96**	3.29	**122**	**646**	112	607	**85,572**	95,176
U Banquet • The StarView (The One)	**1.02**	0.82	**312**	**812**	342	792	**136,139**	99,234

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 year.

2. We have changed the restaurants names from "U Banquet (Wong Tai Sin)" and "Hot Pot Cuisine" to U-Kitchen (Wong Tai Sin) and U-Pot since March 2017, the restaurants are mainly focus on dining business.

3. U Banquet (North Point) was renamed to U-Kitchen (North Point) and U-Pot (North Point) in late July 2017, the restaurants are mainly focus on dining business.

4. U Banquet (Kwun Tong) was changed to U Banquet • The StarView (Kwun Tong) on Mid-September 2017, the restaurants are mainly focus on wedding banquet business.

Analysis of Chinese restaurants operations for the Two Years Ended 31 December 2017

The average spending per customer for wedding banquets of all of the Group's comparable restaurants increased from approximately HK$608 in 2016 to approximately HK$622 in 2017, representing an increase of 2.3% while the average spending per customer for dining increased from approximately HK$90 in 2016 to approximately HK$95 in 2017, representing an increase of approximately 5.6%. Revenue from all Chinese restaurant operations increased by approximately 2.1% from approximately HK$355.0 million for the year ended 31 December 2016 to approximately HK$362.5 million for the year ended 31 December 2017. It was mainly due to the full year revenue contribution from U Banquet • The StarView (The One), totaling to approximately HK$49.7 million, while there was only three months of operation for the year ended 2016 and, therefore, only contribute HK$12.1 million revenue. As a result, the revenue generated from wedding banquet increased by approximately HK$10.0 million from approximately HK$78.3 million for the year ended 31 December 2016 to approximately HK$88.3 million for the year ended 31 December 2017, representing an increase of approximately 12.7%. Save for the contribution from U Banquet • The StarView (The One), the revenue from all other Chinese restaurants decreased by HK$30.1 million from HK$342.9 million for the year ended 31 December 2016 to approximately HK$312.8 million for the year ended 31 December 2017, representing a decrease approximately 8.8%. It was mainly due to the decrease in number of wedding banquet held for comparable restaurants as well as the decrease in the number of diners for the provision of dining services despite the increase of average spending per customer for wedding banquet and dining.

Save for the U Banquet (Mong Kok) (1) & (2) and U Banquet • The StarView (The One), the seat turnover rate of all other restaurants decreased for the year ended 31 December 2017 as compared to that in 2016 as the total number of wedding banquet customers and dining customers has declined for all restaurants. The Directors believed that the decrease in the seat turnover rate was a result of a) the decrease of customers and revenue during the decoration period of restaurants located in Wong Tai Sin, North Point and Kwun Tong during 2017; and b) Hong Kong's retail industry in 2017 keep depression.

The seat turnover rate of U Banquet • The StarView (The One) was comparatively lower than other restaurants while the average spending per customer for both wedding banquet and dining were higher than other restaurants. The wedding banquet revenue from U Banquet-The StarView (The One) contributes to 64.4% of the total revenue of the shop, whilst the average wedding banquet revenue generation ratio is approximately 18.0% for the rest of the restaurants in 2017. The Directors believed that U Banquet • The StarView (The One) located in the prime area of Tsim Sha Tsui with artistic and sophisticated decorations including a balcony viewing full glory of Victoria Harbour, attracts more potential wedding banquet customers.

Cost of Revenue

The cost of revenue is mainly comprised of cost of materials consumed, cost of distribution of goods, cost of provision of wedding services and cost of property leasing. Cost of revenue for the year ended 31 December 2017 amounted to approximately HK$98,854,000 (2016: HK$89,769,000), representing an increase of approximately 10.1% as compared to last year. The increase in cost of revenue was larger than the increase of revenue for the year 2017. During the year, two restaurants, named U • Pot (Wong Tai Sin) and U • Pot (North Point) became buffet style restaurants which the cost of materials consumed increased. The cost of materials consumed approximately 26.9% of the Group's revenue from Chinese restaurants operations for the year 2017 while only 24.4% for the year 2016.

Employee Benefits Expenses

The Group had 480 employees as at 31 December 2017 (31 December 2016: 514).

Employee benefits expenses for the year ended 31 December 2017 amounted to approximately HK$106,056,000 (2016: HK$110,948,000), representing a decrease of approximately 4.4% compared to last year. The Group would regularly review the work allocation of the staff to improve and maintain a high standard of service.

Operating Lease Payments

Operating lease payments for the year ended 31 December 2017 amounted to approximately HK$79,389,000, representing an increase of approximately 6.4% as compared to last year. The increase was mainly due to the opening of U Banquet • The StarView (The One) in September 2016, which have a full year impact in 2017 operating lease payments.

