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If you have sold or transferred all your shares in U Banquet Group Holding Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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)

(I) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENVIRONMENTAL MAINTENANCE BUSINESS AND (II) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND (III) NOTICE OF EGM

Financial adviser to the Company

FFG 方達金融集團 FRONTIER FINANCIAL GROUP

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 46 of this circular.

A notice convening the EGM to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 16 July 2018, at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or adjourned meeting thereof should you so wish.

15 June 2018

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the proposed purchase of the 51% of the entire issued share capital of BYL Property Holdings Group Limited (寶潤來置業控股集團有限公司) as contemplated under the Stock Purchase Agreement
"Acquisition Announcement"	the announcement of the Company dated 9 February 2018 in relation to the Acquisition
"Acquisition Completion"	completion of the Stock Purchase Agreement
"Acquisition Long Stop Date"	the date falling six months after the date of execution of the Stock Purchase Agreement or such later date as the parties to the Stock Purchase Agreement may agree in writing
"Acquisition Supplemental Agreements"	the First Acquisition Supplemental Agreement and the Second Acquisition Supplemental Agreement
"Acquisition Supplemental Announcements"	the announcements of the Company dated 29 May 2018 and 12 June 2018 respectively in relation to, among others, the Acquisition Supplemental Agreements (as the case may be) and the Acquisition
"Aggregate Consideration"	the aggregate consideration of RMB132,600,000 for the acquisition of the Sale Shares pursuant to the Stock Purchase Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bloomberg"	Bloomberg L.P.
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
"BVI"	the British Virgin Islands

"BYL HK"	BYL Property Holdings Limited (寶潤來置業控股有限公司), a company incorporated in Hong Kong with limited liability, which is wholly owned by the Target Company
"CAGR"	compound annual growth rate
"CASIC"	China Aerospace Science and Industry Corporation* (中國航天科工集團公司), a company incorporated in the PRC. The Subscriber is a platform under CASIC for fund management and investment
"Company"	U Banquet Group Holding Limited, a limited liability company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1483)
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	extraordinary general meeting of the Shareholders to be convened by the Company for the purpose of considering, and if thought fit approving the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements), the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) and the respective transactions contemplated thereunder and the grant of the Specific Mandate
"Enlarged Group"	the Group as enlarged by the Target Group upon completion of the Acquisition
"First Acquisition Supplemental Agreement"	the supplemental agreement dated 29 May 2018 entered into between the Purchaser and the Vendor to amend certain terms of the Stock Purchase Agreement in respect of the Acquisition
"Group"	collectively, the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
"Latest Practicable Date"	12 June 2018, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ms. Cai"	Ms. Cai Tao (蔡濤) who is the Vendor's wife
"PRC"	the People's Republic of China which, for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Property Charge"	a legal charge to be executed and given by the Vendor and Ms. Cai in favour of Shenzhen Huashu pursuant to the terms of the Stock Purchase Agreement over the properties situated at No.1, 3rd Floor, No. 2, 2nd Floor & No. 3, 3rd Floor of Block 3, 18 Caotong East Road, Qingyang District, Chengdu (成都市青羊區草堂東路18號3棟3樓1號、2樓2號、3樓3號)
"Purchaser"	Wild South Limited, a company incorporated under the laws of BVI with limited liability, which is a wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	51% of the entire issued share capital of the Target Company as at the date of the Stock Purchase Agreement and the Acquisition Completion

"Sanchuang Environmental"	Chengdu Sanchuang Cityscape Environmental Management Company Limited*（成都三創市容環境管理有限責任公司）, a company incorporated in the PRC with limited liability
"Second Acquisition Supplemental Agreement"	the supplemental agreement dated 12 June 2018 entered into between the Purchaser and the Vendor to amend certain terms of the Stock Purchase Agreement in respect of the Acquisition
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Charge"	the share charge deed to be executed by the Vendor in favour of the Purchaser whereby the remaining 49% of the entire issued share capital of the Target Company will be charged to the Purchaser pursuant to the terms of the Stock Purchase Agreement
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen Baorunlai"	Shenzhen Baorunlai Property Company Limited*（深圳寶潤來置業有限公司）, a company incorporated in the PRC with limited liability, which is a wholly owned subsidiary BYL HK
"Shenzhen Huashu"	Shenzhen Huashu Kemao Development Company Limited*（深圳華戍科貿發展有限公司）, a company incorporated in the PRC with limited liability, which is a wholly owned subsidiary of the Company
"Specific Mandate"	a specific mandate to be sought from Shareholders at the EGM to authorise the Directors to allot and issue the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Stock Purchase Agreement"	a stock purchase agreement (as amended and supplemented from time to time) dated 9 February 2018 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares
"Subscriber"	CASIC Investment Fund Management (Beijing) Limited Company* (航天科工投資基金管理(北京)有限公司), a limited company incorporated in the PRC
"Subscription"	subscription of the Subscription Shares by the Subscriber (or its nominee(s)) pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement (as amended and supplemented from time to time) dated 15 March 2018 entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Announcement"	the announcement of the Company dated 15 March 2018 in relation to, among others, the Subscription Agreement and the transactions contemplated thereunder
"Subscription Price"	the subscription price of HK$1.80 per Subscription Share
"Subscription Share(s)"	a total of 180,000,000 new Shares to be allotted and issued by the Company to the Subscriber (or its nominees(s)) under the Subscription Agreement
"Subscription Supplemental Agreement"	the supplemental agreement to the Subscription Agreement dated 29 May 2018 entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Supplemental Announcement"	the announcement of the Company dated 29 May 2018 in relation to the Subscription Agreement, as supplemented by the Subscription Supplemental Agreement
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Target Company"	BYL Property Holdings Group Limited (寶潤來置業控股集團有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by the Vendor

"Target Group"	the Target Company together with its subsidiaries
"Vendor"	Mr. Wan Zhong (萬忠) who is the husband of Ms. Cai
"%"	per cent.

* *The English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

In this circular, translation of RMB into HK$ based on the exchange rate of RMB1.00 to HK$1.25. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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)

Executive Directors:
Mr. Sang Kangqiao
Mr. Xu Wenze
Mr. Cui Peng

Independent Non-executive Directors:
Mr. Xu Zhihao
Mr. Lam Ka Tak
Ms. Liu Yan

Registered Office:
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Principal Place of Business in Hong Kong:
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Taikoo Shing, Hong Kong

15 June 2018

To the Shareholders

Dear Sir/Madam,

(I) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENVIRONMENTAL MAINTENANCE BUSINESS AND (II) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND (III) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcements of the Company dated 9 February 2018, 15, 16 and 19 of March 2018, 16 April 2018, 16 and 29 of May 2018, and 12 June 2018 respectively, in relation to, amongst other things, the followings:

(i) on 9 February 2018 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company, and the Vendor entered into the Stock Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the entire issued share capital of the Target Company as at the date of the Stock Purchase Agreement and Acquisition Completion, at the Aggregate Consideration of RMB132,600,000 (subject to adjustments);

(ii) on 15 March 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for (or procure the subscription by its nominee(s)) and the Company has agreed to allot and issue 180,000,000 new Shares at the Subscription Price of HK$1.80 per Subscription Share to the Subscriber (or its nominee(s));

(iii) on 29 May 2018 and 12 June 2018 (after trading hours), the Purchaser and the Vendor entered into the First Acquisition Supplemental Agreement and the Second Acquisition Supplemental Agreement respectively to amend certain terms of the Stock Purchase Agreement; and

(iv) on 29 May 2018 (after trading hours), the Company and the Subscriber entered into the Subscription Supplemental Agreement to amend certain terms of the Subscription Agreement.

Completion of the Subscription is conditional upon, among other things, the completion of the Acquisition.

The Acquisition constitutes a major transaction for the Company under the Listing Rules.

The Subscription Shares, being 180,000,000 new Shares, will be allotted and issued pursuant to a Specific Mandate to be sought by the Company at the EGM. The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Subscription Shares.

The purpose of this circular is to provide you with, among other things, further details of (i) the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements), the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) and the respective transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the notice of the EGM.

THE ACQUISITION

On 9 February 2018 (after trading hours) the Purchaser, a wholly owned subsidiary of the Company, and the Vendor entered into the Stock Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the entire issued share capital of the Target Company as at the date of the Stock Purchase Agreement and Acquisition Completion, at the Aggregate Consideration of RMB132,600,000 (subject to adjustments as set out under the sub-section headed "Consideration" under section headed "The Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements" to this circular)).

On 29 May 2018 (after trading hours), the Purchaser and the Vendor entered into the First Acquisition Supplemental Agreement to amend certain payment terms of the Aggregate Consideration under the Stock Purchase Agreement. On 12 June 2018 (after trading hours), the Purchaser and the Vendor entered into the Second Acquisition Supplemental Agreement to clarify the term "Audited Profit" in connection with the profit guarantee under the Stock Purchase Agreement.

The Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements)

Major terms of the Stock Purchase Agreement are set out below:

Date

9 February 2018 (as supplemented by the Acquisition Supplemental Agreements)

Parties

(i) The Purchaser; and

(ii) The Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Stock Purchase Agreement, the Purchaser has conditionally agreed to purchase from the Vendor, free from all encumbrances whatsoever, the Sale Shares, representing 51% of the entire issued share capital of the Target Company as at the date of the Stock Purchase Agreement and Acquisition Completion.

Consideration

The Aggregate Consideration for the Sale Shares shall be RMB132,600,000 payable in cash by the Purchaser to the Vendor in the following manner:

1. HK$83,750,000 (agreed as RMB67,000,000 between the Purchaser and the Vendor) shall be paid to an escrow agent on 4 June 2018 ("**Refundable Deposit**");

2. RMB12,560,000 shall be paid upon Acquisition Completion;

3. RMB13,260,000 shall be settled within seven Business Days after a Hong Kong certified public accountants' firm has confirmed that the total amount of the new and extended contracts entered into by Sanchuang Environmental for the financial year ending 31 December 2018 exceed RMB130,000,000;

4. RMB13,260,000 shall be settled within seven Business Days after the Purchaser's PRC legal advisers confirming that all those labour contracts as designated by the Purchaser entered into between Sanchuang Environmental and its employees have been legally novated;

5. RMB13,260,000 shall be settled within seven Business Days after all the necessary registrations of the change of legal representatives and directors of Shenzhen Baorunlai and Sanchuang Environmental with the relevant authorities have been completed; and

6. RMB13,260,000 shall be settled within seven Business Days after the receipt from the Vendor (i) a tax payment certificate confirming that Sanchuang Environmental has paid all its tax incurred before Acquisition Completion, and (ii) filing evidence arising from the change of shareholding, both to be issued by the relevant authorities.

The Refundable Deposit shall be released to the Vendor upon Acquisition Completion by the escrow agent upon receipt of the joint instruction from the Purchaser and the Vendor. The Refundable Deposit, upon release to the Vendor, shall be applied as part payment towards the Aggregate Consideration. In the event that Acquisition Completion does not take place, the Purchaser and the Vendor agreed to immediately instruct the escrow agent to refund in full the Refundable Deposit to the Purchaser.

Messrs. Wong Poon Chan Law & Co is the escrow agent who shall hold the Refundable Deposit. Messrs. Wong Poon Chan Law & Co is a local law firm in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, Messrs. Wong Poon Chan Law & Co is independent of (i) the Company and its connected persons, and (ii) the Vendor.

Furthermore, the payment obligations arising from events (3) to (6) above on the part of the Purchaser shall lapse, if the Vendor is unable to procure the satisfaction of the relevant events on or before 30 April 2019. As such, if the Vendor is unable to procure all the relevant events in (3) to (6) above, the consideration payable for the Sale Shares would only be RMB79,560,000, representing 60% of the Aggregate Consideration.

When determining and arriving at the above payment terms of the Aggregate Consideration, the Directors have taken into account: (a) the market conditions at the time of negotiation; (b) the historical revenue of the Target Group; (c) the expected contracts value expressed by the Vendor that is achievable by the Target Group for the year ending 31 December 2018; and (d) the procedures and time required to ensure a smooth transition and operation going forward. Therefore, to ensure the Target Group could achieve the said HK$130,000,000 new and extended contracts value for the year ending 31 December 2018 and to procure the Vendor to assist the Group in full force and on timely manner to ensure: (i) the relevant labour contracts are novated in accordance with the Company's request; (ii) the necessary registrations of the change of legal representatives and directors of Shenzhen Baorunlai and Sanchuang Environmental with the relevant authorities could be completed as soon as reasonably practicable after the Acquisition Completion; and (iii) the relevant tax incurred by the Target Group before Acquisition Completion can been settled by the Vendor and the relevant filing of change in shareholding can be completed as soon as practicable after the Acquisition Completion, after arm's length negotiation, it is mutually agreed between the Company and the Vendor that 40% of the Aggregate Consideration can be settled upon the satisfaction of the abovementioned events after the Acquisition Completion.

As at the Latest Practicable Date, the Refundable Deposit has been paid. Furthermore, based on the information available to the Company, as at the Latest Practicable Date, the Target Group has achieved new and extended contracts amount of approximately RMB99.5 million in connection with event (3) above, and the labour contracts as designated by the Purchaser under event (4) above have been legally novated.

In relation to the events (5) and (6), and as confirmed by the PRC legal advisers of the Purchaser, such events are procedural in nature and no legal or operational risk is envisaged. The Directors therefore consider that the payment terms and mechanism of the Aggregate Consideration could: (a) ensure or provide incentive to the Vendor to procure the Target Group to work with the Group for a smooth transition and cooperation going forward to minimize any unnecessary delay after the Acquisition Completion; (b) reflect the confidence of the Vendor in the business and operation of Target Group; and (c) safeguard the interests of the Company and Shareholders in the event of non-satisfying with or delays in satisfying the events, the Company is not obliged to make the relevant payment(s) of the consideration for the Acquisition. On this basis, the Directors consider that the payment terms of the Aggregate Consideration are fair and reasonable and are in the interest of the Company and Shareholders as a whole.

The Company intends to settle the Aggregate Consideration by way of internal resources of the Group, and/or the net proceeds to be raised under the Subscription.

The Aggregate Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to, including but not limited to, (i) the preliminary assessment on the valuation of the Target Group based on market approach with reference to comparable companies in the environmental maintenance segment; (ii) the future prospects of the environmental maintenance business in the PRC, the details of which are set out under the paragraph headed "Reasons for and the benefits of entering into the Stock Purchase Agreement" below; (iii) the audited financial information of the Target Group for the two financial years ended 31 December 2016 and 2017 respectively; and (iv) the profit guarantee, Share Charge and Property Charge, the details of which are set out under the paragraph headed "Profit Guarantee" below.

Profit Guarantee

The Vendor irrevocably and unconditionally warrants and guarantees to the Purchaser that the aggregated consolidated net profit (after taxation and excluding any profit (loss) deriving from activities not within the ordinary and usual course of business) (the "**Audited Profit**") of the Target Group for the three financial years ending 31 December 2020 (the "**Relevant Period**") as stated in the audited consolidated financial statements of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), for the Relevant Period (the "**Audited Accounts**") to be audited by a Hong Kong certified public accountants' firm (as approved by the Purchaser) (which shall be available on or before 31 March 2021) shall not be less than the total sum of RMB94,500,000 (the **Guaranteed Amount**" and collectively the "**Profit Guarantee**").

The Guaranteed Amount of RMB94,500,000 for the three financial years ending 31 December 2020 were determined after taking into account, among other things, the followings:

(1) the Target Group was established in 2004 and has proven track record in the environmental maintenance industry in the PRC;

(2) the Target Group has generated net profit after tax for the three years ended 31 December 2017 and the historical CAGR of the net profit after tax of the Target Group from 2015 to 2017 is 49.4% (calculated with reference to the net profit after tax of the Target Group of RMB7,646,000, RMB10,347,000 and RMB17,072,000 for the years ended 31 December 2015, 2016 and 2017 respectively);

(3) the Directors believe the environmental maintenance industry in the PRC is growing rapidly which further details are set out in the sub-section headed "Industry outlook" in the section headed "INFORMATION OF THE TARGET GROUP" to this circular; and

(4) based on their past experience, the management of the Target Group expected to successfully renew majority of the existing contracts upon expiry during the three years ending 31 December 2020.

If the Audited Profit is less than the Guaranteed Amount, the Vendor shall within seven Business Days after the issuance of the Audited Accounts pay the Purchaser a compensation (the "**Compensation**"), which shall be calculated as follows:

Amount of Compensation = (Guaranteed Amount – Audited Profit) x 8.25 x 0.51

The parameter of "8.25" in the compensation formula above was derived by dividing the valuation of 100% interest of the Target Group of RMB260 million by the average Guaranteed Amount per year of RMB31.5 million, and is determined after arm's length negotiations between the Company and the Vendor and solely aimed to safeguard the Company and Shareholders' interest as a whole in the event that the Target Group failing to achieve the Guaranteed Amount for the three financial years period ending 31 December 2020. For the avoidance of doubt, if the Audited Profit is negative, it shall be deemed to be zero. The maximum liability of the Vendor under the Stock Purchase Agreement (including the liability that may be incurred under the profit guarantee) shall be limited to the actual consideration received by the Vendor. Therefore, in an extreme case when the Audited Profit is negative, by applying the compensation mechanism, the Aggregate Consideration can therefore be recouped in entirety. On this basis, the Company considered that the Profit Guarantee together with the compensation mechanism to be fair and reasonable as it could facilitate a mechanism in place to be compensated at times when the expected performance of the Target Group cannot be met within the next three years.

