U BANQUET GROUP HOLDING LIMITED
譽宴集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1483)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The Board of Directors announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**410,858**	368,832
Other income		**1,872**	1,254
Cost of revenue	*5*	**(107,257)**	(98,854)
Employee benefits expenses		**(135,138)**	(122,977)
Depreciation		**(15,524)**	(23,900)
Amortisation		**(3,190)**	–
Operating lease payments		**(77,005)**	(79,389)
Utilities expenses		**(33,922)**	(32,415)
Other expenses	*6*	**(65,086)**	(60,629)
Gain on disposal of financial assets at fair value through profit or loss		**302**	2,206
Fair value gain of financial assets at fair value through profit or loss		**–**	108
Fair value gain of investment properties		**4,565**	1,094
Impairment of property, plant and equipment		**(2,831)**	(9,369)
Other gain		**206**	295

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Note	**Year ended 31 December 2018** *HK$'000*	2017 *HK$'000*
Operating loss		**(22,150)**	(53,744)
Finance income	*7*	**864**	615
Finance costs	*7*	**(1,993)**	(2,178)
Finance costs – net	*7*	**(1,129)**	(1,563)
Loss before income tax		**(23,279)**	(55,307)
Income tax expense	*8*	**(1,966)**	(879)
Loss for the year		**(25,245)**	(56,186)
Loss attributable to:			
Equity holders of the Company		**(27,260)**	(56,186)
Non-controlling interests		**2,015**	–
		(25,245)	(56,186)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	*9(a)*	**(5 cents)**	(11 cents)
Diluted loss per share	*9(b)*	**N/A**	N/A
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(3,179)**	3,259
Total other comprehensive (loss)/income for the year		**(3,179)**	3,259
Total comprehensive loss for the year		**(28,424)**	(52,927)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(30,859)**	(52,927)
Non-controlling interests		**2,435**	–
		(28,424)	(52,927)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**62,667**	43,260
Investment properties	*19*	**108,423**	108,865
Goodwill	*17*	**111,247**	21,720
Intangible assets	*18*	**78,081**	–
Non-current deposits		**15,751**	12,351
Prepayment for acquisition of property, plant and equipment		**921**	–
Financial assets at fair value through profit and loss		**6,878**	–
Contract assets	*4*	**13,204**	–
Deferred income tax assets		**6,473**	5,345
Total non-current assets		**403,645**	191,541
Current assets			
Contract assets	*4*	**1,742**	–
Trade receivables	*11*	**12,024**	1,955
Financial assets at fair value through profit or loss		**–**	3,447
Deposits, prepayments and other receivables		**36,453**	25,873
Current income tax recoverable		**–**	571
Cash and cash equivalents		**117,635**	196,335
		167,854	228,181
Non-current assets held for sale		**–**	32,182
Total current assets		**167,854**	260,363
Total assets		**571,499**	451,904
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**5,580**	5,580
Share premium	*12*	**255,070**	236,120
Reserves		**(155,664)**	(110,739)
		104,986	130,961
Non-controlling interests		**58,082**	–
		163,068	130,961

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2018

		As at 31 December	
	Note	**2018**	2017
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Accruals, provisions and other payables		**2,997**	4,500
Contract liabilities	*4*	**2,260**	–
Deposits received		**–**	4,653
Deferred income tax liabilities		**44,048**	24,769
Provision for reinstatement costs		**1,565**	3,278
Total non-current liabilities		**50,870**	37,200
Current liabilities			
Trade payables	*13*	**20,250**	17,550
Accruals, provisions and other payables		**51,503**	24,228
Deposits received		**2,103**	40,577
Provision for reinstatement costs		**1,552**	173
Contract liabilities	*4*	**36,272**	–
Consideration payables		**113,102**	–
Amount due to a related company		**3,453**	3,621
Amount due to a director		**1,100**	1,100
Loans from a shareholder	*15*	**95,043**	150,690
Loans from a director of certain subsidiaries	*14*	**19,000**	45,000
Current income tax liabilities		**14,183**	804
Total current liabilities		**357,561**	283,743
Total liabilities		**408,431**	320,943
Total equity and liabilities		**571,499**	451,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

U Banquet Group Holding Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company’s principal place of business is located at Suite 1307, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong.

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

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the operation and franchising of a chain of Chinese restaurants, property leasing, securities trading business and environmental maintenance business.

These consolidated financial statements are presented in Hong Kong dollars (“HK$”) and all values are rounded to the nearest thousand (HK$’000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of U Banquet Group Holding Limited and its subsidiaries.