Utilities Expenses

In order to save energy, during the year, we had replaced certain kitchen equipment in our restaurants which we can conserving energy and using it more efficiently. As a result, utilities expenses for the year ended 31 December 2017 amounted to approximately HK$32,415,000 representing a decrease of approximately 2.8% as compared to last year.

Impairment of Property, Plant and Equipment

Having considered the consistently, unfavourable sales performance of the two Chinese restaurants, the management of the Group has consequently determined to fully impaired the property, plant and equipment pertaining to these two Chinese restaurants business amounting to approximately HK$9,369,000 for the year ended 31 December 2017 (2016: NIL).

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, legal and professional, etc. For the year ended 31 December 2017, other expenses amounted to approximately HK$77,550,000, representing an increase of approximately 5.9% as compared to last year. The increase mainly arise from the share-based payment expenses granted to consultants approximately 3.0 million for the year 2017 while no such expenses incurred in the year 2016.

Loss Before Tax and Loss Attributable to Owners of the Company

During the year under review, the performance of restaurant operation for dining services did not reach the expectation from the Group's management.

It is primarily due to depression in Hong Kong's retail industry in 2017 and the loss of revenue during the decoration period of U Banquet (Mong Kok) (1) and (2) and U Banquet (Wong Tai Sin) in the first half of 2017 and the decoration period of U Banquet • The StarView (Kwun Tong) in the second half of 2017. As a result, even though aggregated with the revenue of U Banquet • The StarView (The One) opened in September 2016, the revenue generated from Chinese restaurant and wedding business only slightly increased from approximately HK$355,020,000 in 2016 to approximately HK$362,538,000 for 2017.

With an increase in the cost of revenue and operating cost which includes operating lease payment, other expenses and the impairment loss of the property, plant and equipment, the Group incurred a loss before tax and a loss attributable to owners of the Company for the year ended 31 December 2017 of approximately HK$55,307,000 and HK$56,186,000 respectively, while the loss before tax and loss attributable to owners of the Company amounted to approximately HK$51,859,000 and HK$53,846,000 in last year.

Liquidity, Financial Resources and Capital Resources

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 year ended 31 December 2017, was to lower the gearing ratio to an acceptable level.

Cash Position and Pledged Bank Deposit

As at 31 December 2017, the Group's cash and cash equivalents were approximately HK$196,335,000, representing an decrease of 34.2% as compared to approximately HK$298,604,000 as at 31 December 2016. The Group's controlling shareholder and director, Mr. Sang has granted an unsecured loan facility up to HK$300 million with an interest rate of 4.5% per annum for a term of two years up to 1 November 2018. The Company intends to use the loan facility to meet the Group's day-to-day operational expenses and working capital needs and for investment opportunities which may arise from time to time in the future. As at 31 December 2017, the Group owed to Mr. Sang an amount of approximately HK$150,690,000 and most of the funding was deposited in the bank. Subsequent to the balance sheet date up to 22 January 2018, the Group had repaid HK$142,920,000 to Mr. Sang. Mr. Sang had confirmed his intention not to demand for repayment of the remaining outstanding balances as at 31 December 2017 for the coming twelve months from the date of this announcement.

There were no pledged bank deposits as at 31 December 2017 (2016: Nil).

Borrowing

On 9 May 2017, the Group entered into a loan facility agreement with a director of certain subsidiaries of which the director has agreed to make available to the Group from time to time an unsecured loan facility amounting to HK$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years. As at 31 December 2017, a total of HK$45,000,000 of this loan was drawn down.

Subsequent to the balance sheet date, the Group has repaid HK$20,000,000 of this loan. This director had confirmed his intention not to demand for repayment of the remaining outstanding balance of HK$25,000,000 for coming twelve months from the date of this announcement.

Trade Receivables

As at 31 December 2017, the Group's trade receivables were approximately HK$1,955,000, representing a decrease of approximately 1.9% as compared to the last year. The trade receivables mainly comprised of trade receivable from the Chinese restaurants operation. The trade receivables remained stable for two year ended 31 December 2017.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) plus loans from a shareholder less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. As at 31 December 2017, the Group was in a net cash position, hence, no gearing ratio is disclosed. As at 31 December 2016, the Group's gearing ratio was 46.4%.

Dividends

The Directors do not recommend payment of final dividend in respect of the year ended 31 December 2017 (2016: Nil).

Significant Investments Held, Material Acquisitions 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.

* *For identification purpose only*

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.

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 year, 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 RMB76,500,000 (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.

* *For identification purpose only*

Acquisition of financial assets at fair value through profit and loss

As at 31 December 2017, the Group has financial assets at fair value through profit and loss amounting to approximately HK$3,447,000 (As at 31 December 2016: Nil). All of them are listed equity shares in Hong Kong.