The Company will publish an announcement and disclose in its future annual report whether or not the performance guarantee has been met, the performance of the acquired business, and where the performance guarantee is not met.

For due observance and punctual performance of the Vendor's obligations under the Profit Guarantee, the Vendor shall upon the Acquisition Completion (i) procure certain landed properties in the PRC to be charged to Shenzhen Huashu, a wholly owned subsidiary of the Company pursuant to the Property Charge; and (ii) charge the remaining 49% of the entire issued share capital of the Target Company to the Purchaser pursuant to the Share Charge.

Principal terms of the Share Charge and the Property Charge

Share Charge

Chargor:	The Vendor
Chargee:	The Purchaser
Charged assets:	49% of the entire issued share capital of the Target Company
Term of the Share Charge:	after satisfaction of the Vendor's obligation under the Profit Guarantee
Secured obligation:	all payment obligation arising from the Profit Guarantee
Enforcement event:	any amount becoming overdue under the Profit Guarantee

Property Charge

Chargors:	the Vendor and Ms. Cai
Chargee:	Shenzhen Huashu
Charged assets:	landed properties located in the PRC
Term of the Property Charge:	after satisfaction of the Vendor's obligation under the Profit Guarantee or such other date to be agreed between the Company and the Vendor
Secured obligation:	all payment obligation arising from the Profit Guarantee
Enforcement event:	any amount becoming overdue under the Profit Guarantee

Details of the properties to be charged

	Property 1	Property 2	Property 3
Location	No. 1, 3rd Floor, Block 3, No. 18, Cao Tang Dong Road, Qingyang District, Chengdu, PRC（中國成都青羊區草堂東路18號3棟3樓1號）	No. 2, 2nd Floor, Block 3, No. 18, Cao Tang Dong Road, Qingyang District, Chengdu, PRC（中國成都青羊區草堂東路18號3棟2樓2號）	No. 3, 3rd Floor, Block 3, No. 18, Cao Tang Dong Road, Qingyang District, Chengdu, PRC（中國成都青羊區草堂東路18號3棟3樓3號）
Gross floor area	1483.81 m^2	1005.82 m^2	97.61 m^2
Use	Commercial	Commercial	Commercial
Valuation	RMB56,181,500	RMB40,356,500	RMB3,695,800

The valuation of the three properties above (the "**Charged Properties**") was based on the report compiled by Sichuan Hengfang Real Estate Valuation Company Limited*（四川川衡房地產估價有限公司）(the "**Valuer**"), an Independent Third Party and a company licensed and qualified to conduct valuation in the PRC. The report was dated 9 February 2018 and the site inspection of the properties was conducted on 8 February 2018. The Valuer was established in Chengdu, the PRC since May 2002 and principally engages in property and land valuation and related consultancy services.

In assessing the fairness and reasonableness of the major assumptions and methods used and the valuation, the Directors have reviewed the valuation report and considered that: -

a. the valuation is based on the assumptions that the properties would be transferred between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion, with ample time to conduct their analysis;

b. the Valuer adopted a combination of the market comparative and income methods when arriving at the valuation of the Charged Properties; and

c. the Valuer has also taken into account the validity of the ownership, location, structure, conditions of the land and buildings relating to the Charged Properties in assessing the value thereof.

Based on the above and to the best of knowledge, information and belief having made reasonable enquiries, the above assumptions are commonly adopted in valuing landed properties in the PRC. Furthermore, the Valuer is a company established in the PRC with over 16 years of track record in valuing properties in the PRC, the Directors considered that the assumptions and valuation methods adopted in deriving the value of the Charged Properties are fair and reasonable.

The Directors noted that the aggregate value of the Charged Properties is less than the Aggregate Consideration, which represents approximately 75% of the Aggregate Consideration. Nonetheless, together with the Share Charge, the Directors considered that assets charged under the Property Charge and Share Charge are the most favorable terms they could strive for, on arm's length basis, with the Vendor that could protect the Company and its Shareholders in the event that the Vendor is failing to fulfil its obligations under the Profit Guarantee; and therefore is in the interest and beneficial to the Company and Shareholders as a whole.

Should the amount payable become overdue pursuant to the Profit Guarantee, the Company may enforce the assets charged under the Share Charge and/or the Property Charge for the purpose of securing the payment obligations arising from the Profit Guarantee. Taking account the total value of the properties charged (being RMB100,233,800) and the 49% of the entire issued share capital of the Target Company, being the charged asset under the Share Charge, the Directors are of the view that the terms of the Share Charge and the Property Charge are fair and reasonable. In case the Profit Guarantee cannot be met, the Company's interests would be protected by exercising the rights under the Share Charge and Property Charge.

If upon the exercise of the Share Charge or the Property Charge, as the case may be, constitutes a notifiable transaction for the Company, the Company will comply with such disclosure requirements as required by Chapter 14 of the Listing Rules.

Conditions Precedent

Acquisition Completion shall be conditional upon the fulfillment of the following conditions:-

(a) the Stock Exchange having permitted and/or approved the circular to be issued by the Company in connection with the Acquisition pursuant to the Listing Rules;

(b) the Purchaser having completed its due diligence investigation on the Target Group in respect of but without limitation to its properties, assets, liabilities, business, prospects, financial, legal and other matters and conditions, and the Purchaser being satisfied with the results of the due diligence investigation at its reasonable discretion;

(c) the Vendor and/or the Target Group having obtained all the necessary approvals and consents (including but not limited to any tax clearance) for the transactions contemplated under the Stock Purchase Agreement;

(d) the Shareholders having passed ordinary resolutions at the EGM of the Company approving the Stock Purchase Agreement and the transactions contemplated thereunder;

(e) the Target Group having repaid all the shareholder's loan owing to the Vendor;

(f) the Purchaser having received a legal opinion issued by a PRC lawyer appointed by it which confirms certain matters in respect of the Target Group, and the Purchaser being satisfied with the form and substance of such legal opinion at its reasonable discretion;

(g) nothing having happened that has caused or will cause any material adverse change to the financial condition, business, assets, sales performance, or business prospects of the Target Group from the date of the Stock Purchase Agreement up to the date of Acquisition Completion;

(h) all the representations, warranties and undertakings made by the Vendor to the Purchaser in the Stock Purchase Agreement remaining true, accurate and not misleading from the date of the Stock Purchase Agreement up to the date of Acquisition Completion as if they were repeated during such period of time and as at the date of Acquisition Completion;

(i) Shenzhen Baorunlai having appointed such persons as nominated by the Purchaser as its legal representative and two directors;

(j) Sanchuang Environmental having appointed such persons as nominated by the Purchaser as its legal representative and two directors; and

(k) the Vendor providing the Purchaser with a legal opinion issued by a BVI lawyer confirming but not limited to that the Target Company is duly incorporated and validly existing, that the Vendor is the legal and beneficial owner of the Sale Shares and that the Target Company has duly obtained all necessary licenses, consents and permits for lawfully conducting its existing business pursuant to the relevant laws and such legal opinion being accepted by the Purchaser.

The Company and the Vendor may by agreement waive in whole or in part of any of the above conditions precedent (except for conditions (a), (c) and (d) above).

As at the Latest Practicable Date, the above conditions precedent have not been satisfied.

If any of the conditions precedent of the Acquisition is not fulfilled on or before the Acquisition Long Stop Date, the Stock Purchase Agreement shall lapse and be of no further effect.

Completion

Completion of the Stock Purchase Agreement shall take place on the 3rd (third) Business Day after the fulfilment (or wavier, if applicable) of all the conditions precedent of the Acquisition or such other date as the Vendor and the Purchaser may agree in writing.

Upon Acquisition Completion, the Target Company will become a subsidiary of the Group and accordingly the financial results of the Target Group will be consolidated into the accounts of the Group.

VALUATION

The Company adopted the price-to-earnings multiples ("**P/E Multiple(s)**"), one of the traditional valuation multiples, and enterprise value to earnings before interest, tax, depreciation, and amortization ("**EBITDA**") multiple ("**EV/EBITDA**"), a commonly adopted valuation ratio to compare the operations of different companies in the same industry, to compare the Aggregate Consideration and against the market valuation of other comparable companies. The Company has identified and reviewed comparable companies (the "**Comparable Companies**") based on the following criteria:

1. listed on the Stock Exchange or in the PRC;

2. the Comparable Companies derive most, if not all, of their revenues from provision of environmental maintenance services, such as janitorial services in streets, waste management and facility maintenance management;

3. the Comparable Companies operate in Hong Kong and/or PRC.

The Directors considered that the cost approach is not appropriate as it does not capture future economic benefit and tends to understate the value of an income-generating business. The Directors also considered that the income approach is not appropriate which heavily relies on assumption and justification involved in the profit forecast. Therefore, market approach in form of P/E Multiples and EV/EBITDA was adopted by the Directors as the most appropriate approach for assessing the fairness and reasonableness of the Aggregate Consideration. Further details are set out below.

The Target Company is operating in the PRC. Due to the scarcity of the Comparable Companies operating in the PRC, we relaxed the selection criteria regarding locations of operation from the PRC only to Hong Kong and/or PRC. As at the Latest Practicable Date and to the best of knowledge, information and belief having made all reasonable enquiries, the Company identified two listed Comparable Companies in the PRC and six listed Comparable Companies in Hong Kong via Bloomberg on a best effort basis. The Directors consider that an exhaustive list of companies that are comparable to the Target Group as at the Latest Practicable Date. Details of the Comparable Companies are set out as follows:

Stock code	Company name	Company description	Revenue derived from environmental maintenance business in the latest financial year
000826.CH	Tus-Sound Environmental Resources Co., Ltd. ("**Tus-Sound**")	Tus-Sound Environmental Resources Co., Ltd. operates solid waste disposal systems and environmental protection equipment manufacturing facilities. The company also consults on the integration of municipal sanitation, recycling and resource utilization.	19.1%
603686.CH	Fujian Longma Environmental Sanitation Equipment Co., Ltd. ("**Longma**")	Fujian Longma Environmental Sanitation Equipment Co., Ltd. develops, produces and sells sanitation-specialised vehicles and waste transfer equipment. The company's main products include road-cleaning operations vehicles, refuse collection and transfer vehicles.	20.1%
309.HK	Xinhua News Media Holdings Ltd.	Xinhua News Media Holdings Ltd.'s main businesses include professional cleaning and related businesses, medical waste treatment, municipal solid waste treatments and television screen broadcast businesses.	100.0%

Stock code	Company name	Company description	Revenue derived from environmental maintenance business in the latest financial year
1397.HK	Baguio Green Group Ltd.	Baguio Green Group Ltd. provides integrated environmental services, including cleaning services, pest control, landscape services and waste management to buildings, residential premises, and shopping malls.	87.1%
8421.HK	Winson Holdings Hong Kong Ltd.	Winson Holdings Hong Kong Ltd. provides environmental hygiene and pest management services. The company also provides airline catering support services.	92.1%
8472.HK	Lapco Holdings Ltd.	Lapco Holdings Ltd. provides environmental sanitation services. The company offers waste management and cleaning services for private institutions, property management companies, government departments, and educational institutions.	99.8%
8309.HK	Man Shing Global Holdings Ltd.	Man Shing Global Holdings Ltd., through its subsidiaries, offers street, building, bus cleaning, and other services.	100.0%
8201.HK	PPS International Holdings Ltd.	PPS International (Holdings) Ltd., through its subsidiaries, offers general cleaning services and solutions, such as fumigation and pest control, hotel housekeeping services, hotel overnight kitchen and public area cleaning, external window cleaning, upholstery, waste management and disposal.	98.6%

Source: Bloomberg and annual reports of the Comparable Companies

Based on the above, there are eight companies identified that engage in environmental maintenance business and listed on the Stock Exchange or in the PRC; and six of which have over 85% to 100% of their revenue are derived from environmental maintenance business, which is similar to the business of the Target Group. The Directors believe that the capital market already has a good understanding of the environmental maintenance industry similar to that of the Target Group in general and could provide reasonable indicator, benchmark, and reference to companies having similar characteristics, especially risks, pricing and trends.

Having considered that the following factors, the Directors considered that all of the Comparable Companies (except Tus-Sound and Longma) ("**HK Comparables**") are comparable to the Target Company:

1. the HK Comparables are principally engaged in providing cleaning services and waste management while the Target Group is principally engaged in providing janitorial services, waste management and facility maintenance management pursuant to the service contracts;

2. both of the HK Comparables and the Target Group derive most of their revenue from contracts awarded through tendering and there is no guarantee that those existing contracts may be renewed upon expiry; and

3. the service contracts of the HK Comparables generally have a service period of one to five years while the those of the Target Group generally have a service period of one to three years.

In light of the above, the Directors considered that the nature of the business and business model of the HK Comparables are similar to that of the Target Group.

The Directors are aware that HK Comparables are principally operating in Hong Kong while the Target Group is principally operating in Chengdu, the PRC. To address such difference in the geographical focus, the Directors have compared the potential environmental maintenance market in Chengdu and Hong Kong, in which the Directors have taken into account the following factors:

1. the population of Chengdu (approximately 16.0 million) is larger than Hong Kong (approximately 7.4 million) *(source: Chengdu Bureau of Statistics Internet, Census and Statistics Department)*; and

2. the area of Chengdu (approximately 14,335 km^2) is bigger than Hong Kong (approximately 2,755 km^2) *(source: Sichuan Statistics Bureau, Lands Department).*

In view of the above, the Directors considered that the environmental maintenance market potential in Chengdu is greater than that of in Hong Kong. Therefore, having considered that: (a) the nature of the business and business model of the HK Comparables are similar to that of the Target Group; (b) the market and future prospects of conducting environmental maintenance business in Chengdu appear to be better than that of Hong Kong; and (c) both the P/E Multiple and EV/EBITDA of the Target Group are close to the average of the HK Comparables (see below), the Directors considered the HK Comparables are comparative to the Target Group and the Aggregate Consideration is fair and reasonable.

Notwithstanding Tus-Sound and Longma derived only approximately 20% of their revenue from provision of environmental maintenance service in the PRC, they are major players in the industry in the PRC in connection with environmental business, they could also reflect, among others, the overall risks and trends of the environmental industry in the PRC.

On this basis, the Director consider that the selection criteria of the Comparable Companies are reasonable and P/E Multiples or EV/EBITDA is an appropriate valuation method in assessing the fairness and reasonableness of the valuation of the Target Group.

To assess the fairness and reasonableness of the Aggregate Consideration, the Directors have considered the implied P/E Multiple and the implied EV/EBITDA of the Target Company with (i) the average P/E Multiple and EV/EBITDA of all Comparable Companies; and (ii) the average P/E Multiple and EV/EBITDA of the HK Comparables. Below sets out the market capitalization, revenue, net profit and P/E Multiples of the Comparable Companies:

Stock code	Company name	Major revenue by geography in the latest financial year	Market Capitalization	Revenue	Net Profit	P/E Multiples[2 3]	Enterprise Value[5]	EBITDA[6]	EV/ EBITDA[7]
			(HK$ million)	*(HK$ million)[1]*	*(HK$ million)[1]*		*(HK$ million)*	*(HK$ million)*	
000826 CH Equity	Tus-Sound Environmental Resources Co Ltd	PRC	35,102.8	11,585.5	1,563.9	19.8	44,334.8	2,835.3	15.6
603686 CH Equity	Fujian Longma Environmental Sanitation Equipment Co Ltd	PRC	9,400.0	3,838.0	325.1	25.8	9,256.3	475.5	19.5
309 HK Equity	Xinhua News Media Holdings Ltd	Hong Kong	433.9	336.5	(18.0)	N/A	370.9	(12.2)	N/A
1397 HK Equity	Baguio Green Group Ltd	Hong Kong	315.4	1,207.6	20.6	14.3	418.5	51.8	8.1
8421 HK Equity	Winson Holdings Hong Kong Ltd	Hong Kong	360.0	508.1	21.8	16.5	338.0	31.6	10.7
8472 HK Equity	Lapco Holdings Ltd	Hong Kong	240.0	448.0	(8.2)	N/A	394.1	28.9	13.6
8309 HK Equity	Man Shing Global Holdings Ltd	Hong Kong	162.0	463.8	2.8	N/A	181.7	30.4	6.0
8201 HK Equity	PPS International Holdings Ltd	Hong Kong	117.2	270.2	(13.4)	N/A	92.7	(6.0)	N/A
Mean						**19.1**			**12.2**
Mean (excluding Tus-Sound and Longma)						**15.4**			**9.6**
The Target Group						**15.2**			**9.8**

Source: Bloomberg

Notes:

1. Based on the latest audited annual financial results of the Comparable Companies.

2. As sourced from Bloomberg, the P/E Multiple of each company shown in the above team is estimated based on the closing share price as at the Latest Practicable Date divided by the trailing 12-month earnings per share before extraordinary items.