2.1 Basis of preparation

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

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

(a) Going concern basis

During the year ended 31 December 2018, the Group recorded a net loss of HK$25,245,000 (2017:HK$56,186,000). As at the same date, the Group's current liabilities exceeded its current assets (including non-current assets held for sale) by approximately HK$189,707,000 (2017: HK$23,380,000). The significant increase in net current liabilities of the Group is mainly resulted from the recognition of consideration payable of HK$113,102,000 for the acquisition of BYL Property Holdings Group Limited during the year (the "Acquisition") (Note 20). Also, among the current liabilities of the Group, HK$36,272,000 (2017: HK$40,577,000) represents deposits received from customers which will be recognised as revenue upon rendering of the relevant banquet services in the next financial year.

As at 31 December 2018, the Group had consideration payables of HK$52,568,000 for the Acquisition which will be settled upon vendor's request and contingent consideration payable of approximately HK$60,534,000 which management expects that the payment conditions will be fulfilled and become payable in 2019.

In view of these circumstances, the directors of the Company have given careful consideration of the liquidity requirement for its current and future operation, the requirement to settle the consideration payables for the Acquisition, upcoming capital expenditures, the operating performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management covering a period of not less than twelve months from 31 December 2018. Several key measures have been put in place by the directors of the Company to alleviate the liquidity pressure. These include:

(i) The Company and Mr. Sang Kangqiao, a controlling shareholder and chairman of the Board, entered into a loan facility agreement for a term of 2 years from 1 November 2016 of which Mr. Sang Kangqiao has agreed to make available to the Company from time to time an unsecured loan facility amounting to HK$300,000,000 with an interest rate of 4.5% per annum. The loan facility was renewed during the year for another term of two years ending on October 2020.

    As at 31 December 2018, HK$95,043,000 was drawn from the above facility as loan due to a shareholder to provide bridging liquidity to the Group for the Acquisition. In addition, in anticipation for the payment conditions of the contingent consideration will be fulfilled, on 20 March 2019, the Group had further drawn down HK$50,000,000 from Mr. Sang Kangqiao under this loan facility.

Subsequent to the balance sheet date, Mr. Sang Kangqiao has confirmed to the Group that he will not demand for repayment of the outstanding balances as at 31 December 2018 and the amount subsequently drawn down by the Group, totaling to HK$145,043,000 in the coming twelve months from the date of this announcement.

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

As at 31 December 2018, loans due to a director of certain subsidiaries, amounted to HK$19,000,000. Subsequent to the balance sheet date, in January 2019, the Group had further drawn down a loan of HK$15,000,000 to finance the anticipated renovation of existing shops and decoration of a new shop.

Subsequent to the balance sheet date, the director of certain subsidiaries confirmed that such loan facility will continue to be made available to the Group for the next twelve months from the date of this announcement and he will not demand for repayment of all the outstanding loan balances as at 31 December 2018 and the loan subsequently drawn down by the Group, totaling HK$34,000,000, under the loan facility in the coming twelve months from the date of this announcement.

(iii) On 16 July 2018, the shareholders of the Company passed a resolution in an extraordinary general meeting ("EGM") to approve the subscription agreement with CASIC Investment Fund Management (Beijing) Limited Company (the "Subscriber") for subscribing 180,000,000 new shares of the Company (the "Subscription Shares") at the subscription price of HK$1.80 per Subscription Share ("Subscription"). The net proceeds from the subscription are estimated to be approximately HK$322,600,000.

In January 2019, the Group has further agreed with the Subscriber to further extend the long stop date to 31 March 2019.

As at the date of this announcement, the Subscription has yet been completed. The directors consider, to the best of their knowledge and belief and making reasonable enquiries, additional time is required for the completion of the Subscription as i) the Subscriber is still in the course of procuring all necessary consents and regulatory approvals for the acquisition of the Subscription Shares and ii) additional time will be needed for conducting another EGM for approval of the subscription agreements.

(iv) As at 31 December 2018, the Group had total banking facilities of approximately HK$14,000,000, of which approximately HK$11,086,000 was utilised for issuance of letters of guarantee in favour of the landlords for rental and utility deposits. The Group's banking facilities are subject to periodic renewal. The directors of the Company are of the opinion that such banking facilities will continue to be available to the Group for the next twelve months from the date of this announcement.