During the year, the Group recorded realised gain on disposal of financial assets at fair value through profit and loss, fair value gain of financial assets at fair value through profit and loss and dividend income from financial assets at fair value through profit and loss in the amount of HK$2,206,000, HK$108,000 and HK$189,000 respectively (year ended 31 December 2016: Nil, Nil and Nil).

Potential future investment

On 20 April 2017, the Company entered into a memorandum of understanding agreement with Dr. Feng Xiangdong*（奉向東博士）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.

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities during the year ended 31 December 2017:

Date of announcement	**Fund raising activity**	**Net proceeds raised** (approximately)	**Proposed use of the net proceeds** (approximately)	**Actual use of the net proceeds** (approximately)
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.

* *For identification purpose only*

Save as disclosed above and the Company's announcement dated 15 March 2018, the Company has not conducted any other equity fund raising activities for the year ended 31 December 2017 and the period immediately prior to the date of this announcement.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities.

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 year. As at 31 December 2017, no Option was lapsed and there were 11,600,000 Options outstanding under the Share Option Scheme.

Event After the Reporting Period

(i) Saved for disclosure in potential future investment before, subsequent to the balance sheet date, on 20 January 2018, the Company, Ge Feng and Dr. Feng entered into a second supplemental agreement to the MOU pursuant to which the parties agreed to, among others, further extend the exclusivity period for further six-month in order to allow additional time for the negotiation process. Upon the execution of the second supplemental agreement to the MOU, the exclusivity period shall expired on fifteen-month period from the date of the MOU.

(ii) On 15 January 2018 and 1 February 2018, the Group has completed the transactions for sales of industrial properties and residential properties classified under non-current assets held for sale as at 31 December 2017 and received a net proceeds of HK$32,182,000.

(iii) On 9 February 2018, a wholly owned subsidiary of the Company (the "Purchaser") and Mr. Wan Zhong (the "Vendor") entered into a sales and purchase agreement in which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, 51% of the entire issued share capital of BYL Property Holdings Group Limited, a company incorporated in the British Virgin Islands and wholly owned by the Vendor ("BYL"), at aggregate consideration of RMB132,600,000 (subject to adjustments) (equivalent to approximately HK$159,120,000). BYL and its subsidiaries (collectively as "BYL Target Group") is principally engaged in the environmental maintenance business in Mainland China. As at the date of this announcement, the conditions precedent of the sales and purchase agreement have yet been fulfilled, thus the transaction has yet been completed.

(iv) Subsequent to the balance sheet date, shareholder loans amounting to HK$142,920,000 were repaid to minimise the interest expenses incurred by the Group.

(v) On 15 March 2018, the Company entered into an agreement for the placing of up to an aggregate of 180,000,000 new ordinary shares of the Company to not less than six placees at a price of HK$1.8 per share, subjected to the conditions precedent set out in the agreement (the "Share Placing").

On the same date of Share Placing, the Company entered into a subscription agreement with CASIC Investment Fund Management (Beijing) Limited Company (the "Subscriber") in which the Subscriber has conditionally agreed to subscribe for (or procure the subscription by its nominee(s)) and the Company has conditionally agreed to allot and issue an aggregate of another 180,000,000 new ordinary shares of the Company at a price of HK$1.8 per share. (the "Subscription").

Upon the fulfillment of the conditions precedent and completion of the Subscription, the Company expects to receive a net proceeds of approximately HK$643,300,000.

The net proceeds from the Share Placing and Subscription are expected by the Company to (i) finance the acquisition of BYL Target Group as mentioned in (ii) above; (ii) the potential capital injection into Ge Feng Target Group as mentioned in note (iii) above, subjected to further negotiation and contemplating of the possible structure, terms and conditions of the cooperation by the parties; (iii) other potential business opportunities and future investments of the Group; and (iv) general working capital.

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 will continue to deploy different marketing strategies, adding creative features to the existing and new restaurants, meanwhile, implementing effective cost control measures and minimising the operating costs on rental, raw materials and labour accordingly.

Looking forward, the Group will continue to utilise its available resources to engage in its current business. The Group will continue 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.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2017. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2017, which will be sent to the shareholders in due course.

MODEL CODE FOR 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 year ended 31 December 2017.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the company during the year.

AUDIT COMMITTEE REVIEW

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") which comprises three Independent Non-Executive directors. Mr. Lam Ka Tak is the chairman of the Audit Committee. The annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

COMPETING BUSINESS

During the year and up to the date of this announcement, 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the year.

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

Hong Kong, 27 March 2018

As at the date of this Announcement, the executive Directors are Mr. Sang Kangqiao, Mr. Cui Peng and Mr. Xu Wenze; the independent non-executive Directors are Mr. Lam Ka Tak, Mr. Xu Zhihao and Ms. Liu Yan.