3. "N/A" represents the Comparable Companies generated a net loss in the trailing 12-month period.

4. Man Shing Global Holdings Ltd. generated a net profit of HK$2.8 million for the year ended 31 March 2017. However, Man Shing Global Holdings Ltd. generated a net loss of HK$10.8 million for the trailing 12-month from 31 December 2017.

5. Enterprise value sourced from Bloomberg as at the Latest Practicable Date.

6. EBITDA based on the latest audited annual financial results of the Comparable Companies.

7. "N/A" represents the Comparable Companies generated a negative EBITDA based on the latest audited annual financial results.

Based on the above table, by comparing the implied P/E Multiple of the Target Company (i.e. approximately 15.2 times) with (i) the average P/E Multiple of all Comparable Companies (i.e. approximately 19.1 times); and (ii) the average P/E Multiple of HK Comparables (i.e. approximately 15.4 times), the P/E Multiple used by the Company in acquiring the Target Group is lower than the mean in general; by comparing the implied EV/EBITDA of the Target Company (i.e. approximately 9.8 times) with (i) the average EV/EBITDA of all Comparable Companies (i.e. approximately 12.2 times); and (ii) the average EV/EBITDA of HK Comparables (i.e. approximately 9.6 times), the EV/EBITDA used by the Company in acquiring the Target Group is lower or close to the mean in general. Therefore, the Directors consider that the valuation of the Target Group, the valuation approach and the basis in selecting the Comparable Companies are fair and reasonable.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI with limited liability and is wholly owned by the Vendor. Upon Acquisition Completion, the Purchaser and the Vendor will hold 51% and 49% of the entire issued share capital of the Target Company respectively.

The Target Company owns the entire issued share capital of BYL HK, which in turn owns the entire issued share capital of Shenzhen Baorunlai, which in turn owns the entire issued share capital of Sanchuang Environmental.

Save for their interests in Sanchuang Environmental, each of the Target Company, Shenzhen Baorunlai and BYL HK has no business operation and material assets.

As at the Latest Practicable Date, Sanchuang Environmental is principally engaged in the provision of environmental maintenance services mainly in Chengdu of the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and Ms. Cai are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor had no relationship (business or otherwise) with any connected person of the Company prior to the entering into of the Stock Purchase Agreement.

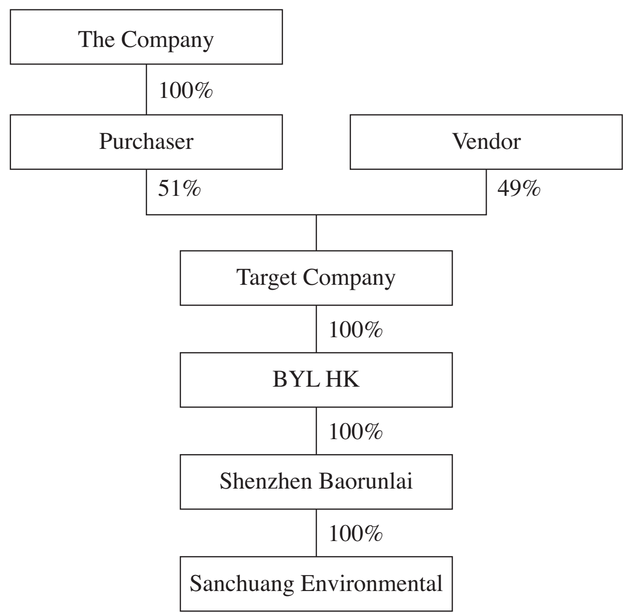
The Vendor was introduced to Mr. Sang Kangqiao ("**Mr. Sang**"), a Director, by a business associate, who is an Independent Third Party and engages in financial advisory in the PRC including identifying investment opportunities in various industries in the PRC. Such business associate understands that the Group has been looking for viable business and/or investment opportunities in the PRC from time to time that could provide stable income stream and enhancement to the Group's financial position, in October 2017, such business associate introduced the Vendor to Mr. Sang.

Shareholding structure of the Target Company before and after Acquisition Completion

The diagrams below illustrate the shareholding structure of the Target Group as at the Latest Practicable Date and immediately after the Acquisition Completion:

As at the Latest Practicable Date:

After the Acquisition Completion:



Business model

The Target Group is principally engaged in provision of environmental maintenance service in the PRC. The scope of services of the Target Group mainly include (i) janitorial services on streets, in green belts zones, gullies and other public areas, such as street cleaning, mechanical cleaning and dust removal; (ii) waste management, such as disposal and recycling of solid waste, bulky garbage, construction waste and food waste; and (iii) facility maintenance management, such as provision of cleaning and maintenance services (including minor repair and maintenance) for public facilities, containers and refuse collection points. The Target Group deploys sufficient cleaning staff and supervisors, specialised vehicles and cleaning equipment in carrying out such services. For example, the Target Group provides specialized cleaning services such as dust removal with the use of mist cannon trucks to reduce haze pollution.

All cleaning works were generated from contracts with the government officials via tendering and such contracts generally dealt with public areas of between approximately 300,000 and 1,600,000 square meters, mainly in Chengdu, the PRC. For the three years ended 31 December 2015, 2016 and 2017, all of the revenue of the Target Group contributed from those contracts. As at the Latest Practicable Date, there are totally 13 contracts on hand with a total of 12 customers and the annual aggregate contract value of those unexpired contracts is approximately RMB99.5 million. The contract period of such service contracts are in the range of one year to three years, subject to further tender upon expiry, and the service fees are charged with a fixed fee basis. The Target Group needs to bid for new tenders again before expiry of the relevant contracts and the Target Group does not have the right of first refusal for the contracts of the next period.

For the three years ended 31 December 2017, the Target Group's tender success rate was approximately 90% due to the reputation of the Target Group in the market and the quality of service; the service contract renewal rate was approximately 53.9% and the management of the Target Group explained that the reason for such renewal rate was mainly attributable to the Target Group's strategy that it would not submit tender for expiring contracts if profitability or margin is not satisfactory. If excluding those service contracts that were not renewed by the Target Group, the renewal rate was approximately 84.6%.

	Top 5 customers	**2017 transaction value** *(RMB million)*	**Percentage of 2017 total revenue** *(%)*	**Length of relationship** *(years)*
1	Customer A	12.5	13.02%	6
2	Customer B	11.3	11.79%	3
3	Customer C	9.1	9.52%	2
4	Customer D	8.9	9.33%	3
5	Customer E	8.1	8.42%	9

In the past few years, the Target Group has been dedicated to automate certain workflows and operation by investing in advanced environmental maintenance machineries and equipment, such as mist cannon trucks, water wagons, road sweepers and refuse compaction vehicles, in order to improve its efficiency and reduce operating costs. The Company will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Company may consider acquisition of additional equipment, facilities and/or vehicles in order to enhance the business and profitability of the Target Group. As at Latest Practicable Date, the Company and the Vendor anticipated that the Target Group may spend approximately RMB10,000,000 per year in acquiring advanced machineries and equipment for the two years ending 31 December 2018 and 2019 respectively, in order to further improve its operating efficiency of the Target Group.

The Target Group operates its environmental maintenance business in the PRC. As advised by the PRC lawyer to the Company, the major applicable environmental laws and regulations on the Target Group's business are as follows: -

1. Environmental Protection Law of the People's Republic of China《中華人民共和國環境保護法》;
2. Law of the People's Republic of China on the Prevention and Control of Water Pollution《中華人民共和國水污染防治法》;
3. Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution《中華人民共和國大氣污染防治法》;
4. Measures for Environmental Impact Assessment of the People's Republic of China《中華人民共和國環境影響評價辦法》;
5. Measures for Public Participation in Environmental Protection of the People's Republic of China《中華人民共和國環境保護及公眾參與辦法》;
6. Environmental Impact Assessment Law of the People's Republic of China《中華人民共和國環境影響評價法》;
7. Emission Standards for Odor Pollutants《惡臭污染物排放標準》; and
8. Measures for the Management of Environmental Emergencies《突發環境事件應急管理辦法》.

Furthermore, the following major applicable labour, health and safety laws and regulations on the Target Group's business are as follows: -

1. Interim Provisions on Payment of Wages《工資支付暫行規定》;

2. Interim Provisions on Labour Dispatch《勞務派遣暫行規定》;

3. Circular on the Issues Concerning the Average Monthly Working Time in a Year and Converting the Payment of Employees《職工全年月平均工作時間和工資折算問題的通知》;

4. Regulations on Settlement of Labour Disputes of the People's Republic of China《中華人民共和國勞動爭議處理條例》;

5. Provisions of the State Council on Working Hours of Workers and Staff《國務院關於職工工作時間的規定》;

6. Regulations on the Administration of Housing Provident Fund《住房公積金管理條例》;

7. Provisions on Minimum Wages《最低工資規定》; and

8. Interim Provisions on Labour Dispatch of the People's Republic of China《中華人民共和國勞務派遣暫行規定》.

As confirmed by the PRC lawyer to the Company, the Target Group had not recorded any non-compliance incidents arising from the breach of PRC laws and regulations as at the Latest Practicable Date.

Risk Factors

1. *All of the Target Group's revenue is derived from contracts awarded through competitive tendering. There is no guarantee that the Target Group's existing contracts may be renewed upon expiry or new contracts may be awarded to the Target Group to maintain or expand the Target Group's business.*

All of the Target Group's revenue is derived from contracts awarded through competitive tendering. The Target Group is required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. There is no assurance that the Target Group will meet the mandatory tendering requirements. In case of such events, the Target Group may not be granted the tender and furthermore, the Target Group's reputation, business operations, financial results and profitability may be adversely affected.

In the Target Group's experience, customers who select their environmental service providers through the tender process generally do not then offer a right of first refusal upon expiry of such contracts and therefore there is a risk that the Target Group may not succeed in tendering for the same customer's services upon the expiry of the Target Group's service contract.

As stated in Appendix IV to this circular, the Group will recognise goodwill and certain intangible assets as a result of such Acquisition. Management performed an impairment assessment as at date of acquisition and considered that no impairment provision is needed. Should any assumptions in arriving at the impairment assessment change, a charge to the Group's profit or loss may result in the future financial statements.

2. *A majority of the Target Group's service contracts with customers have a fixed and pre-determined service fee throughout the contract period or without any clear price adjustment mechanisms except for the statutory minimum wage changes. Its profitability may be adversely affected if it suffers from cost overrun.*

A majority of the Target Group's service contracts with customers have a fixed and pre-determined service fee throughout the contract period or without any clear price adjustment mechanisms. The Target Group has to set the service fee when submitting the tender or quotation. Once the tender or quotation is agreed with the customers, the Target Group can only adjust the service in certain circumstances as stipulated in the contract. Accordingly, the Target Group has to bear the risk of cost fluctuations. As at the Latest Practicable Date, all of the Target Group's revenue is derived from tender contracts of one to three years. There is no assurance that the costs estimated at the beginning of a contract will not overrun during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in cost of labours and materials, change in the regulatory requirements, labour disputes and unforeseen problems and circumstances. Any of these can give rise to delays in completion of works or even unilateral termination of contracts by clients due to the unsatisfactory performance. If the Target Group is unable to control the costs within its estimates, its business operations, financial results and profitability may be adversely affected.

3. *The Target Group had net current liabilities as at 31 December 2015 and 2016 which may adversely affect its operations.*

The Target Group recorded net current liabilities of approximately HK$15.6 million and HK$3.6 million as at 31 December 2015 and 2016, respectively and net current assets of approximately HK$4.2 million as at 31 December 2017. The Target Group's net current liabilities mainly comprised of (i) trade payables; (ii) other payables, accrued liabilities and receipts in advance; (iii) amounts due to related parties; and (iv) current income tax liabilities. For further details of the Target Group's net current liabilities, please refer to the Appendix II "FINANCIAL INFORMATION OF THE TARGET GROUP" of this circular. If the Target Group has net current liabilities in the future, it may face constrains in its working capital for use in operations, making it more difficult to satisfy its repayment obligations in relation to debt or increasing our vulnerability to adverse economic conditions.

4. *The Target Group's expansion plans may not be successful, which could materially and adversely affect our results of operations.*

The Target Group plans to enter tender process for service contracts with higher annual contract value, longer contract period and greater geographic coverage. Provision of the services pursuant to such service contracts will involve substantial investment in additional equipment and resources reallocation on management, financial and operational aspects. However, there is no guarantee that such expansion plans will bring the Target Group the amount of revenue and investment returns as planned, which in turn would adversely affect our business and financial performance.

5. *Loss of key management or the ability to attract and retain suitable staff for the Target Group's operations may materially affect its operations.*

The Target Group's success is, to a significant extent, attributable to the leadership and contributions of its management team members as described in the sub-section headed "Senior management" in the section headed "INFORMATION OF THE TARGET GROUP" in the "LETTER FROM THE BOARD", particularly Mr. Wan Zhong, the founder of the Target Group. The Target Group's continued success is therefore dependent to a large extent on our ability to retain the services of its management team. Any unanticipated departure of members of the management team without appropriate replacement found may have a material adverse impact on our business operations and profitability.

6. *Damage to the Target Group's reputation or failure to protect its reputation may affect the attractiveness of its services.*

The Target Group's business is sensitive to customers' perception of the safety and quality of its services. The Target Group enters the service contracts with the government officials and provides the environmental maintenance service through its subsidiary Sanchuang in the PRC. Sanchuang was awarded with the qualification of Grade One Environmental Maintenance Service Company by the Chengdu Administration Bureau and consistently received compliments from the government officials. However, if the Target Group is unable to detect, deter and prevent misbehavior and misconduct by its employees, its reputation could be damaged and its business and financial performance may be materially and adversely affected.

7. *The Target Group relies on the PRC market*

During three years ended 31 December 2017, all of the Target Group's revenue was derived from its operations in the PRC, mainly Chengdu. The Target Group expects that all of its revenue will continue to be derived from the PRC in the near future. Any unforeseen circumstances, such as natural disasters in the PRC, recession in the PRC economy, and any other incidents happened in the PRC may adversely affect our business, prospects, financial conditions and results of operations.

Senior management

Mr. Wan Zhong（萬忠）has established Sanchuang Environmental in 2004 and established the overall strategic goals and direction of the Target Group. He is responsible for commercial relationship management and business exploration of the Target Group. Mr. Wan has 13-year experiences in environmental maintenance industry. He graduated with a higher diploma in accountancy from a commercial college in Sichuan Province and has attended courses regarding to modern enterprise operation and management (EMBA) in Southwest Jiatong University.

Mr. Yang Hui（楊輝） joined the Target Group in 2018, acting as executive president of the Target Group, being responsible for the bids and tenders as well as the market expansion (sanitation integration, waste management, public toilets, beautiful villages and etc.) of the Target Group. Before joining the Target Group, he worked in an engineering company and had plenty experiences in handling government's tenders, as well as marketing. He graduated from Southwest Jiatong University with the qualifications of cost engineer, senior engineer and evaluation expert.

Mr. Yang Fan（楊帆） joined the Target Group in June 2017. He has been an assistant to the chairman and an administration director and currently is an executive vice president. He is responsible for the overall ordinary operation and management of the Target Group, making recommendations to the Group regarding to organization structure, streamlined production and management, as well as labor issues. He graduated from The Open University of China (國家開放大學, formerly known as 中央廣播電視大學).

Mr. Luo Xu（羅旭） joined the Target Group in 2007, and has been the general manager of the company since 2017, in which he is mainly responsible the onsite management and safety management of all projects. He has once served as the general manager of Chengdu Ruide Property Management Company Limited* (成都瑞德物業管理有限公司), Chengdu Aidi Sunshine Property Management Company Limited* (成都愛地陽光物業管理有限公司) and Chengdu Hongfang Property Management Company Limited* (成都鴻方物業管理有限公司) and accumulated 17 years' experience in environmental management. Mr. Luo graduated from the Property Management Department of Sichuan Radio and TV University.

Ms. Lu Hong（盧泓） has 20 years' experience in enterprise finance and financial management in Chengdu, Sichuan. Before joining in the Target Group in July 2017. She served as the financial controller and administration executive of Sichuan Taili Electric Unit Company Limited* (四川泰力電氣成套有限公司)(a company engaging in diversified operation) for more than 12 years.

Industry outlook

The environmental maintenance service industry in the PRC has experienced a rapid growth in recent years due to (i) the increasing demand of environmental maintenance services; and (ii) the increasing amount of outsourcing government projects to the private companies ("**marketization**") supported by the PRC government's policies.

According to the Ministry of Housing and Urban-Rural Development of the People's Republic of China (MOHURD), the nationwide urban road cleaning area increased from approximately 6.76 billion square meters to approximately 7.95 billion square meters, representing a CAGR of approximately 8.4% from 2014 and 2016 and the annual disposal of solid waste increased from approximately 194 million tons to 217 million tons, representing a CAGR of approximately 5.8% from 2014 and 2016.