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

Based on the cash flow projections and taking into account of the anticipated cash flow from operation, the continuous availability of credit facilities from the controlling shareholder, the director of certain subsidiaries and the bank and the uncertainties arisen from future operating performance, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in coming twelve months from 31 December 2018. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

(b) New standards, amendment to standards and interpretation adopted by the Group

The Group has applied the following new standards, amendment to standards and interpretation for the first time for their annual reporting period commencing 1 January 2018:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. The impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" are disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards, amendments to existing standards and interpretations have been published that are not mandatory for the annual reporting periods commencing 1 January 2018 and have not been early adopted by the Group. The Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Group's assessment of the impact of these new standards and interpretations is set out below.

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 balance sheet. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

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

Impact

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

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$125,840,000. As a result of the adoption of HKFRS 16, the Group will therefore derecognise of prepaid operating leases, increase the right-of-use assets and increase in lease liabilities in the Group's consolidated balance sheet. In the Group's consolidated statement of comprehensive income, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the financial liabilities will increase. Given that the total non-cancellable operating lease commitments account for approximately 31% of the total liabilities of the Group as at 31 December 2018 and the operating lease commitments within 1 year is approximately HK$62,590,000, the directors of the Company expect that the adoption of HKFRS 16 would result in significant impact on the consolidated financial position of the Group, including the significant increase in both assets and liabilities in the consolidated balance sheet and the increase in net current liabilities position of the Group. Also, the adoption will front-load the expenses recognised in the consolidated statement of comprehensive income over the lease period, as a result of the combination of interest expenses arising from the lease liabilities and the amortisation of right-of-use assets as compared to the rental expense under existing standard.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

Date of adoption by the Group

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

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

2.2 Changes in accounting policies

The note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

The Company applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the consolidated balance sheet on 31 December 2017, but are recognised in the opening balance of consolidated balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details by standard below.

Consolidated statement of financial position (extract)	**31 December 2017 As originally presented**	**Effect of adoption of HKFRS 15**	**Effect of adoption of HKFRS 9**	**1 January 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deposit received	4,653	(4,653)	–	–
Contract liabilities	–	4,653	–	4,653
Current liabilities				
Deposit received	36,398	(36,398)	–	–
Contract liabilities	–	36,398	–	36,398

HKFRS 9 "Financial Instruments" – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

(i) Classification and measurements of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial instruments held by the Group into the appropriate HKFRS 9 categories and concluded that there is no change in classification of the financial instruments held by the Group.

(ii) ***Impairment of financial assets***

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". Under HKFRS 9, the losses allowances are measured on either using the 12-month ECLs model: the ECLs that result from possible default events within the 12 months after the reporting date; or the lifetime ECLs model: ECLs that would result from all possible default events over the expected life of a financial instrument.

The Group has three types of financial assets as at 1 January 2018 that are subject to HKFRS 9's new expected credit loss model:

- Other receivables and deposits
- Trade receivables
- Cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of financial assets. The Group makes estimates and assumptions concerning the future which are discussed below:

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group has applied the general approach and recorded 12-month expected credit losses on its other receivables and deposits and cash and cash equivalents based on the estimated loss of possible default events within the next 12 months. The directors of the Group has considered that the allowance on impairment loss is immaterial upon the initial adoption of the standard.

For trade receivables, the Group applies the simplified approach to provide for the expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on the assessment performed by management, the directors of the Group has considered that the allowance on impairment loss is immaterial upon the initial adoption of the standard.

HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in accounting policies that relate to revenue recognition, contract costs and presentation of contract assets and liabilities.

Reclassification of contract liabilities

In daily operation of Chinese restaurant business, the Group will receive deposits from customers for banquet which will subsequently be recognised as revenue upon rendering of the relevant banquet services. Upon the initial adoption of HKFRS 15, the Group reclassified the deposits received from customers of approximately HK$4,653,000 to non-current contract liabilities and HK$36,398,000 to current contract liabilities on 1 January 2018.

3 SEGMENT INFORMATION

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

Segment revenue and results

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

	Chinese restaurant and wedding business		Property leasing business		Securities trading business		Environmental maintenance business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External revenue	**374,673**	365,374	**4,228**	3,269	**19**	189	**31,938**	–	**410,858**	368,832
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**302**	2,206	**–**	–	**302**	2,206
Segment (loss)/profit	**(15,969)**	(37,351)	**6,377**	2,950	**(916)**	2,405	**4,654**	–	**(5,854)**	(31,996)
Finance income									**864**	615
Finance costs									**(1,993)**	(2,178)
Unallocated corporate expenses									**(16,296)**	(21,748)
Loss before tax									**(23,279)**	(55,307)