Furthermore, the environmental maintenance service industry, a sub-sector of the public service sector, has entered into the phase of marketization in recent years. On 30 September 2013, the General Office of the State Council of the People's Republic of China published Guiding Opinion by the Office of the State Council on Government Purchase of Public Culture Service from Social Forces (Guo Fa Ban [2013] No. 96) (《國務院辦公廳關於政府向社會力量購買服務的指導意見(國發辦[2013]96號文件)》) which stated that the PRC government would reform to improve the quality of public services by the way of marketization. On 11 October 2016, the Ministry of Finance of the Peoples' Republic of China published Notice of Deeply Advancing the Public-Private Partnership in Public Service Fields (Cai Jin [2016] No. 90) (《關於在公共服務領域深入推進政府和社會資本合作工作的通知(財金[2016]90號文件)》) which indicated that the PRC government would continue to intensify its cooperation with private companies in relation to the provision of public services by the way of marketization. With the support of the above government policies, the number of outsourcing government environmental maintenance projects has increased rapidly in recent years. According to the statistics of Yibiaotong* (易標通), in the first half of 2017, the total number of environmental maintenance projects bidded in the PRC is 2,927, increased approximately 15.32% comparing to the corresponding period in 2016; and the aggregate contract value of the bidded contracts is approximately RMB40.2 billion, increased approximately 12.63% comparing to the corresponding period in 2016.

Financial information of the Target Group

Set out below is a summary of the audited combined financial information of the Target Group for the two years ended 31 December 2016 and 31 December 2017, respectively:

	For the year ended 31 December 2016	**For the year ended 31 December 2017**
	RMB '000	*RMB '000*
Revenue	99,840	94,896
Profit before tax	14,342	23,250
Net profit after tax	10,347	17,072
Total assets	56,360	68,503
Net assets	13,902	30,974

Financial effects of the Acquisition to the Group

It should be noted that the following estimations are for illustration purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon the Acquisition Completion.

1. Earnings

Upon Acquisition Completion, the Target Company will become a non-wholly-owned subsidiary of the Company and its results will be consolidated with that of the Group. In light of the prospects of the environmental maintenance industry in the PRC, the Directors are of the view that the Acquisition would widen the earnings base of the Group.

2. Intangible assets

Upon Acquisition Completion, the Group will recognise intangible assets of approximately HK$113.0 million. The identifiable intangible assets mainly represent the fair value of the customer backlogs and customer relationships. The customer backlogs represent the total estimated customer contracts that has been secured and remain to be completed as at 31 December 2017. The customer relationships refer to the long-time business relationship and history with key customers in Cheungdu, Sichuan, the PRC.

3. Goodwill

Upon Acquisition Completion, the Group will recognize a goodwill of approximately HK$95.2 million. The goodwill mainly represents the reputation and the future potential of the Target Group for providing a wide array of cleaning and environmental maintenance services for local government authorities in the PRC which did not meet the criteria for recognition as intangible assets.

The Directors considered that no provision for impairment should be recorded for goodwill in the pro forma information of the Enlarged Group as set out in Appendix IV to this circular. Management has performed an impairment assessment of the Target Group using a value-in-use model to arrive at such a conclusion, based on the cash flow projections based on financial budgets approved by the board of the Target Group covering a five-year period. The key assumptions used include, but not limited to, the following:

Pre-tax discount rate	16%
Annual revenue growth rate of	73% for the first year of projection 25% for the second year of projection 0 – 2% for the remaining years in the budget period
Terminal growth rate	1%

The revenue growth rate was arrived at by taking into account the expected rates of renewal of the existing contracts and the successful bidding and execution of new contracts with higher contract value, longer contract period and greater geographical coverage, based on past experience, historical factors and the facts and circumstances as at the date of the assessment by management.

The Directors performed a sensitivity analysis based on an increase of discount rate by 1% and decrease in the revenue growth rate for the first year by 5% under which the recoverable amount of the Target Group would be approximately HK$10.4 million and HK$22.0 million lower, respectively. Under such scenarios, the revised estimate would still be higher than the carrying value of the Target Group for the purpose of the pro forma financial information.

Should the discount rate be 8 percentage points higher or that the revenue growth rate for the first year decrease by 13%, all changes taken in isolation, the recoverable amount of the Target Group will be less than the carrying value of the Target Group.

4. Net assets

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, upon Acquisition Completion, the Enlarged Group's net assets as at 31 December 2017 would be increased to approximately HK$512.2 million. The increase in the net assets is mainly due to an increase in intangible assets of approximately HK$113.0 million, an increase in cash and cash equivalents of approximately HK$72.0 million and an increase in goodwill of approximately HK$95.2 million.

Further details of the financial and trading prospects of the Group are set out in Appendix I to this circular.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE STOCK PURCHASE AGREEMENT

The Company is an investment holding company and the Group principally engaged in the operation of a chain of Chinese restaurants, property leasing and securities trading business.

As disclosed in the Company's annual report for the year ended 31 December 2017, apart from continuing to develop its core business, the Company will explore business opportunities to strengthen its revenue base. As the operating environment in Hong Kong is expected to remain challenging for the foreseeable future, the Company has decided to seek acquisition and/or partnership opportunities outside Hong Kong, particularly in the PRC, in order to maximize its return of the Shareholders and value of the Company.

During recent years, the environmental maintenance service industry has been maintaining its growth momentum with: (i) the increasing capital investment in the environmental protection industry from the PRC government; (ii) continuous improvement of the system design and law construction for the environment maintenance service industry; and (iii) the increasing emphasis on quality of life. According to the statistics of Yibiaotong*（易標通）, in the first half of 2017, the total number of environmental maintenance projects bidded in the PRC is 2,927, increased approximately 15.32% comparing to the corresponding period in 2016; and the aggregate contract value of the bidded contracts is approximately RMB40.2 billion, increased approximately 12.63% comparing to the corresponding period in 2016. In light of the above, the Company believes that the environmental maintenance industry in the PRC will enjoy a sustainable growth in the future and thus the expansion thereto would be able to enhance the business development and financial prospect of the Group.

The Target Group is one of the pioneers in the environmental maintenance industry in Chengdu since its establishment in 2004 and has established an extensive business network. In addition, the Target Group has generated net profit after tax of approximately RMB10.35 million and RMB17.07 million for the years ended 31 December 2016 and 2017, respectively.

Having considered that (i) the Vendor has provided the Profit Guarantee, Share Charge and Property Charge as disclosed under the paragraph headed "Profit Guarantee" in this Letter from the Board, (ii) the Target Group has been profit-making in the past two years and is operated by an experienced team, and (iii) the future prospect of the environmental maintenance industry has been supported by the latest policies of the PRC government, and hence the Directors believe that the Acquisition represents a relatively prudent business expansion opportunity and diversification to the Group and the terms of the transactions contemplated under the Stock Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The Company intended to acquire 51% interest in the Target Company due to the following reasons:

(1) to get the control of the Target Company;

(2) to consolidate the financial results of the Target Group into the accounts of the Group; and

(3) to retain the existing shareholder and senior management who are experienced in the environmental maintenance industry in the PRC and assist the Company to develop and expand the future business of the Target Group.

Save for the Share Charge, as at the Latest Practicable Date, the Company has not entered or proposed to enter into any agreement, arrangement, understanding or undertaking concerning the Company's acquire or subscribe further interest in the Target Company.

As at the Latest Practicable Date, the Directors and the senior management of the Company had no experience in environmental related business. Therefore, the Company decided to acquire 51% interest of the Target Group only, in order to retain its existing shareholder and senior management to manage the business after the Acquisition Completion. The Company will continue observe the performance of the Target Group and may hire additional personnel with relevant expertise and/or qualification, if necessary, to further develop the business of the Target Group.

As at the Latest Practicable Date, the Company has no intention to, and has not entered, or proposed to enter into any agreement, arrangement, understanding or undertaking and negotiation, to dispose of or downsize its existing Chinese restaurant business.

THE SUBSCRIPTION

The Subscription Agreement (as supplemented by the Subscription Supplemental Agreement)

Date

15 March 2018 (as supplemented by the Subscription Supplemental Agreement

Parties

(i) The Company (as the issuer); and

(ii) CASIC Investment Fund Management (Beijing) Limited Company* (航天科工投資基金管理(北京)有限公司) (as the subscriber).

The Subscriber is a limited company incorporated in the PRC. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are Independent Third Parties.

The Subscription Shares

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 180,000,000 new Shares at the Subscription Price of HK$1.80 per Subscription Share to the Subscriber (or its nominee(s)). The Subscription Shares have an aggregate nominal value of HK$1,800,000.

The Subscription Shares represent (i) approximately 32.26% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 24.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Conditions precedent of the Subscription

Completion of the Subscription is conditional upon the fulfillment of the following conditions:

(a) all necessary regulatory approvals in the PRC having been obtained, including but not limited to (i) the enterprise overseas investment certificate issued by the Ministry of Commerce of the PRC, and (ii) the relevant registration of foreign exchange with the State Administration of Foreign Exchange of the PRC, other competent local authorities or handling banks;

(b) the Subscriber having procured the incorporation of its nominee, obtained all necessary consents, approvals, filings and authorisations and provided the relevant documentation proof thereof;

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares;

(d) the Company having obtained all necessary consents, approvals, authorisations and/or waivers to effect the execution, completion, and performance of the obligations and other terms of the Subscription Agreement;

(e) the Shareholders having passed the necessary resolution(s) at the EGM to approve, *inter alia*, the Subscription, the Subscription Agreement and the transactions contemplated thereunder; and

(f) the Acquisition Completion to take place pursuant to the Stock Purchase Agreement.

As at the Latest Practicable Date, the above conditions precedent have not been satisfied.

If any of the foregoing conditions is not fulfilled or waived by the both parties on or prior to 31 July 2018 or such later date as the parties to the Subscription Agreement may agree in writing, the Subscription Agreement (save for certain clauses as to confidentiality and other miscellaneous matters) shall lapse and be of no further effect. None of the parties to the Subscription Agreement shall be subject to any liability (save for any antecedent breach).

Completion of the Subscription

Completion of the Subscription shall take place on the fifth Business Day following the fulfillment or waiver (as the case maybe) by both parties of the conditions precedent of the Subscription or such other date as the parties to the Subscription Agreement may agree in writing.

Lock-up

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that from the date of the Subscription Agreement and up to 365 days from the date of completion of the Subscription it shall not, and it shall procure its nominee(s), related trust(s) and any person(s) or corporation(s) controlled (whether jointly, severally, directly or indirectly) by it not to, without prior written consent from the Company:

(i) (whether conditionally, unconditionally, directly, indirectly or otherwise) dispose of, lend, pledge, agree to dispose of, grant any option, right or warrant to transfer or dispose of any Subscription Shares;

(ii) enter into any swap agreement or other similar agreement that directly or indirectly transfers, in whole or in part, the economic risk relating to the ownership of the Subscription Shares; and

(iii) declare that it intends to enter into any of the transactions referred to in paragraphs (i) and (ii) above.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a platform under CASIC for fund management and investment.

CASIC is a state-owned giant hi-tech military industry enterprise under direct administration of central government of the PRC, and is primarily engaged in five industry sectors, including defensive equipment, aerospace industry, information technology, equipment manufacturing and modern service industry. CASIC has an extremely strong core competitiveness and social influence. Focused on the development philosophy of "Overall Defense, Greater Security", CASIC has persisted in following the path of civil-military integration with Chinese characteristics. Leveraged on the technical advantages in professional fields, CASIC has developed a range of high-tech products with civil-military integration covering information technology and information security, intelligent industry and high-end equipment manufacturing and so on, to serve the development of national economy, security of national economy and information security with the advantages of aerospace system engineering. CASIC has been rated as Grade A for ten consecutive years in Operating Results Assessment for State-owned Enterprises; ranked the 355th in top 500 enterprises of the world, the 80th in top 500 enterprises of China and the 46th in Top 500 Most Valuable Chinese Brands in 2017.

Should the Subscriber nominate its nominee(s) to subscribe for the Subscription Shares, such nominee(s) shall be a company incorporated outside the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Subscriber had no relationship (business or otherwise) with any connected person of the Company.

On 20 September 2017, with a view to gathering further information relating to the environmental business, Mr. Sang Kangqiao attended a meeting in Beijing with the secretary (the "**Secretary**") of Beijing Water Bureau* (北京水務局). During the meeting, the Secretary was given to understand that the Company is interested in investing into the environmental business in the PRC. On 16 November 2017, the Secretary, through the introduction of China Aerospace Science and Industry Asset Management Company* (中國航天科工資產管理有限公司), introduced the managing director of the Subscriber. China Aerospace Science and Industry Asset Management Company* (中國航天科工資產管理有限公司) is a wholly owned subsidiary of CASIC. The Subscriber had an idea to invest into environmental business together with non-state-owned enterprise. On 15 March 2018, the Subscriber agreed to subscribe for the Subscription Shares as a passive investor of the Company. Given the background of CASIC, the Company considered that the Subscriber is an excellent strategic shareholder of the Company, who will add significant value to the Company's future development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Subscriber is a third party independent of and has no relationship, business or otherwise, with the Vendor and its associates.

On 20 April 2017, the Company signed a memorandum of understanding with Gefeng Environmental Protection Technology Co., Ltd.* (格豐環保科技有限公司) ("**Gefeng**") and Dr. Feng Xiangdong with a view to becoming a controlling shareholder of Gefeng by way of capital injection. Please refer to the announcements of the Company dated 21 April 2017, 20 October 2017 and 20 January 2018 for further details. As at the Latest Practicable Date, no definitive agreement is entered into in relation to the proposed capital injection.

The Company noted that if it conducts acquisition on environmental related or other business unrelated to the food and beverage business, the Acquisition and those further acquisition(s) may be aggregated for classification of such future transactions; and other Listing Rules implication including reverse takeover rules under Rule 14.06(6) of the Listing Rules. As at the Latest Practicable Date, the Company has no intention or envisage that its future acquisitions will constitute reverse takeovers under Rule 14.06(6) of the Listing Rules. In any event, the Company will comply with all applicable requirements under the Listing Rules in this regard and appropriate announcement will be made as and when appropriate.

SUBSCRIPTION PRICE

The Subscription Price of HK$1.80 per Subscription Share represents:

(i) a discount of approximately 11.33% to the closing price of HK$2.03 per Share as quoted on the Stock Exchange on 15 March 2018, being the date of the Subscription Agreement;

(ii) a discount of approximately 15.09% to the average closing price of approximately HK$2.12 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

(iii) a discount of approximately 14.81% to the average closing price of approximately HK$2.11 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;

(iv) a discount of approximately 11.56% to the average closing price of approximately HK$2.04 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to the date of the Subscription Agreement;

(v) a discount of approximately 20.71% to the closing price of HK$2.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 667% over the net assets value of the Company of HK$0.2347 per Share as at 31 December 2017.

Taking into account the expenses of the Subscription, the net price to the Company is approximately HK$1.792 per Subscription Share. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent market prices of the Shares and the trading liquidity of the Shares. The average market price and trading volume per day of the Shares for the last 30 consecutive trading days prior to the date of the Subscription Agreement are HK$2.04 and 0.4 million respectively. Given that (i) the Shares had been traded in a relatively thin volume; (ii) the Subscriber is subject to a lock-up arrangement which further limits the liquidity of the Subscription Shares; and (iii) the Subscription Price represents a premium of approximately 667% over the Company's latest audited net assets value per Share, the Directors are of the view that the Subscription Price, which represents a discount to the recent average market prices prior to the Subscription Agreement, are fair and reasonable.

RANKING OF THE SUBSCRIPTION SHARES

Save and except the lock up arrangement pursuant to the Subscription Agreement, the Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distributions made or proposed on or after the date of completion of the Subscription, respectively.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

CHANGES TO THE SHAREHOLDING AS A RESULT OF THE SUBSCRIPTION

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Subscription:

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Subscription	
	No. of Shares	*%*	*No. of Shares*	*%*
Mr. Sang Kangqiao *(note 1)*	188,752,000	33.82	188,752,000	25.57
Mr. Xu Wenze *(note 2)*	100,000,000	17.92	100,000,000	13.55
Mr. Cui Peng *(note 2)*	5,000,000	0.90	5,000,000	0.68
The Subscriber (or its nominees) *(notes 3 and 4)*	–	–	180,000,000	24.39
Public Shareholders	264,248,000	47.36	264,248,000	35.81
Total	558,000,000	100.00	738,000,000	100.0

Notes:

1. Mr. Sang Kangqiao is an executive director of the Company and the chairman of the Board.

2. Each of Mr. Xu Wenze and Mr. Cui Peng is an executive director of the Company.

3. The Subscriber and its nominee(s) (and, where relevant, their ultimate beneficial owners) are Independent Third Parties.

4. As at the Latest Practicable Date, the Subscriber, its concert part(ies)/nominee(s) are Independent Third Parties, and do not hold, control or direct any voting rights and rights over shares in the Company in respect of the securities of the Company (other than those pursuant to the Subscription Agreement). The Subscriber its concert part(ies)/nominee(s) are also independent of and not acting in concert (as defined under the Takeovers Code) with any of the controlling shareholders of the Company, namely Mr. Sang Kangqiao, Mr. Xu Wenze and Mr. Cui Peng.