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

Segment assets and liabilities

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

	Chinese restaurant and wedding business		Property leasing business		Securities trading business		Environmental maintenance business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**62,964**	78,055	**130,050**	130,856	**–**	3,654	**245,381**	–	**438,395**	212,565
Cash and cash equivalents									**117,635**	196,335
Current income tax recoverable									**–**	571
Contingent consideration receivables									**6,878**	–
Deferred income tax assets									**6,473**	5,345
Non-current assets held for sale									**–**	32,182
Other unallocated corporate assets									**2,118**	4,906
Total assets									**571,499**	451,904
Segment liabilities	**79,828**	87,008	**1,724**	3,616	**–**	–	**30,717**	–	**112,269**	90,624
Loans from a director of certain subsidiaries									**19,000**	45,000
Deferred income tax liabilities									**44,048**	24,769
Amount due to a related company									**3,453**	3,621
Amount due to a director									**1,100**	1,100
Consideration payables									**113,102**	–
Loans from a shareholder									**95,043**	150,690
Current income tax liabilities									**14,183**	804
Other unallocated liabilities									**6,233**	4,335
Total liabilities									**408,431**	320,943

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

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

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

Other segment information

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

	Chinese restaurant and wedding business		Property leasing business		Securities trading business		Other unallocated segment		Environmental maintenance business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK'000***	*HK$'000*
Depreciation of property, plant and equipment	**13,733**	23,669	**187**	16	**–**	–	**428**	215	**1,176**	–	**15,524**	23,900
Impairment loss of property, plant and equipment	**(2,831)**	(9,369)	**–**	–	**–**	–	**–**	–	**–**	–	**(2,831)**	(9,369)
Fair value changes of investments properties	**–**	–	**4,565**	1,094	**–**	–	**–**	–	**–**	–	**4,565**	1,094
Additions of non-current assets	**2,453**	26,847	**–**	–	**–**	–	**782**	953	**7,533**	–	**10,768**	27,800
Transfer assets to non-current assets held for sale	**–**	(7,883)	**–**	(24,299)	**–**	–	**–**	–	**–**	–	**–**	(32,182)
Additions of property, plant and equipment and intangible assets through business combination *(Note 20)*	**–**	–	**–**	103,808	**–**	–	**–**	–	**108,522**	–	**108,522**	103,808

Geographical Information

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

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**374,692**	**366,319**	**43,067**	60,706
Mainland China	**36,166**	**2,513**	**360,578**	130,835
Total	**410,858**	**368,832**	**403,645**	191,541

The Group had no inter-segment sales for the year ended 31 December 2017 and 2018.

For the year ended 31 December 2018, there are no single external customers contributed to more than 10% of revenue of the Group (2017: same).

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2018	2017
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurant operations	**374,673**	362,538
Revenue from provision of wedding services	**–**	1,636
Revenue from distribution of goods	**–**	671
Franchise income	**–**	529
	374,673	365,374
Property leasing business:		
Rental income	**4,228**	3,269
Securities trading business:		
Dividend income	**19**	189
Environmental maintenance business:		
Services income for provision of environmental maintenance services	**31,938**	–
Total revenue	**410,858**	368,832

Assets and liabilities related to contracts with customers

The Group has recognised the following revenue-related contract assets and liabilities

	2018
	HK$'000
Contract assets	
Classified under:	
– non-current assets	**13,204**
– current assets	**1,742**
	14,946
Contract liabilities	
Classified under:	
– non-current liabilities	**2,260**
– current liabilities	**36,272**
	38,532

As at 31 December 2018, contract assets increased by HK$14,946,000 as the Group has entered into a service contract with a customer of its environmental maintenance business in which the Group has provided the relevant services ahead of the agreed payment schedule of 8 years. Contract assets of HK$1,742,000 and HK$13,204,000 are classified under current and non-current assets, respectively based on the agreed payment schedule as at 31 December 2018.

As at 31 December 2018, contract liabilities mainly include deposits received from customers under the contracts for banquet and wedding banquet services of the Group's Chinese restaurant business. Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities balance at the beginning of the period is HK$36,398,000.

As at 31 December 2018, aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied is HK$38,532,000.

5 COST OF REVENUE

	2018	2017
	HK$'000	*HK$'000*
Cost of materials consumed		
– Chinese restaurant business	**103,690**	97,644
– Environmental maintenance business	**2,992**	–
Others	**575**	1,210
	107,257	98,854

6 OTHER EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**1,500**	1,246
– Non-audit services	**950**	1,150
Advertising and promotions	**11,707**	10,862
Cleaning and laundry expenses	**7,201**	8,322
Credit card charges	**4,222**	4,339
Kitchen consumables	**835**	1,188
Repairs and maintenance	**5,730**	4,474
Consumable stores	**2,651**	3,149
Insurance	**1,940**	1,987
Legal and professional fee	**2,938**	4,877
Printing and stationery	**1,284**	1,648
Staff messing	**1,559**	1,711
Service fee to temporary workers	**4,639**	649
Consultancy service fee	**3,582**	3,790
Wedding banquet expenses	**996**	588
Transportation	**1,226**	1,325
Share-based payment expenses granted to consultants	**3,390**	3,043
Others	**8,736**	6,281
	65,086	60,629

7 FINANCE COSTS – NET

	2018 *HK$'000*	2017 *HK$'000*
Finance income		
– Interest income on short-term bank deposits	**50**	121
– Interest income arising from discount of non-current rental deposits	**688**	494
– Interest income on contract asset	**126**	–
	864	615
Finance costs		
– Interest expense on bank borrowings	**–**	(505)
– Interest expense on loans from a director of certain subsidiaries	**(1,084)**	(1,309)
– Interest expense on finance lease liabilities	**–**	(12)
– Interest expense on loans from a shareholder	**(853)**	(233)
– Unwinding of discount of provision for reinstatement costs	**(56)**	(119)
	(1,993)	(2,178)
Finance costs – net	**(1,129)**	(1,563)

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The applicable corporate income tax rate for the Group's PRC subsidiaries is 25% on the estimated assessable profits.

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profit tax	**–**	135
PRC enterprise income tax	**2,438**	109
Deferred income tax		
Origination and reversal of temporary differences	**(472)**	635
Income tax expense	**1,966**	879

9 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Loss attributable to owners of the Company *(HK$'000)*	**(27,260)**	(56,186)
Weighted average number of ordinary shares in issue *(thousands)*	**533,570**	528,190
Basic loss per share *(HK$)*	**(5 cents)**	(11 cents)

The calculation of basic loss per share for the year ended 31 December 2018 is based on the loss attributable to owners of the Company of HK$27,260,000 (2017: HK$56,186,000) and the weighted average of ordinary shares in issue 533,570,000 (2017: 528,190,000 ordinary shares).

(b) Diluted

For the year ended 31 December 2018, the Company's dilutive potential ordinary shares arising from the conversion of 10,800,000 share options granted under the Share Option Scheme (2017: 24,430,000 contingent returnable shares and 11,600,000 share options granted) had an anti-dilutive effect on the basic loss per share, hence no diluted earnings per share was presented.

10 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2018 (2017: Nil).

11 TRADE RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**8,592**	1,955
31 to 60 days	**3,432**	–
	12,024	1,955

The Group's revenue from its Chinese restaurant operations is mainly conducted in cash or by credit cards. The credit periods granted by the Group to its customers for its newly acquired environmental maintenance business and its tenants range from 30 to 90 days. As at 31 December 2018, the Group's trade receivables mainly comprised credit card receivables in restaurant business and receivables from the Group's environmental maintenance business. These receivables were not past due nor impaired and amounted to approximately HK$12,024,000 (2017: HK$1,955,000). They are related to customers for whom there was no recent history of default.

As at 31 December 2018 and 1 January 2018 (on initial adoption of HKFRS 9), management has used of the lifetime expected loss model for assessing the loss allowance provision for trade receivables and contract assets from third parties and concluded that no loss allowance was made. The expected credit loss rate applied is 0% for current to 180 days past due, and 100% for over 180 days past due, respectively.

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB except for HK$825,000 (2017: HK$1,815,000) which are denominated in HK$. The maximum exposure to credit risk at the balance sheet date is the carrying values of trade receivables mentioned above. The Group does not hold any collateral as security.

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares	Share premium
	Thousand	*HK$'000*	*HK$'000*
Authorised:			
Ordinary shares of HK$0.01 each as at 31 December 2017 and 31 December 2018	10,000,000	100,000	–
Issued and fully paid:			
At 1 January 2017	465,000	4,650	90,326
Issue of ordinary shares by placing *(Note)*	93,000	930	145,794
At 31 December 2017	558,000	5,580	236,120
At 1 January 2018	558,000	5,580	236,120
Transfer from share-based payment reserve to share premium	–	–	18,950
At 31 December 2018	558,000	5,580	255,070

Note:

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

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

13 TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**12,492**	10,338
31 to 60 days	**7,595**	6,314
61 to 90 days	**163**	898
	20,250	17,550

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

14 LOANS FROM A DIRECTOR OF CERTAIN SUBSIDIARIES

	2018	2017
	HK$'000	*HK$'000*
Current		
Loans from a director of certain subsidiaries - Unsecured	**19,000**	45,000

On 9 May 2017, U Banquet Group Limited, a subsidiary of the Company, entered into a loan facility agreement with a director of certain subsidiaries of which the director has agreed to make available to the Group from time to time an unsecured loan facility amounting to HK$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years from 9 May 2017. As at 31 December 2018, a total of HK$19,000,000 (2017: HK$45,000,000) was drawn down and the carrying amounts approximate their fair values, denominated in HK$ and repayable on demand.