5. After completion of the Subscription, the Subscriber (or its nominee(s)) will be resumed to be acting in concert with Mr. Sang Kangqiao under class (1) of the definition of "acting in concert" under the Takeovers Code. An application had been made by the Company to the Executive Director of the Corporate Finance Division of the Securities Futures Commission to rebut the presumed concert party relationship between Mr. Sang Kangqiao on the one hand and the Subscriber on the other hand that may arise under the Takeovers Code as a result of the completion of the Subscription Agreement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Company is an investment holding company and the Group principally engaged in the operation of a chain of Chinese restaurants, property leasing and securities trading business. Apart from developing its core business, the Company has been exploring business opportunities to strengthen its revenue base.

As set out in the Acquisition Announcement, the Group has entered into the Stock Purchase Agreement and conditionally agreed to acquire 51% of the entire issued share capital of BYL Property Holdings Group Limited (寶潤來置業控股集團有限公司) at an aggregate consideration of RMB132,600,000 (approximately HK$165,750,000) (subject to adjustments). The Company believes that the environmental maintenance industry in the PRC will enjoy a sustainable growth in the future and considers that the Acquisition would facilitate and enhance the business and financial prospect of the Group.

Apart from the above, as at the Latest Practicable Date, the Company continues exploring other potential business opportunities and investments in order to generate higher returns and additional revenue sources to the Group. The Company will make further announcement(s) as and when appropriate and will comply with all applicable requirements under the Listing Rules in this regard.

The gross proceeds from the Subscription are estimated to be approximately HK$324,000,000. The net proceeds from the Subscription after deducting the related expenses are estimated to be approximately HK$322,600,000, which will be applied as follows:

(i) approximately HK$165,750,000 (approximately RMB132,600,000) for the settlement of the consideration for the Acquisition;

(ii) approximately HK$52,000,000 for general working capital for existing business, mainly for operating lease payments and other operating expenses;

(iii) approximately HK$8,000,000 for renovation and/or maintenance work of certain restaurants in the next 12 months;

(iv) approximately HK$52,500,000 for acquiring food and beverage business and/or acquiring commercial properties for office and self-use within the next 12 to 18 months; and

(v) approximately HK$44,350,000 for future investment(s) opportunities, which included but not limited to securities investments and/or any other viable investment or business opportunities arising from time to time. If upon the exercise of any securities investments, as the case may be, constitutes a notifiable transaction for the Company, the Company will comply with such disclosure requirements as required by Chapter 14 of the Listing Rules.

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders' base of the Company for long-term development and further strengthen its financial position. The Directors believe that the terms of the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

The Company has also considered alternative fundraising methods, including bank borrowings, and rights issue or open offer, but resolved to proceed with the Subscription after taking into account the following:

(1) in respect of bank borrowings, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability and financial position as well as the prevailing market condition, and may be subject to lengthy due diligence and internal risk assessment by and negotiations with banks and usually requires pledge of assets by the borrower. As at 31 December 2017, the Company's property interests amounted to approximately HK$3.3 million, principally contributed by a commercial property in Beijing. The Directors considered that, based on the current property interests of the Company, the amount that could be financed by bank borrowing might not be sufficient for the Group's developing. Furthermore, bank borrowing will increase interest costs to the Group.

(2) in relation to a pre-emptive rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and to negotiate terms agreeable to the Group; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). As such, the Directors consider that the relatively lengthy period involved in a rights issue or an open offer may result in the Company being subject to the adverse effects of the current volatile market, and therefore increase uncertainty in being able to raise the funds.

Based on the above and the Group's current financial position and the future development of the Group, the Directors are of the view that the net proceeds from the Subscription can satisfy the Group's expected funding needs for at least the next 12 months and lower financing costs of the Group. Furthermore, having the Subscriber to become a Shareholder, it is expected to create business synergies to the Group.

Subject to any potential business and/or investment opportunities that may arise from time to time and the then financial and cash position of the Group, as at the Latest Practicable Date, the Board has no intention or plan or otherwise foresee to undertake in the next 12 months any fundraising.

LISTING RULES IMPLICATIONS

Major transaction

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Acquisition exceeded 25% but are all less than 100%, the entering into the Stock Purchase Agreement and the transactions contemplated thereunder constituted a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Specific Mandate

The Subscription is subject to the Shareholders' approval at the EGM. The Subscription Shares will be allotted and issued under the Specific Mandate by ordinary resolution to be proposed for approval by the Shareholders at the EGM.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the (i) the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements) and the transactions contemplated thereunder; (ii) the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) and the transactions contemplated thereunder; and (iii) the grant of the Specific Mandate, to allot, issue and deal with the Subscription Shares. Any Shareholder with a material interest in the relevant transactions as contemplated under the ordinary resolutions and his/her/its close associate will abstain from voting on the relevant resolutions approving the said transactions (including the grant of the Specific Mandate) at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition and the Subscription and therefore no Shareholder (or his close associate) is required to abstain from voting at the EGM.

A notice convening the EGM to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong at 10:30 a.m. on Monday, 16 July 2018 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed revoked.

VOTING BY POLL

All the resolutions set out in the notice of the EGM would be decided by poll in accordance with the Listing Rules and the articles of association of the Company. On a poll, every Shareholder presents in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder presents in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/its votes or cast all his/its votes in the same way. After the conclusion of the EGM, the poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://www.u-banquetgroup.com.

RECOMMENDATION

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements) and the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) are fair and reasonable and the entering into of the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements) and the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) is in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements) and the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) and the transactions contemplated thereunder and the grant of the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board of
U BANQUET GROUP HOLDING LIMITED
Sang Kangqiao
Chairman and Executive Director

1. FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017 are respectively disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk):

- the annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 (pages 63 to 152);
- the annual report of the Company for the year ended 31 December 2016 published on 25 April 2017 (pages 90 to 192); and
- the annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (pages 80 to 224).

2. WORKING CAPITAL

Taking into account the Acquisition Completion, the capital requirement and the presently available financial resources of the Enlarged Group, including internally generated funds from operation of the Enlarged Group, the existing available facilities from a shareholder and a director of certain subsidiaries of the Group and net proceeds from the Subscription, the Directors after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, the Group had outstanding unsecured borrowings amounting to approximately HK$32,770,000 comprising: (i) an unsecured loan from a shareholder of approximately HK$7,770,000; and (ii) an unsecured loan from a director of certain subsidiaries of approximately HK$25,000,000.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal accounts payables in the ordinary course of business, as at the close of business on 30 April 2018, we did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other contingent liabilities.

4. MATERIAL ADVERSE CHANGE

Pursuant to the unsecured loan facility of 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 granted by the Group's controlling shareholder and director, Mr. Sang Kangqiao, the Group owed to Mr. Sang Kangqiao an amount of approximately HK$150,690,000 as at 31 December 2017. Subsequent to the balance sheet date up to the Latest Practicable Date, the Group had repaid HK$142,920,000 to Mr. Sang Kangqiao. Save for the aforesaid, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Operation of a chain of Chinese restaurants in Hong Kong

In light of the continued fierce competitive environment in the food and beverage industry, the rising cost of materials and the continuing high rental cost in Hong Kong, the financial performance of the Group for the year ended 31 December 2017 remained under pressure. Even though the revenue of the Group, which amounted to HK$368.8 million for the year ended 31 December 2017, remained at similar level as compared with the corresponding period in 2016 of HK$363.8 million, operating loss for the period has increased from approximately HK$50.9 million in 2016 to HK$53.7 million in 2017, which was principally attributable by the increase in cost of materials, increase in operating lease payments and other expenses.

Despite the above-mentioned challenges facing by the Group, the Company has no intention to enter into (and has not entered into) any negotiation, understanding and undertaking in relation to scale down or disposal of the existing restaurants in Hong Kong. The restaurant business will remain as the principal business of the Group.

Future plans for material investment or capital assets

As the operating environment in Hong Kong is expected to remain challenging in the coming years, the Company has been seeking acquisition and/or partnership opportunities outside Hong Kong, particularly in the PRC, in order to diversify its revenue base and maximize its return of the Shareholders and value of the Company. Any such plans will be subject to review and approval by the Board and compliance with the applicable requirements under the Listing Rules where appropriate.

The Acquisition represents a potential opportunity for the Company to enter the environmental maintenance industry in the PRC. As disclosed in the section headed "Letter from the Board – Reasons and the benefits of entering into the Stock Purchase Agreement" in this circular, the Directors consider that the Acquisition is to the benefit of the Group and Shareholders as a whole as it could enhance the income source of the Group and diversify the business portfolio and business risk of the Group.

The following is the text of a report set out on pages II-1 to II-48, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF U BANQUET GROUP HOLDING LIMITED

Introduction

We report on the historical financial information of BYL Property Holdings Group Limited (the "Target") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-48, which comprises the combined balance sheet as at 31 December 2015, 2016 and 2017 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flows statements for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-48 forms an integral part of this report, which has been prepared for inclusion in the circular of U Banquet Group Holding Limited (the "Company") dated 15 June 2018 (the "Circular") in connection with the proposed acquisition of 51% equity interest of the Target Group by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.2 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Target Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of the Target and its subsidiaries now comprising the Target Group for the Track Record Period. The directors of the respective companies now comprising the Target Group are responsible for the preparation of the respective companies' financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of the respective companies' financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.2 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the Target Group as at 31 December 2015, 2016 and 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.2 and 2.1 to the Historical Financial Information.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
15 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET BUSINESS

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except where otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	100,087	99,840	94,896
Other income	*6*	225	179	3
Cost of materials		(1,831)	(1,457)	(1,381)
Employee benefits expenses	*8*	(77,167)	(73,411)	(56,757)
Depreciation	*12*	(2,794)	(2,828)	(3,349)
Operating lease payments		(1,027)	(1,224)	(943)
Utilities expenses		(612)	(606)	(603)
Other expenses		(6,361)	(6,334)	(8,734)
Operating profit	*7*	10,520	14,159	23,132
Finance income	*9*	101	183	118
Profit before income tax		10,621	14,342	23,250
Income tax expense	*10*	(2,975)	(3,995)	(6,178)
Profit and total comprehensive income for the years attributable to owners of the Target business		7,646	10,347	17,072

COMBINED BALANCE SHEET

		As at 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Plant and equipment	*12*	15,299	15,835	21,246
Deposits	*13*	3,264	1,039	4,086
Prepayments for acquisition of plant and equipment	*13*	–	510	1,399
Deferred income tax assets		66	103	59
		18,629	17,487	26,790
Current assets				
Trade receivables	*14*	7,470	7,996	10,299
Deposits, prepayment and other receivables	*13*	4,334	7,802	11,262
Amounts due from related parties	*15*	834	15,500	–
Cash and cash equivalents	*16*	22,177	7,575	20,152
		34,815	38,873	41,713
Total assets		53,444	56,360	68,503
EQUITY				
Equity attributable to Owners of the Target Business				
Combined capital	*17*	6,000	6,509	6,509
Reserves	*17*	(2,954)	7,393	24,465
Total equity		3,046	13,902	30,974
LIABILITIES				
Current liabilities				
Trade payables	*18*	618	590	201
Other payables, accrued liabilities and receipts in advance	*19*	12,946	14,109	17,344
Amounts due to related parties	*15*	32,780	20,242	6,584
Current income tax liabilities		4,054	7,517	13,400
Total liabilities		50,398	42,458	37,529
Total equity and liabilities		53,444	56,360	68,503

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Capital and reserves attributable to owners of the Target Business			
	Combined capital	Statutory reserve	(Accumulated losses)/ retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 17(a))	*(Note 17(b))*		
Balance as at 1 January 2015	6,000	–	(10,600)	(4,600)
Comprehensive income				
Profit for the year	–	–	7,646	7,646
Total comprehensive income	–	–	7,646	7,646
Balance as at 31 December 2015	6,000	–	(2,954)	3,046
Balance as at 1 January 2016	6,000	–	(2,954)	3,046
Comprehensive income				
Profit for the year	–	–	10,347	10,347
Total comprehensive income	–	–	10,347	10,347
Transaction with owners with their capacity as owners of Target Business				
Issuance of registered capital	509	–	–	509
Transfer to statutory reserve	–	739	(739)	–
	509	739	(739)	509
Balance as at 31 December 2016	6,509	739	6,654	13,902

	Capital and reserves attributable to owners of the Target Business			
	Combined capital	**Statutory reserve**	**(Accumulated losses)/ retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 17(a))	*(Note 17(b))*		
At 1 January 2017	6,509	739	6,654	13,902
Comprehensive income				
Profit for the year	–	–	17,072	17,072
Total comprehensive income	–	–	17,072	17,072
Transaction with owners with their capacity as owners of Target Business				
Transfer to statutory reserve	–	1,715	(1,715)	–
Balance as at 31 December 2017	6,509	2,454	22,011	30,974

COMBINED CASH FLOWS STATEMENTS

	Note	2015	2016	2017
		Year ended 31 December		
	Note	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations	*21*	26,523	17,095	21,358
Income taxes paid		(175)	(569)	(251)
Net cash flows generated from operating activities		26,348	16,526	21,107
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment		(2,446)	(3,900)	(9,806)
Proceeds from disposal of plant and equipment	*21*	36	4	36
(Advance to)/repayment from related companies		(834)	(14,666)	15,500
Interest received	*9*	101	183	118
Net cash flows (used in)/generated from investing activities		(3,143)	(18,379)	5,848
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments to related companies		(13,496)	(12,749)	(14,378)
Net cash flows used in financing activities		(13,496)	(12,749)	(14,378)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,709	(14,602)	12,577
Cash and cash equivalents at beginning of year		12,468	22,177	7,575
CASH AND CASH EQUIVALENTS AT END OF YEAR		22,177	7,575	20,152

II NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Target was incorporated in the British Virgin Islands on 25 November 2016 as an exempted company with limited liability. The address of the Target's registered office is P.O. Box 116, Sea Meadow House, Blackburne Highway, Road Tortola, British Virgin Islands.

The Target is an investment holding company. The Target and the companies shown in Note 1.2 below now comprising the Target Group are engaged in the provision of environmental hygiene and cleaning services in Chengdu, Sichuan, The People's Republic of China (the "PRC") (the "Target Business").

1.2 Reorganisation

Prior to the reorganisation as described below, the Target Business was carried out by Chengdu Sanchuang Cityscape Environment Management Company Limited ("成都三創市容環境管理有限責任公司"), a company incorporated in the PRC (the "Operating Subsidiary"). The Operating Subsidiary was previously wholly owned by Mr. Wan Zhong (the "Controlling Shareholder") under a trust arrangement.

In fulfilling the precedent condition of the sale and purchase agreement for the acquisition of the Operating Subsidiary by the Target, the Operating Subsidiary underwent a reorganisation (the "Reorganisation") as set out below:

(i) On 25 November 2016, the Target was incorporated in the British Virgin Islands ("BVI") with an authorised share capital of United State dollar ("US$") 50,000 divided into 50,000 shares with a par value of US$1 each. On the date of incorporation, 1 share was allotted and issued as fully paid at par to an initial subscriber.

(ii) On 26 October 2016, BYL Property Holdings Limited was incorporated in Hong Kong with limited liability. On the date of incorporation, 10,000 shares were allotted and issued as fully paid to an initial subscriber, totaled to Hong Kong dollar ("HK$") 10,000. Subsequently, on 7 July 2017, the 10,000 shares was transferred to the Target at HK$10,000 and it became a wholly-owned subsidiary of the Target.

(iii) On 7 December 2016, Shenzhen Baorunlai Property Company Limited (深圳寶潤來置業有限公司) was incorporated in Shenzhen, the PRC, with limited liability with an authorised share capital of RMB500,000 as a wholly-owned subsidiary of BYL Property Holdings Limited.

(iv) On 13 January 2018, the issued and fully paid share of the Target was transferred to the Controlling Shareholder.

(v) On 2 February 2018, the Target allotted and issued at par payable in cash for additional 99 shares, totaled US$99 to the Controlling Shareholder. Upon the completion of the allotment, the Target has 100 issued shares, totaled to US$100.

(vi) On 2 February, 2018, the trustees, acting on behalf of the Controlling Shareholder of the Operating Subsidiary transferred the respective holding in the Operating Subsidiary, representing its entire share capital, to Shenzhen Baorunlai Property Company Limited (深圳寶潤來置業有限公司). Upon completion of the transfer, the Operating Subsidiary become a wholly owned subsidiary of Shenzhen Baorunlai Property Company Limited (深圳寶潤來置業有限公司) and the Controlling Shareholder indirectly holds 100% of the equity interests in the Operating Subsidiary through the Target.

Upon completion of the Reorganisation, on 2 February 2018, and as at the date of this report, the Target is considered as the ultimate holding company of the Target Group and the ultimate controlling party of the Target Group is Mr. Wan Zhong. The Target had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Equity interest held as at 31 December			Principal activities and place of operation	*Notes*
				2015	2016	2017		
Directly held								
BYL Property Holdings Limited	Hong Kong, limited liability company	26 October 2016	HK$10,000	N/A	N/A	100%	Investment holding company, Hong Kong	*(i), & (iii)*
Indirectly held								
Shenzhen Baorunlai Property Company Limited (深圳寶潤來置業有限公司)	The PRC, limited liability company	7 December 2016	RMB500,000	N/A	N/A	100%	Investment holding company, Shenzhen, PRC	*(ii), & (iii)*
Chengdu Sanchuang Cityscape Environment Management Company Limited	The PRC, limited liability company	22 October 2004	RMB60,000,000	N/A	N/A	N/A	Provision of environmental hygiene and cleaning services in Chengdu, Sichuan, PRC	*(ii), & (iii)*

Notes:

(i) No audited statutory financial statements have been issued for the company as it is a newly incorporated entity.

(ii) No audited statutory financial statements have been issued for the companies as they are not required to issue audited financial statements under the statutory requirements of their place of incorporation.

(iii) All companies have adopted 31 December as their financial year end date.

Immediately prior to and after the Reorganisation, the Target Business is conducted through the Operating Subsidiary and managed by the Controlling Shareholder. Pursuant to the Reorganisation, the Operating Subsidiary and the Target Business are transferred to and held by the Target. The Target has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Target business with no change in management of such business and the ultimate owner of the Target Business remain the same. Accordingly, the Target Group resulting from the Reorganisation is regarded as a continuation of the Target Business under the Operating Subsidiary and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of the Operating Subsidiary, with the assets and liabilities of the Target Group recognised and measured at the carrying amounts of the Target Business under the financial statements of the Operating Subsidiary for all years presented.

The Historical Financial Information has been prepared by combining the historical financial information of the Operating Subsidiary, under the same management immediately before and after the Reorganisation and the companies now comprising the Target Group as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies incorporate, whichever is a shorter period.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information have been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

Up to the date of issuance of this report, the HKICPA has issued the following new standards, amendments to existing standards which are not yet effective during the Track Record Period and have not been early adopted by the Target 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

		Effective for annual periods beginning on or after
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 during the Track Record Period and have not been early adopted by the Target Group. The Target Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Target Group's assessment of the impact of these new standards and interpretations is set out below.

(a) 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 Target Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Target Group does not have any debt instruments that would be classified as available-for-sale financial assets or held-to-maturity under HKAS 39 which will be accounted differently under HKFRS 9.

The Target Group also does not expect there will be any significant impact on the Target 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 Target Group to date, the implementation is not expected to result in any significant impact on the Target Group's combined financial position and results of operations except that it may result in an earlier recognition of credit losses.

Date of adoption by the Target Group

The new standard are mandatory for adoption for financial years commencing on or after 1 January 2018. The Target 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.

(b) 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 entity 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 Target Group is principally engaged in the provision of environmental hygiene and cleaning services. Management has assessed the effects of applying the new standard on the Target Group's combined financial statements. Based on the assessments undertaken to date, the implementation of HKFRS 15 on the existing environmental hygiene and cleaning service contracts is not expected to result in any significant impact to the Target Group's combined financial statements as management does not identify multiple performance obligations in existing service contracts.

Date of adoption by the Target Group

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

(c) 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 combined 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 standard will affect primarily the accounting for the Target Group's operating leases. As at 31 December 2017, the Target Group has no non-cancellable operating leases.

Date of adoption by the Target Group

Mandatory for financial years commencing on or after 1 January 2019. The Target Group does not intend to adopt the standard before its effective date. The Target 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 Target Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the holding company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends received from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB which is the Operating Subsidiary's functional and the Target Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.4 Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Furniture and fixtures	5 years
– Motor vehicles	3 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in combined statements of comprehensive income.

2.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets

2.6.1 Classification

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise "trade receivables", "deposits and other receivables", "amounts due from related companies" and "cash and cash equivalents" in the combined balance sheet.

2.6.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Target Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. It is derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Group or the counterparty.

2.8 Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.6 for further information about the Target Group's accounting for trade and other receivables and Note 2.8 for a description of Target Group's impairment policy.

2.10 Cash and cash equivalents

In the combined cash flows statements, cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.11 Combined capital

As mentioned in Note 1.2 above, the Historical Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2015, 2016 and 2017 or since the respective dates of incorporation/establishment of the combining companies, where there is a shorter period. Capital represented the combined issued share capital of the entities now comprising the Target Group as at 31 December 2015, 2016 and 2017.

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period date in the countries where the Target Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.15 Leases (as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.16 Employee benefits

(a) Pension obligation

In accordance with the rules and regulations in the PRC, the Target Group has arranged for its PRC employees to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under this plan. The assets of this plan are held separately from those of the Target Group in an independent fund managed by the PRC government. Contributions are made based on certain percentage of the employees' compensation or a fixed sum.

The Target Group has no further payment obligations once the contributions have been paid. The Target Group's contributions to these plans are charged to the combined statements of comprehensive income as incurred.

(b) Other Employee Benefits

In addition to pension obligation, all PRC employees of the Target Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Target Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities. The Target Group has no further payment obligations once the contributions have been paid. The Target Group's contributions to these plans are charged to the combined statements of comprehensive income as incurred.

(c) Bonus Plans

Provisions for bonus plans are recognised when the Target Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.17 Government grants

Grants from the government are recognised at their fair values when there is a reasonable assurance that the grant will be received, the Target Group will comply with all attached conditions (if any) and the compensation for expenses or losses already incurred or the grant is for the purpose of giving immediate financial support to the entity with no future related cost to be incurred.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of services in ordinary course of the Target Group's activities. Revenue is shown net of discounts and value added taxes ("VAT") in the PRC.

The Target Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below. The Target Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Provision of environmental hygiene and cleaning services

Service income for provision of environmental hygiene and cleaning services are recognised in the accounting period in which the services are rendered.

For services that are provided on ad-hoc basis, service income is recognised upon completion of the provision of such ad-hoc services.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method.

2.19 Dividend distribution

Dividend distribution to the Target's shareholders is recognised as a liability in the Target's financial statements in the period in which the dividends are approved by the Target's shareholders or directors where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The Target Group does not use financial derivative to hedge its financial risk exposures.

Management regularly manages the financial risks of the Target Group. Because of the simplicity of the financial structure and the current operations of the Target Group, no hedging activities are undertaken by management.

(a) Credit risk

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to customers and other activities undertaken by the Target Group. Credit risk mainly arises from bank balances, trade receivables, other receivables and deposits and amounts due from related companies. The carrying amounts of these balances in the combined balance sheet represent the Target Group's maximum exposure to credit risk in relation to its financial assets.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Target Group maintains a defined credit policy for its customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

Majority of the Target Group's bank balances are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on the financial position of the debtors as well as past experience of the Target Group in dealing with respective debtors. The Target Group's historical experience in collection of deposits and receivables falls within recorded allowance, if necessary, and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Most of the income and expenditures of the Target Group are denominated in RMB. In the opinion of Target Group's directors, the exposure to foreign exchange rate risk is considered low. As such, no sensitivity analysis is presented.

The Target Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for each of the years ended 31 December 2015, 2016 and 2017.

(c) Cash flow and fair value interest rate risk

The Target Group has no significant interest-bearing assets and liabilities other than cash at bank. The Target Group's bank balances earn interest at floating rates. The Target Group does not enter into derivatives to address either cash flow or fair value interest rate risks for each of the years ended 31 December 2015, 2016 and 2017.

In the opinion of Target Group's director, the exposure to interest rate risk is considered low. As such, no sensitivity analysis is presented.

(d) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and longer term.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end dates during the Track Record Period). Where there is a repayable on demand clause which gives the Target Group's creditors the unconditional right to call the financial liabilities at any time, the amounts repayable are classified in the earliest time bracket in which the creditors could demand repayment and no interest payments were included. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Total
	RMB'000
At 31 December 2015	
Within 1 year/repayable on demand	
Trade payables *(Note 18)*	618
Other payables and accrued liabilities *(Note 19)*	1,070
Amounts due to related companies *(Note 15)*	32,780
	34,468
At 31 December 2016	
Within 1 year/repayable on demand	
Trade payables *(Note 18)*	590
Other payables and accrued liabilities *(Note 19)*	1,294
Amounts due to related companies *(Note 15)*	20,242
	22,126
At 31 December 2017	
Within 1 year/repayable on demand	
Trade payables *(Note 18)*	201
Other payables and accrued liabilities *(Note 19)*	5,184
Amounts due to related companies *(Note 15)*	6,584
	11,969

3.2 Capital management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Target Group consists of net debts and shareholders' equity. The Target monitors capital on the basis of net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (i.e. amounts due to related parties) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the combined balance sheet plus net debt.

The gearing ratios as at 31 December 2015, 2016 and 2017 were as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(Note 24)*	32,780	20,242	6,584
Less: cash and cash equivalents *(Note 16)*	(22,177)	(7,575)	(20,152)
Net debt/(cash)	10,603	12,677	(13,568)
Total equity	3,046	13,902	30,974
Total capital	13,649	26,579	17,406
Gearing ratio	78%	48%	N/A

As at 31 December 2017, the Target Group has a net cash position and thus no gearing ratio is presented.

3.3 Fair value estimation

The carrying amounts of the Target Group's financial assets, including cash and bank balances, trade receivables, deposits and other receivables and amounts due from related companies and the Target Group's financial liabilities, including trade payables, amounts due to related companies, other payables and accrued liabilities approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

4 Critical accounting estimates and judgements

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of plant and equipment

The Target Group reviews plant and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on management's estimate with best information available. The Target Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Target Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

(b) Impairment assessment of trade receivables, deposits and other receivables

The Target group assesses whether there is objective evidence that trade receivables, deposits and other receivable is impaired and makes provision for impairment, if any. Provisions are applied to trade receivables, deposits and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of trade receivables, deposits and other receivables and loss for the impairment of trade receivables, deposits and other receivables is recognised in the year in which such estimates have been changed.

(c) *Income taxes and deferred taxation*

Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

5 Revenue

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Service income for provision of environmental hygiene and cleaning services	100,087	99,840	94,896

6 Other income

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Subsidies received from local government *(Note)*	225	179	–
Others	–	–	3
	225	179	3

Note:

The amounts represent unconditional incentives granted to the Operating Subsidiary by the local government authorities in the PRC.

7 Operating profit

The operating profit is stated after charging the following:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Employee benefits expenses (including directors remuneration) *(Note 8)*	77,167	73,411	56,757
Depreciation of plant and equipment *(Note 12)*	2,794	2,828	3,349
Car expenses	3,952	4,274	6,359
Cleaning material costs	1,834	1,458	1,382
Operating lease payments	1,027	1,224	943
Insurance fee	241	410	360
Compensation	952	703	526
Utilities expenses	612	606	603
Loss on disposal of plant and equipment	626	22	121
Others	587	925	1,367
	89,792	85,861	71,767

8 Employee benefits expenses (including directors' remuneration)

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries, bonus and other benefits	75,022	71,413	54,871
Pension costs – defined contribution plans *(Note)*	2,145	1,998	1,886
	77,167	73,411	56,757

Note:

Pension costs – defined contribution plans

PRC employees in the Operating Subsidiary are required to participate in a defined contribution pension scheme administrated and operated by the local municipal government. The Operating Subsidiary contributes funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The contributions to the scheme are expensed as incurred.

9 Finance income

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	101	183	118

10 Income tax expense

The applicable corporate income tax rate for PRC where the Operating Subsidiary operates and generate taxable income is 25%.

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	2,986	4,032	6,123
Deferred income tax	(11)	(37)	55
	2,975	3,995	6,178

The tax on the Target Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the entities as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	10,621	14,342	23,250
Tax calculated at applicable tax rate	2,655	3,585	5,813
Expenses not deductible for tax purposes	320	410	365
Income tax expense	2,975	3,995	6,178

For each of the years ended 31 December 2015, 2016 and 2017, the effective tax rate was 28.0%, 27.9% and 26.6% respectively. As at 31 December 2015, 2016 and 2017, the Target Group does not have material unrecognised tax losses.

The retained earnings of the Operating Subsidiary in PRC would be subject to additional taxation if they are distributed. As at 31 December 2015, 2016 and 2017, the estimated withholding tax effects on the distribution of retained earnings of the Operating Subsidiary was approximately nil, RMB665,000 and RMB2,209,000. In the opinion of the directors of the Target Group, these retained earnings, at the present time, are required for financing the continuing operation and expansion of the Operating Subsidiary and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation in respect of withholding tax on dividend have been made.

11 Dividends

No dividend has been paid or declared by the Target since its incorporation.

During each of the years ended 31 December 2015, 2016 and 2017, no dividend has been paid or declared by the Operating Subsidiary to respective shareholders.

12 Plant and equipment

	Motor vehicles	Furniture and fixture	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015			
Cost	21,318	6	21,324
Accumulated depreciation	(5,303)	(2)	(5,305)
Net book value	16,015	4	16,019
Year ended 31 December 2015			
Opening net book value	16,015	4	16,019
Additions	2,734	2	2,736
Disposal	(662)	–	(662)
Depreciation charge *(Note 7)*	(2,792)	(2)	(2,794)
Closing net book value	15,295	4	15,299

	Motor vehicles *RMB'000*	Furniture and fixture *RMB'000*	Total *RMB'000*
At 31 December 2015			
Cost	22,695	8	22,703
Accumulated depreciation	(7,400)	(4)	(7,404)
Net book value	15,295	4	15,299
Year ended 31 December 2016			
Opening net book value	15,295	4	15,299
Additions	3,378	12	3,390
Disposal	(26)	–	(26)
Depreciation charge *(Note 7)*	(2,826)	(2)	(2,828)
Closing net book value	15,821	14	15,835
At 31 December 2016			
Cost	25,792	20	25,812
Accumulated depreciation	(9,971)	(6)	(9,977)
Net book value	15,821	14	15,835
Year ended 31 December 2017			
Opening net book value	15,821	14	15,835
Additions	8,917	–	8,917
Disposal	(157)	–	(157)
Depreciation charge *(Note 7)*	(3,345)	(4)	(3,349)
Closing net book value	21,236	10	21,246
At 31 December 2017			
Cost	33,231	20	33,251
Accumulated depreciation	(11,995)	(10)	(12,005)
Net book value	21,236	10	21,246

13 Deposits, prepayment and other receivables

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Deposits *(Note a)*	3,264	1,039	4,086
Prepayments for purchase of plant and equipment	–	510	1,399
	3,264	1,549	5,485
Current:			
Deposits *(Note a)*	3,523	5,472	8,172
Prepayment	–	–	500
Other receivables	811	2,330	2,590
Total current deposits, prepayments and other receivables	4,334	7,802	11,262
Total deposits, prepayments and other receivables	7,598	9,351	16,747

Note:

(a) In accordance with the service contracts with customers and the common practice in the industry, certain customers request the Operating Subsidiary to maintain deposits with them. The deposits will be released and refunded to the Operating Subsidiary when the relevant services contract expired, normally in one to three years. The balances are regularly reviewed by management with reference to the historical default rates or forfeiture rate. There is no history of forfeiture and default of these balances during each of the years ended 31 December 2015, 2016 and 2017.

(b) The maximum exposure to credit risk at each of the reporting date is the carrying amount of each class of receivables and deposits mentioned above. The Target Group does not hold any collateral as security. The carrying amounts of deposits and other receivables are denominated in RMB and approximate their fair values as the impact of discounting is not significant.

14 Trade receivables

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	7,470	7,996	10,299

Proceeds receivable in respect of the provision of environmental hygiene and cleaning services are settled in accordance with the terms as stipulated in the service agreements. The trade receivables are generally on credit terms within 30 – 90 days.

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

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
0 – 3 months	6,845	6,807	9,058
4 – 6 months	625	1,189	1,241
	7,470	7,996	10,299

As of 31 December 2015 and 2016 and 2017, trade receivables of approximately RMB2,637,000, RMB2,446,000 and RMB2,511,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
0 – 3 months	2,183	2,287	2,064
4 – 6 months	454	159	447
	2,637	2,446	2,511

The Target Group does not hold any collateral as security. The carrying amounts of trade receivables are denominated in RMB and approximate their fair values.

15 Amounts due from/(to) related parties

Amounts due from/to related parties are denominated in RMB and are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values.

16 Cash and cash equivalents

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	21,714	7,121	19,644
Cash on hand	463	454	508
	22,177	7,575	20,152
Maximum exposure to credit risk	21,714	7,121	19,644

The effective weighted average annual interest rate on cash at bank was 0.77%, 0.86% and 0.62% for the years ended 31 December 2015, 2016 and 2017.

As at 31 December 2015, 2016 and 2017, the cash and bank balances of the Target Group are all denominated in RMB. RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group's subsidiaries in the PRC is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17 Combined capital and reserves

(a) Combined capital

As at 31 December 2015 and 2016 and 2017, combined capital represented issued share capital of entities comprising the Target Group after elimination of intercompany investments.

(b) Statutory reserve

The Operating Subsidiary in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

18 Trade payables

An ageing analysis of the trade payables as at 31 December 2015, 2016 and 2017, based on the invoice date is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
0 – 3 months	618	590	201

The carrying amounts of the Target Group's trade payables are denominated in RMB and approximate their fair values due to their short maturities.