Subsequent to the balance sheet date, this director had confirmed his intention not to demand for repayment of the outstanding balance as at 31 December 2018 and all the fund subsequently remitted to the Group for coming twelve months from the date of this announcement.

15 LOANS FROM A SHAREHOLDER

	2018	2017
	HK$'000	*HK$'000*
Loans from a shareholder	**95,043**	150,690

On 1 November 2016, the Company and Mr. Sang Kangqiao, entered into a loan facility agreement under which Mr. Sang Kangqiao has agreed to make available to the Company from time to time an unsecured loan facility amounted to HK$300,000,000 with an interest rate of 4.5% per annum. As at 31 December 2018, a total of HK$95,043,000 (2017: HK$150,690,000) were drawn down. The carrying amounts of loans from a shareholder approximate their fair values, denominated in HK$ and repayable on demand.

Subsequent to the balance sheet date in March 2019, the Group further drew down a total of HK$50,000,000 loans from the shareholder. Mr. Sang Kangqiao confirmed his intention not to demand for repayment of the outstanding balances as at 31 December 2018 and all the fund subsequently remitted to the Group for coming twelve months from the date of this announcement.

16 PROPERTY, PLANT AND EQUIPMENT

Due to the continuing unsatisfactory performance of certain restaurants, management recognised an impairment loss of HK$2,831,000 (2017: HK$9,369,000) for certain property, plant and equipment during the year ended 31 December 2018, which was estimated based on the recoverable amount of each individual restaurant cash generating unit. The recoverable amount of the restaurant cash generating unit is determined based on the value-in-use calculation using cash flow projections based on financial budgets covering a period of the remaining lease term. The recoverable amount of the restaurant cash generating unit which has indicators of impairment and being tested for impairment was HK$715,000 (2017: HK$13,602,000) as at 31 December 2018. The pre-tax discount rate applied to the cash flow projections was 12.8% (2017: 12.8%).

17 GOODWILL

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**21,720**	–
Addition *(Note 20)*	**89,019**	20,920
Exchange difference	**508**	800
At 31 December	**111,247**	21,720

Impairment assessments of Goodwill

Goodwill acquired through business combination during the year ended 31 December 2017 and 2018 are allocated to cash generating unit, namely New Fortune Group CGU and BYL Group CGU (see Note 20 for details) respectively, for impairment test. The recoverable amount of the New Fortune Group CGU and BYL Group CGU have been determined by reference to the value-in-use calculation and the directors consider that no impairment charge is necessary as at 31 December 2018 (2017: Same).

As at 31 December 2018	**Opening** *HK$'000*	**Addition** *HK$'000* *(Note 20)*	**Exchange difference** *HK$'000*	**Closing** *HK$'000*
Property leasing business – New Fortune Group CGU	21,720	–	(198)	21,522
Environmental maintenance business – BYL Group CGU	–	89,019	706	89,725
	21,720	89,019	508	111,247

18 INTANGIBLE ASSETS

	Customer backlog **2018** *HK$'000*	**Customer relationship** **2018** *HK$'000*	**Total** **2018** *HK$'000*
Year ended 31 December 2018			
Opening net book amount	–	–	–
Acquisition of subsidiaries *(Note)*	47,913	32,742	80,655
Amortisation charge	(2,651)	(539)	(3,190)
Exchange differences	368	248	616
Closing net book amount	45,630	32,451	78,081
At 31 December 2018			
Cost	48,281	32,990	81,271
Accumulated amortisation and impairment	(2,651)	(539)	(3,190)
Net book amount	45,630	32,451	78,081

During the year ended 31 December 2018, amortisation of intangible assets charged to the consolidated statement of comprehensive income is HK$3,190,000 (2017: Nil).

Note:

The fair values of the customer backlogs of HK$47,913,000 and customer relationships of HK$32,742,000 acquired through the business combination of BYL Group during the year ended 31 December 2018 was determined by directors of the Company, with reference to the valuation report prepared by CHFT Advisory and Appraisal Limited, an independent valuer.