19 Other payables, accrued liabilities and receipt in advance

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	5,286	7,085	10,538
Accrued liabilities	7,125	6,072	6,806
	12,411	13,157	17,344
Receipts in advance	535	952	–
	12,946	14,109	17,344

The carrying amounts of the Target Group's other payables, accrued liabilities and receipt in advance are denominated in RMB.

The carrying amounts of the Target Group's other payables and accrued liabilities approximate their fair values due to their short maturities.

20 Financial instruments by categories

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Loans and receivables:			
Assets as per statement of financial position			
Trade receivables *(Note 14)*	7,470	7,996	10,299
Deposits and other receivables	7,598	8,841	14,848
Amounts due from related parties *(Note 15)*	834	15,500	–
Cash and cash equivalents *(Note 16)*	22,177	7,575	20,152
Total	38,079	39,912	45,299

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost:			
Liabilities as per statement of financial position			
Trade payables *(Note 18)*	618	590	201
Other payables and accrued liabilities *(Note 19)*	1,070	1,294	5,184
Amounts due to related parties *(Note 15)*	32,780	20,242	6,584
Total	34,468	22,126	11,969

21 Cash flow information

(a) Cash generated from operations

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	10,621	14,342	23,250
Adjustments for:			
Finance cost	(101)	(183)	(118)
Depreciation of plant and equipment	2,794	2,828	3,349
Loss on disposal of plant and equipment	626	22	121
	13,940	17,009	26,602
Change in working capital			
Trade receivables	8,597	(526)	(2,303)
Deposits, prepayment and other receivables	2,922	(1,243)	(6,507)
Amounts due from related parties	720	720	720
Trade payables	177	(28)	(389)
Other payables, accrued liabilities and receipt in advance	167	1,163	3,235
Cash generated from operations	26,523	17,095	21,358

(b) Reconciliation of proceeds from disposal of plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount *(Note 12)*	662	26	157
Loss on disposal of plant and equipment *(Note 7)*	(626)	(22)	(121)
Total	36	4	36

22 Contingent liabilities

In carrying out its ordinary course of business, the Target Group is subject to the risk of being named as a defendant in legal actions, claims and disputes in connection with business activities. The nature of the legal proceedings initiated against the Target Group mainly includes claims for compensation by the Target Group's existing or former employees for work related injuries. The Target Group maintains insurance cover and, in the opinion of the Target Group's directors, based on available evidence, any such existing claims and legal proceedings against the Target Group have no material financial impact to the Target Group as at 31 December 2015, 2016 and 2017.

23 Commitments

(a) Capital commitments

The Target Group had the following contracted, but not provided for, commitments at the end of the reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Plant and equipment	–	–	1,365

(b) Operating lease commitments

As at 31 December 2015 and 2016 and 2017, the Target Group had future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Not later than one year	720	720	–
Later than one year but not later than two years	720	–	–
	1,440	720	–

24 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, to joint control over the party or exercise significant influence over the other party in making financial and operation decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Target Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

(a) The directors of the Target are of the view that the following parties/companies were related parties that had transactions or balances with the Target Group during the Track Record Period:

Name of the related party	**Relationship with the Target Group**
Mr. Wan	Controlling Shareholder
Mr. Zhao	Former director of the Operating Subsidiary
四川凹凸融建投集團有限公司	Entity controlled by the Controlling Shareholder
成都家福物業管理有限公司	Entity controlled by the Controlling Shareholder
成都凹凸視光眼鏡有限責任公司	Entity controlled by the Controlling Shareholder
成都大有元亨投資有限責任公司	Entity controlled by the Controlling Shareholder
四川凹凸環境營造有限責任公司	Entity controlled by the Controlling Shareholder
成都惠生清潔服務有限責任公司	Entity controlled by the Controlling Shareholder

(b) Transactions with related parties

Save as disclosed elsewhere in these combined financial statements, the Target Group had the following material transactions with a related party:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Rental expenses paid or payable to the Controlling Shareholder	720	720	720

The rental expenses are charged at RMB60,000 per month for the years ended 31 December 2015, 2016 and 2017. The lease expired on 31 December 2017.

(c) Balances with related parties

The Target Group had the following balances with related parties:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Non-trade:			
成都家福物業管理有限公司	834	1,500	–
四川凹凸融建投集團有限公司	–	3,000	–
成都凹凸視光眼鏡有限責任公司	–	5,500	–
成都大有元亨投資	–	5,500	–
	834	15,500	–
Amounts due to related parties			
Non-trade:			
四川凹凸環境營造有限責任公司	(14,539)	(14,491)	(3,874)
成都惠生清潔服務有限責任公司	(5,100)	(100)	–
Mr. Wan Zhong	(9,533)	(3,723)	(2,710)
Mr. Zhao	(3,608)	(1,928)	–
	(32,780)	(20,242)	(6,584)

As disclosed in Note 15 to the combined financial statements, the balances are interest-free, unsecured and payable on demand. The carrying amounts of the balances approximate their fair values and are denominated in RMB.

(d) Commitment with a related party

In respect of the operating lease commitment as disclosed in note 24(b) to the combined financial statements, the future minimum rental payable to related parties under non-cancellable operating leases of the Target Group in respect of property was RMB1,440,000, RMB720,000 and nil as at 31 December 2015, 2016 and 2017, respectively, as disclosed in note 23(b).

(e) Key management compensation

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonus	490	107	562
Pension costs – defined contribution plans	15	19	58
	505	526	620

III SUBSEQUENT FINANCIAL STATEMENTS

No audited combined financial statements have been prepared for the Target or any of its subsidiaries in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

Set out below is the management discussion and analysis on the Target Group for the three the years ended 31 December 2015, 2016 and 2017. The following financial information is based on the audited financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Company is an investment holding company incorporated in the BVI with limited liability. The Target Company owns the entire issued share capital of BYL HK, which in turn owns the entire issued share capital of Shenzhen Baorunlai, which in turn owns the entire issued share capital of Sanchuang Environmental. Save for their interests in Sanchuang Environmental, each of the Target Company, Shenzhen Baorunlai and BYL HK has no business operation and material assets. Sanchuang Environmental is principally engaged in the provision of environmental maintenance services mainly in Chengdu of the PRC.

The Target Group is principally engaged in the provision of environmental maintenance service in the PRC. Further details of the business of the Target Group are set out under "Business Model" of "INFORMATION OF THE TARGET GROUP" in the Letter from the Board.

The Target Group is one of the pioneers in the environmental maintenance industry in Chengdu since its establishment in 2004 and has established an extensive business network. The Target Group was awarded with the qualification of Grade One Environmental Maintenance Service Company by the Chengdu Administration Bureau with over 1,800 employees as at the Latest Practicable Date. The Target Group has also built up an excellent reputation in the market and consistently received compliments from the government officials. To improve its efficiency and reduce operating costs, the Target Group has been dedicated to automate certain workflows and operation by investing in advanced environmental maintenance machineries and equipment, such as mist cannon trucks, sprinkler truck and road sweepers.

FINANCIAL OVERVIEW

Revenue

All of the Target Group's revenue is generated from the service fees paid by the government officials for the environmental hygiene and cleaning services provided.

For the years ended 31 December 2015, 2016 and 2017, the Target Group recorded revenue of approximately RMB100.1 million, RMB99.8 million and RMB94.9 million, respectively, representing a decrease of approximately 0.25% and 4.95% respectively. Such decrease for the year ended 31 December 2017 over 2016 was mainly attributable to the Target Group's strategy to focus on high profitability contracts. For example, after certain contract expired, if the Target Group is of the view that such contract is not profitable, the Target Group will not enter the tender process of the same contract.

Employee benefits expenses

For the years ended 31 December 2015, 2016 and 2017, the employee benefit expenses of the Target Group amounted to approximately RMB77.2 million, RMB73.4 million and RMB56.8 million respectively. The significant decrease in the employee benefit expenses was mainly attributable to decrease of overtime allowance expenses. The decrease of overtime allowance expenses was due to the decrease of overtime work of the employees since the operation efficiency of the Target Group had been improved following the Target Group's strategy to promote automation of operation. For the years ended 31 December 2015, 2016 and 2017, the Target Group spent RMB2.4 million, RMB3.9 million and RMB9.8 million respectively on purchasing advanced environmental maintenance machineries and equipment.

Other income

For the years ended 31 December 2015, 2016 and 2017, the Target Group recorded other income of approximately RMB225,000, RMB179,000 and RMB3,000, respectively. For the years ended 31 December 2015 and 2016, other income represented the subsidies granted to Sanchuang Environmental by the local government authorities in the PRC. For the year ended 31 December 2017, the Target Group recorded no subsidies received from the local government.

Finance income

For the years ended 31 December 2015, 2016 and 2017, the Target Group recorded finance income of approximately RMB101,000, RMB183,000 and RMB118,000 respectively. The finance income was generated from the bank interest income of the Target Group.

Profit for the year

The Target Group recorded a net profit attributable to owners of approximately RMB7.6 million, RMB10.3 million and RMB17.1 million respectively for the years ended 31 December 2015, 2016 and 2017. Such an increasing trend was mainly attributable to the decrease of employee benefit expenses.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group's daily operation and capital expenditures are mainly funded by internally generated funds. The Target Group has generated net cash from operations for the years ended 31 December 2015, 2016 and 2017. As at 31 December 2015 and 2016, although the net current liabilities of the Target Group amounted to RMB 15.6 million and RMB 3.6 million respectively, the net assets of the Target Group amounted to approximately RMB 3.0 million and RMB 13.9 million respectively. As at 31 December 2017, the net current assets and net assets of the Target Group amounted to RMB 4.2 million and RMB 31.0 million respectively.

As at 31 December 2015, 2016 and 2017, the Target Group had cash and cash equivalents of approximately RMB22.2 million, RMB7.6 million and RMB20.2 million, respectively. The amounts due to related parties of the Target Group were denominated in RMB, unsecured, interest-free and repayable on demand, and amounted to approximately RMB32.8 million, RMB20.2 million and RMB6.6 million as at 31 December 2015, 2016 and 2017. The Target Group had no bank borrowings or debt securities as at 31 December 2015, 2016 and 2017. The Target Group monitors capital on the basis of net gearing ratio which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (i.e. amounts due to related parties) less cash and cash equivalents. As at 31 December 2015 and 2016, the gearing ratio of the Target Group was 78% and 48%, respectively. As at 31 December 2017, the Target Group has a net cash position and thus no gearing ratio is presented.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, 2016 and 2017, the Target Group employed a total of 1,917, 1,685 and 2,010 employees, respectively, for its administration and provision of environmental maintenance services. Total staff costs for the period for the years ended 31 December 2015, 2016 and 2017 were approximately RMB77.2 million, RMB73.4 million and RMB56.8 million, respectively. The Target Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their roles and performance, market requirements and the performance of the Target Group. In addition to the basic monthly salary, the Target Group also provides benefits including overtime allowance and social insurance to its staffs.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

There was no significant acquisition or disposal of the Target Group for the years ended 31 December 2015, 2016 and 2017.

CHARGE ON ASSETS

As at 31 December 2015, 2016 and 2017, the Target Group did not pledge or create charges on any of its assets.

FOREIGN EXCHANGE EXPOSURE

For the years ended 31 December 2015, 2016 and 2017, substantially all transactions of the Target Group were denominated in RMB, and all of the bank deposits were denominated in RMB. The directors of the Target Group considered that the foreign exchange exposure of the Target Group was minimal, and therefore, the Target Group had not implemented any formal hedging policies to deal with such exposures.

SIGNIFICANT INVESTMENTS

The Target Group did not have any significant investments for the years ended 31 December 2015, 2016 and 2017.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

In carrying out its ordinary course of business, the Target Group is subject to the risk of being named as a defendant in legal actions, claims and disputes in connection with business activities. The nature of the legal proceedings initiated against the Target Group mainly includes claims for compensation by the Target Group's existing or former employees for work related injuries. The Target Group maintains insurance cover and, in the opinion of the Target Group's directors, based on available evidence, any such existing claims and legal proceedings against the Target Group have no material financial impact to the Target Group as at 31 December 2015, 2016 and 2017.

Capital commitments

The Target Group had the following contracted, but not provided for, commitments at the end of the reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Plant and equipment	–	–	1,365

SEGMENTAL INFORMATION

For the years ended 31 December 2015, 2016 and 2017, the Target Group was principally engaged in provision of environmental maintenance service mainly in Chengdu of the PRC. The Target Group's management considers the Target Group is managed centrally and are of the view that the business of the Target Group should be classified as one single business segment and hence no segment information is presented.

FUTURE PLANS

As at the Latest Practicable Date, save as disclosed in this circular, the Target Group has no plans for material investments for the year ending 31 December 2018.

A UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2017 ("Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the Acquisition and the Subscription, as if the Acquisition and the Subscription had taken place on 31 December 2017 (the "Benchmark Assessment Date").

This Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group had the Acquisition and the Subscription been completed on 31 December 2017 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated balance sheet of the Group as at 31 December 2017 included in the published 2017 annual report of the Company and the audited combined balance sheet of the Target Group as at 31 December 2017 as set out in the Accountant's Report in Appendix II to this circular after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2017.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2017	Pro forma adjustments: Audited combined statement of assets and liabilities of Target Group as at 31 December 2017		Other pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Note 2*			
Non-current assets						
Property, plant and equipment	43,260	21,246	26,558	640	(3)(c)(ii)	70,458
Investment properties	108,865	–	–	–		108,865
Intangible assets	–	–	–	112,958	(3)(c)(i)	112,958
Goodwill	21,720	–	–	95,167	(3)(d)	116,887
Deposits	12,351	4,086	5,108	–		17,459
Prepayment for acquisition of property, plant and equipment	–	1,399	1,749	–		1,749
Contingent consideration receivables	–	–	–	7,386	(3)(b)	7,386
Deferred income tax assets	5,345	59	74	–		5,419
	191,541	26,790	33,489			441,181
Current assets						
Trade receivables	1,955	10,299	12,874	–		14,829
Financial assets at fair value through profit or loss	3,447	–	–	–		3,447
Deposits, prepayments and other receivables	25,873	11,262	14,078	–		39,951
Current income tax recoverable	571	–	–	–		571
Cash and cash equivalents	196,335	20,152	25,190	72,000	(3)(a),(5),(6) and (7)	293,525
	228,181	41,713	52,142			352,323
Non-current assets held for sale	32,182	–	–	–		32,182
Total assets	**451,904**	**68,503**	**85,631**			**825,686**

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2017	Audited combined statement of assets and liabilities of Target Group as at 31 December 2017		Other pro forma adjustments	Note	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
		Pro forma adjustments				
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*	*Note 2*			
Non-current liabilities						
Accruals	4,500	–	–			4,500
Deposits received	4,653	–	–			4,653
Provision for reinstatement costs	3,278	–	–			3,278
Deferred income tax liabilities	24,769	–	–	28,400	(3)(c)(iii)	53,169
	37,200	–	–			65,600
Current liabilities						
Trade payables	17,550	201	251			17,801
Accruals, provisions and other payables	24,228	17,344	21,682	2,070	(4)	47,980
Deposits received	40,577	–	–			40,577
Amounts due to related companies	3,621	6,584	8,230	(8,230)	(6)	3,621
Current income tax liabilities	804	13,400	16,750			17,554
Consideration payables	–	–	–	66,300	3(a)	66,300
Amount due to a director	1,100	–	–			1,100
Loan from a shareholder	150,690	–	–	(142,920)	(7)	7,770
Provision for reinstatement costs	173	–	–			173
Borrowings	45,000	–	–			45,000
	283,743	37,529	46,913			247,876
Total liabilities	**320,943**	**37,529**	**46,913**			**313,476**
Net assets	**130,961**	**30,974**	**38,718**			**512,210**

C NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP:

1. The balances are extracted from the consolidated balance sheet of the Group as at 31 December 2017 as set out in the Company's published annual report for the year ended 31 December 2017.

2. The balances are extracted from the combined balance sheet of the Target Group as at 31 December 2017 as set out in the accountant's report of the Target Group included in Appendix II to this circular, presented in RMB'000. For the purpose of preparing this Unaudited Pro Forma Financial Information, the combined balance sheet of the Target Group are translated to HK$'000 at exchange rate of RMB1=HK$1.25.

3. The adjustments represent the accounting treatment for the Acquisition using the acquisition method of accounting, which is in accordance with the Group's accounting policies and Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Pursuant to the Stock Purchase Agreement, the Company will acquire 51% of the entire issued share capital of the Target Company at an Aggregate Consideration of RMB132,600,000 (equivalent to approximately HK$165,750,000 translated at RMB1=HK$1.25) all to be settled in cash ("Stock Purchase Agreement").

   Pursuant to the Stock Purchase Agreement, Mr. Wan Zhong (the "Vendor") shall provide the profit guarantee to the Company to which the Vendor shall guarantee that the audited consolidated net profit after tax ("Audited Profit") of the Target Group for the three financial years ending 31 December 2020 shall not be less than RMB94,500,000 (equivalent to approximately HK$118,125,000 translated at RMB1=HK$1.25) in aggregate.