The directors determined that, after having made all reasonable and careful enquiries, the valuation methods, basis and key assumptions applied in the valuation report prepared by the independent valuer, and after considering the nature, prospects, financial condition and business risks of the underlying business of the intangible assets, they are not aware of any indication of impairment of intangible assets as at the acquisition date and as at 31 December 2018.

19 INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**108,865**	24,400
Acquisition of subsidiaries *(Note 20)*	**–**	103,698
Fair value gain	**4,565**	1,094
Transfer to assets classified as held for sale	**–**	(24,299)
Exchange difference	**(5,007)**	3,972
At 31 December	**108,423**	108,865

20 BUSINESS COMBINATION

Acquisition of environmental maintenance business

On 9 February 2018, a wholly owned subsidiary of the Company (the "Purchaser") and Mr. Wan Zhong (the "Vendor") entered into a sale and purchase agreement in which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell 51% of the entire issued share capital of BYL Property Holdings Group Limited, ("BYL"), at aggregate consideration of RMB132,600,000 (subject to adjustments) (equivalent to approximately HK$154,106,000). BYL and its subsidiaries (collectively as "BYL Group") is principally engaged in the environmental maintenance business in the PRC. The completion of the agreement is subject to certain conditions precedent.

On 22 October 2018, upon the fulfillment of the conditions precedent set out in the sale and purchase agreement, the Group has completed the above acquisition. As a result of the acquisition, the Group expands its business scope to environmental maintenance business in the PRC which, the directors of the Company believe, will enjoy a sustainable growth in the future.

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

	2018 ***HK$'000***
Recognised amounts of identifiable assets acquired and liabilities assumed	
Plant and equipment	**27,867**
Intangible assets *(Note 18)*	**80,655**
Deferred income tax assets	**122**
Amounts due from related companies	**540**
Trade receivables	**31,897**
Contract assets	**14,705**
Deposits, prepayments and other receivables	**22,456**
Cash and cash equivalents	**2,841**
Trade payables	**(12,544)**
Accruals, provisions and other payables	**(23,060)**
Current income tax liabilities	**(11,099)**
Deferred income tax liabilities	**(20,163)**
Total identifiable net assets at fair values	**114,217**
Non-controlling interest	**(55,966)**
	58,251
Purchase consideration	
– Consideration paid	**41,875**
– Consideration payables	**52,163**
– Contingent consideration payables *(Note (i))*	**60,068**
– Contingent consideration receivables *(Note (ii))*	**(6,836)**
Goodwill *(Note 17)*	**89,019**

Note:

(i) At the acquisition date, other than the agreed consideration of RMB79,560,000 (equivalent to HK$94,038,000), contingent consideration payables of RMB53,040,000 (equivalent to HK$60,068,000) was recognised and shall be settled within seven business days upon the fulfilment of certain payment conditions as stipulated in the sale and purchase agreement.

(ii) In accordance with the sale and purchase agreement, the Vendor irrevocably and unconditionally warrants and guarantees to the Purchaser that the audited profit of the BYL Group for the three financial years ending 31 December 2020 as stated in the audited consolidated financial statements of the BYL Group for the underlying years shall not be less than the total sum of RMB94,500,000 (equivalent to approximately HK$118,125,000) (the "Guaranteed Amount"). If the audited profit is less than the Guaranteed Amount, the Vendor will pay the Purchaser a compensation based on the formula prescribed in the sale and purchase agreement.

At 22 October 2018, the fair value of the contingent consideration receivables is determined by a professional valuation conducted by an independent valuer, at RMB6,036,000 (equivalent to HK$6,836,000) using probability-weighted scenario analysis.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

Following a change in the Group's operating and reporting structure, starting from the year ended 31 December 2017, the Group has three reportable and operating segments (i) Chinese restaurant and wedding business, (ii) property leasing business, and (iii) securities trading business. The Group ceased the franchise of restaurants operation and wedding service business in July 2017 and December 2017 respectively. The Group will consider potential franchisees if and when opportunities arise in the future.

Apart from continuing to develop its core business, during the year ended 31 December 2018, the Group starts to engage in environmental maintenance business in the PRC which is a new business segment through acquisition of BYL Property Holdings Group Limited ("BYL"). Details of the business combination are disclosed below section.

Restaurant Operations

For the financial year ended 31 December 2018, the Group operated a total of 10 restaurants, six of which were under "U Banquet（譽宴）" brand (including "U Banquet • The StarView（譽宴•星海）"), two were under "U • Kitchen（譽廚）" brand and two were under "U • Pot（譽鍋）" brand.