   For the purpose of preparing this Unaudited Pro Forma Financial Information, the Company has estimated the fair values of contingent consideration and the identifiable assets and liabilities of the Target Group based on the valuation report ("Valuation") prepared by CHFT Advisory and Appraisal Limited, an independent valuer, on 31 December 2017, being the Benchmark Assessment Date, for the sole purpose of applying the purchase method of accounting in this Acquisition (i.e. to evaluate the fair values of the contingent consideration, the fair value of identifiable assets and liabilities of the Target Group and the allocation of the purchase price consideration to the assets and liabilities acquired). The acquisition accounting adjustments comprise the recognition of:

   (i) fair value of contingent consideration;

   (ii) intangible assets, representing customer backlogs and relationships;

(iii) fair value adjustments of plant and equipment;

(iv) goodwill; and

(v) the related tax adjustments arising from the fair value adjustments based on the applicable tax rate.

The calculation of the fair value adjustments are as follows:

		HK$'000
Aggregate cash consideration	*(a)*	165,750
Less: Fair value adjustments of contingent consideration resulted from profit guarantee	*(b)*	(7,386)
		158,364
Fair values of identifiable assets to be acquired and liabilities to be assumed	*(c)*	
Carrying amounts of net assets of the Target Group		38,718
Intangible assets identified	*(i)*	112,958
Fair value adjustments on plant and equipment	*(ii)*	640
Deferred tax liabilities recognised	*(iii)*	(28,400)
Total net identifiable assets		123,916
Non-controlling interests of 49% in the Target Group	*(iv)*	(60,719)
		63,197
Goodwill to be recognised from the Acquisition	*(c)*	95,167

(a) Consideration

Pursuant to the Stock Purchase Agreement and supplemented by the Acquisition Supplemental Agreements, the Aggregated Consideration of RMB132,600,000 (equivalent to approximately HK$165,750,000 translated at RMB1=HK$1.25) shall be settle in cash in the following manner:

(i) RMB67,000,000 (equivalent to approximately HK$83,750,000 translated at RMB1=HK$1.25) was paid to an escrow agent on 4 June 2018 ("Refundable Deposit");

(ii) RMB12,560,000 (equivalent to approximately HK$15,700,000 translated at RMB1=HK$1.25) shall be paid upon the completion of the Acquisition; and

(iii) RMB53,040,000 (equivalent to approximately HK$66,300,000 translated at RMB1=HK$1.25) shall be settled within seven business days upon the fulfilment of certain conditions as stipulated in the Stock Purchase Agreement and the Acquisition Supplemental Agreements.

(b) Contingent consideration adjustment

In accordance with the Stock Purchase Agreement, the Vendor irrevocably and unconditionally warrants and guarantees to the Company that the Audited Profit of the Target Group for the three financial years ending 31 December 2020 as stated in the audited consolidated financial statements of the Target Group for the underlying years shall not be less than the total sum of RMB94,500,000 (equivalent to approximately HK$118,125,000 translated at RMB1=HK$1.25) (the "Guaranteed Amount"). If the Audited Profit is less than the Guaranteed Amount, the Vendor pay the Company a compensation (the "Compensation"), which shall be calculated as defined on page 13 of this circular.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors of the Company have determined the fair value measurements of such contingent arrangement with reference to the Valuation. As at 31 December 2017, being the Benchmark Assessment Date, the fair value of the contingent consideration receivable is measured at approximately RMB5,909,000 (equivalent to approximately HK$7,386,000 translated at RMB1=HK$1.25) using probability-weighted scenario analysis (level 3 fair value measurements) and presented separately on the consolidated balance sheet.

The key assumptions of the probability-weighted scenario analysis are the discount rate and the estimated profit of the Target Group for the upcoming three financial years ending 31 December 2020. The Group estimates the discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the contingent consideration receivable. The discount rate used for valuation of contingent consideration is 4.3%.

(c) Fair values of identifiable net assets

The Directors of the Company have determined the fair values of the identifiable assets and liabilities of the Target Group as at 31 December 2017 with reference to the Valuation. The fair values of the identifiable assets and liabilities of the Target Group, which mainly include intangible assets valued using the multi-period excess earnings method, plant and equipment valued using the depreciated replacement cost method and other tangible assets valued using the cost approach.

(i) Intangible assets identified

Intangible assets represent the fair value of the customer backlogs and customer relationships of approximately RMB47,322,000 (equivalent to approximately HK$59,152,000 translated at RMB1=HK$1.25) and RMB43,045,000 (equivalent to approximately HK$53,806,000 translated at RMB1=HK$1.25), respectively.

The customer backlogs represent the total estimated customer contracts that has been secured and remain to be completed as at the Benchmark Assessment Date. The customer relationships refer to the long-time business relationship and history with key customers in Cheungdu, Sichuan, the PRC. According to the Valuation, the fair values of customer backlogs and customer relationships are determined using multi-period excess earnings method under the income approach which is widely adopted when market participants consider current customer contracts and relationships of a company to be one of the core competence.

In the multi-period excess earnings method, value is estimated as the present value of the benefits anticipated from ownership of the subject intangible asset in excess of the returns required on the investment in the contributory assets necessary to realise those benefits.

The key assumptions used in estimating the fair values of the intangible assets are as follows:

Sales amount (% annual growth rate)	0% – 5%
Gross margin (% of revenue)	29% – 31%
Discount rate	16.5%

The Directors confirm that, to the best of their knowledge, information and belief, after having made all reasonable enquiries, the valuation methods, basis and key assumptions applied in the valuation report prepared by the independent valuer for the sole purpose of preparing this Unaudited Pro Forma Financial Information of the Enlarged Group and applying the purchase accounting in the Acquisition have been made after due and careful enquiry. The Directors of the Company are not aware of any indication of impairment of intangible assets were emerged as at the valuation date after considering the nature, prospects, financial condition and business risks and they will apply consistent accounting policies and assumptions to assess impairment of intangible assets in subsequent reporting periods in accordance with the requirements under HKAS 36 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(ii) Fair value adjustments on plant and equipment

The adjustment represents the fair value adjustments of plant and equipment of the Target Group as at 31 December 2017 for approximately RMB512,000 (equivalent to approximately HK$640,000 translated at RMB1=HK$1.25).

(iii) Deferred tax liabilities recognised

The adjustments on deferred income tax liabilities of approximately RMB22,720,000 (equivalent to approximately HK$28,400,000 translated at RMB1=HK$1.25) is determined based on the difference between the tax bases and fair values of intangible assets and plant and equipment by applying the Target Group's income tax rate of 25%. It is the tax rate expected to be applied to the Target Group in the period when the liabilities are settled.

(iv) Non-controlling interests

The Group has elected to measure the non-controlling interests, representing the 49% of the entire issued share capital of the Target Group, at the non-controlling interests' proportionate share of the Target Group's fair value of net identifiable assets.

(d) Goodwill

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the net assets of Target Group as at the Benchmark Assessment Date, were used to determine the goodwill of the Acquisition.

The amount of goodwill at actual completion date may be substantially different from the amount stated herein, mainly arising from the difference between the fair values of the contingent consideration and the net assets of the Target Group as at the Benchmark Assessment Date and the actual completion date.

The Directors of the Company confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill under HKAS 36 "Impairment of Assets". The key assumptions applied includes pre-tax discount rate of 16%, annual revenue growth rate of 73% for the first year of projection, 25% for the second year of projection and 0-2% for the remaining years of the five year budget period and terminate growth rate of 1%. The Directors of the Company, to the best of their knowledge information and belief, are not aware of any indications that an impairment of the Enlarged Group's goodwill is required immediately after the completion after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

4. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the legal and other professional fees, printing and other direct expenses relating to the Acquisition are estimated to be approximately HK$2,070,000. The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated financial statements of the Group in the financial year these expenses are actually incurred.

5. The Company has also 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 Subscription, the Company expects to receive a net proceeds of approximately HK$322,600,000.

   The Directors expect to utilise the net proceeds from the Subscription as follows:

   (i) approximately HK$165,750,000 (approximately RMB132,600,000) for the settlement of the consideration for the Acquisition;

   (ii) approximately HK$52,000,000 for general working capital for existing business, mainly for operating lease payments and other operating expenses;

   (iii) approximately HK$8,000,000 for renovation and/or maintenance work of certain restaurants in the next 12 months;

   (iv) approximately HK$52,500,000 for acquiring food and beverage business and/or acquiring commercial properties for office and self-use within the next 12 to 18 months; and

   (v) approximately HK$44,350,000 for future investment(s) opportunities, which included but not limited to securities investments and/or any other viable investment or business opportunities arising from time to time. If upon the exercise of any securities investments, as the case may be, constitutes a notifiable transaction for the Company, the Company will comply with such disclosure requirements as required by Chapter 14 of the Listing Rules.

6. According to the Stock Purchase Agreement, the Target Group shall repaid all the amounts due to related companies of approximately RMB6,584,000 (equivalent to approximately HK$8,230,000 translated at RMB1=HK$1.25) as a condition precedent before the Acquisition Completion.

7. Subsequent to the balance sheet date and up to the Latest Practicable Date, the Group had repaid HK$142,920,000 to the shareholder. The repayment of the loan from a shareholder has no impact of the Group's net assets and net current liabilities position.

8. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2017.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF U BANQUET GROUP HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of U Banquet Group Holding Limited (the "Company") and its subsidiaries (collectively the "Group") and BYL Property Holdings Group Limited and its subsidiaries (the "Target Group") (collectively as the "Enlarged Group") by the directors of the Company ("Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-11 of the Company's circular dated 15 June 2018, in connection with the proposed acquisition of 51% of the entire issued share capital of the Target Group and the proposed subscription of new ordinary shares (together as the "Transactions") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-4 to IV-11.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group's financial position as at 31 December 2017 as if the Transactions had taken place on 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2017, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 June 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK$0.01 each as at the Latest Practicable Date and upon completion of the Subscription were as follows:

Authorised:		**Nominal Value** *(HK$)*
As at the Latest Practicable Date and upon completion of the Subscription		
10,000,000,000	Shares	100,000,000
Issued:		
As at the Latest Practicable Date		
558,000,000	Shares	5,580,000
Subscription Shares to be issued upon completion of the Subscription		
180,000,000	Shares	1,800,000
Total issued Shares upon completion of the Subscription:		
738,000,000	Shares	7,380,000

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects (including in particular as to dividend, voting rights and capital) among themselves and with all existing issued Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS OF THE COMPANY

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

Long position in Shares

Name of Director	Capacity	Number of Shares held/ interested	Approximate % of the Shares
Mr. Sang Kangqiao	Beneficial owner	293,752,000	52.64%
Mr. Xu Wenze	Beneficial owner	293,752,000	52.64%
Mr. Cui Peng	Beneficial owner	293,752,000	52.64%

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had an existing or proposed service contract with the Group which may not be terminated by the Group within one year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Board was not aware of any business or interests of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group which is required to be disclosed pursuant to the Listing Rules.

7. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which had been proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Company were made up).

8. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualification of the experts whose letter or opinion is contained in this Circular:

Name	**Qualifications**
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, PricewaterhouseCoopers had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which had been proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, or are proposed to be acquired or disposed of by or leased to any member of the Group.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the text of its letter or opinion and/or references to its name in the form and context in which they are respectively included. The financial information of the Target Group as set out in Appendix II to this circular and the unaudited pro forma financial statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular were made by PricewaterhouseCoopers for incorporation in this circular.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims of material importance and no litigation, arbitration or claims of material importance was known to the Directors to be pending or threatened by or against any members of the Group.

10. MATERIAL CONTRACTS

Save as disclosed below, there have been no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(a) 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 up to HK$300,000,000 with an interest rate of 4.5% per annum for a term of 2 years from 1 November 2016;

(b) the acquisition agreement dated 7 December 2016 entered into between 北京慧事通科技有限公司 (Beijing Huishitong Technology Company Limited*) (a wholly-owned subsidiary of the Company) as the purchaser and 北京日興房地產發展有限公司 (Beijing Rixing Property Development Company Limited*) as the vendor in relation to the acquisition of the property located at Building No. 218-2, No. 48 Haotian North Avenue, Changyang Town, Fangshan District, Beijing;

(c) the placing agreement dated 4 January 2017 entered into between the Company and Vision Finance International Company Limited in relation to the placing of up to an aggregate of 93,000,000 new Shares at the price of HK$1.61 per Share;

(d) 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 under which the director has agreed to make available to the Group from time to time an unsecured loan facility amount up 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;

(e) the sale and purchase agreement dated 16 June 2017 entered into the Company as the purchaser and Shi Qingsong as the vendor in relation to the acquisition of the entire issued share capital of New Fortune Holdings Group Limited;

(f) On 15 January 2018 and 1 February 2018, the Group has completed the transaction 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;

(g) the Stock Purchase Agreement (as supplemented by the Acquisition Supplemental Agreements);

(h) the placing agreement dated 15 March 2018 entered into between the Company and Sheng Yuan Securities Limited in relation to the placing of up to 180,000,000 Shares under Specific Mandate at the Price of HK$1.80 per Share (the "**Placing Agreement**"), which was subsequently terminated by the deed of termination dated 29 May 2018 entered into between the Company and Sheng Yuan Securities Limited to terminate the Placing Agreement; and

(i) the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement).

11. GENERAL

(a) The Company Secretary of the Company is Mr. Yu Kin Man Duncan ("**Mr. Yu**"). Mr. Yu is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries.

(b) The authorised representatives of the Company are Mr. Cui Peng and Mr. Yu.

(c) The principal bankers of the Company are Hang Seng Bank and Bank of China.

(d) The auditor of the Company is PricewaterhouseCoopers.

(e) The registered office of the Company is at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

(f) The principal place of business of the Company in Hong Kong is at Suite 1307, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(h) The principal share registrar and transfer office of the Company in the Cayman Islands is Appleby Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

(i) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese texts in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any Business Days at Suite 1307, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong from the date of this circular up to and include the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 7 to 46 in this Circular;

(c) the written consents referred to in the paragraph headed "Experts' Qualifications and Consent" in this appendix;

(d) the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017;

(e) the interim report of the Company for the six months ended 30 June 2017;

(f) the report from PricewaterhouseCoopers dated 15 June 2018 in respect of the historical financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(g) the report from PricewaterhouseCoopers dated 15 June 2018 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of U Banquet Group Holding Limited (the "**Company**") will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong at 10:30 a.m. on Monday, 16 July 2018 (the "**EGM**") for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. THE ACQUISITION

"**THAT:**

(a) the stock purchase agreement dated 9 February 2018 (the "**Stock Purchase Agreement**") and the supplemental agreements to the Stock Purchase Agreement dated 29 May 2018 and 12 June 2018 respectively (the "**Acquisition Supplemental Agreements**"), (a copy of which is marked "A" and "B" respectively and both initialed by the chairman of the meeting for the purpose of identification) entered into between Wild South Limited, a wholly owned subsidiary of the Company, as purchaser and Mr. Wan Zhong (萬忠) as vendor with respect to the acquisition of 51% of the entire issued share capital of BYL Property Holdings Group Limited (寶潤來置業控股集團有限公司) for a maximum consideration of RMB132,600,000 and all the transactions contemplated thereunder be and are hereby approved, confirmed and/or ratified (as the case may be); and

(b) any one of the directors of the Company (the "**Directors**") be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Stock Purchase Agreement, the Acquisition Supplemental Agreements and the transactions contemplated thereunder."

2. THE SUBSCRIPTION

"**THAT:**

(a) the subscription agreement dated 15 March 2018 (the "**Subscription Agreement**") and the supplemental agreement to the Subscription Agreement dated 29 May 2018 (the "**Subscription Supplemental Agreement**") entered into between the Company and CASIC Investment Fund Management (Beijing) Limited Company*(航天科工投資基金管理(北京)有限公司)(the "**Subscriber**") (a copy of which is marked "C" and "D" respectively and both initialed by the chairman of the meeting for the purpose of identification) in relation to the subscription of 180,000,000 new shares of the Company (the "**Subscription Shares**") by the Subscriber at the subscription price of HK$1.80 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon Stock Exchange granting the listing of and permission to deal in the Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to issue and allot the Subscription Shares in accordance with the terms of the Subscription Agreement and the Subscription Supplemental Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one of the Directors be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement, the Subscription Supplemental Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares."

By order of the Board
U Banquet Group Holding Limited
Sang Kangqiao
Chairman

Hong Kong, 15 June 2018

Principal Place of Business in Hong Kong:
Suite 1307
Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong

Registered Office:
Offshore Incorporations (Cayman) Limited
Floor 4, Willow House, Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Notes:

1. All resolutions set out in this notice of the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company in accordance with the Listing Rules.

2. Each shareholder of the Company ("**Shareholder**") who are entitled to attend and vote at the EGM will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a Shareholder of the Company.

3. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for the EGM or any adjournment thereof.

5. Shareholder(s) or his/her/their proxy(ies) must present proof of their identities upon attending the EGM.

6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.

7. Where there are joint registered holders of any share of the Company ("Share"), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

8. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 11 July 2018 to Monday, 16 July 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Tuesday, 10 July 2018.

9. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:30 a.m. on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.u-banquetgroup.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

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

* *For identification purposes only*