We position ourselves entirely different from traditional, single service-focused Chinese restaurants in Hong Kong. For our dining services, we aim to attract customers with preferences for fresh and tasty Cantonese dishes and quality servicing standards in hygienic and modernly designed restaurant venues suitable for family and friends, gatherings and corporate functions. For wedding banquet services, we target customers with specific standards and expectations for venue design and decoration, banquet dishes and wedding services and we help them to simplify and smoothen their wedding planning and preparation process by offering one-stop wedding solutions and the choices of creatively-designed venues as alternatives to traditional Chinese restaurants.

The management resolved to improve the operating efficiency and control expenditures of the Group. The Group reviewed the work allocation of the staff from time to time to enhance labour efficiency. The Group also entered into long term tenancy agreements to maintain the operating lease payments at reasonable level.

We believe that high product quality, service reliability and management of operations are key success factors in business growth and sustainability. We have a reliable management team to oversee daily restaurant operations and wedding banquet services, to maintain quality control standards, to monitor workforce performance and to implement expansion strategies. Our senior management and the management at restaurant-level consist of members with solid experience in the Chinese restaurant and wedding service industry and they are familiar with different aspects of operations of these industries.

Distribution of Goods

Our distribution of goods business consists of sourcing fresh vegetables, fruits, seafood and frozen meat to mainly local restaurants and other food ingredient suppliers. In late 2017, due to the continued competitive environment, we discontinued the distribution of goods to external customers and solely distribute the goods to Group's restaurants which aim to minimise the cost of materials consumed.

Environmental maintenance business

The Group starts to engage in environmental maintenance business in the PRC after the completion of acquisition of BYL on 22 October 2018. The scope of services 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 Group deploys sufficient cleaning staff and supervisors, specialised vehicles and cleaning equipment in carrying out such 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.

FINANCIAL REVIEW

Revenue

The table below sets forth the revenue breakdown of the Group's for the two years ended 31 December 2018:

	2018	2017
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurant operations	**374,673**	362,538
Revenue from provision of wedding services	**–**	1,636
Revenue from distribution of goods	**–**	671
Franchise income	**–**	529
	374,673	365,374
Property leasing business:		
Rental income	**4,228**	3,269
Securities trading business:		
Dividend income	**19**	189
Environmental maintenance business:		
Services income for provision of environmental maintenance	**31,938**	–
Total revenue	**410,858**	368,832

Chinese restaurant and wedding business accounted for over 91.2% of total revenue during the year (2017: 99.1%).

Revenue of the Chinese restaurant and wedding business increased by approximately 2.5% from approximately HK$365.4 million in 2017 to approximately HK$374.7 million in 2018. It was mainly due to strong growth of revenue contribution from U Banquet • The StarView (The One). Its revenue increased from approximately HK$49.7 million in 2017 to approximately HK$70.4 million in 2018 which cover the decrease in revenue contributed from U Banquet (Tsim Sha Tsui), which was as closed during the year 2018.

Rental revenue increased by approximately 27.3% from approximately HK$3.3 million to approximately HK$4.2 million, as a result of full year revenue contribution of an office property located in Beijing.

The revenue from provision of environmental maintenance services for the year ended 31 December 2018 reached approximately HK$31.9 million since the Group completed the acquisition of BYL by end of October.

Operating Performance by Restaurant

The table below sets forth the seat turnover rate, average spending per customer and average daily revenue generated by each of the Group's restaurants for the two years ended 31 December 2018:

	Year ended 31 December		**Year ended 31 December**				**Year ended 31 December**	
	2018	2017	**2018**		2017		**2018**	2017
	Seat turnover rate *(Note 1)*		**Average spending per customer**				**Average daily revenue**	
			Dining customer	**Wedding banquet customer**	Dining customer	Wedding banquet customer		
	Times	*Times*	***HK$***	***HK$***	*HK$*	*HK$*	***HK$***	*HK$*
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	**3.36**	3.01	**100**	**621**	98	609	**203,102**	195,768
U Banquet (Tsim Sha Tsui)	**N/A**	3.12	**N/A**	**N/A**	89	607	**N/A**	68,612
U Banquet (Kwun Tong)/ U Banquet • The StarView (Kwun Tong) *(Note 4)*	**4.24**	3.87	**101**	**619**	100	613	**143,968**	104,772
U Banquet (Causeway Bay)	**2.18**	2.25	**108**	**641**	104	646	**98,553**	108,995
U Banquet (North Point)/ U • Kitchen (North Point) and U • Pot (North Point) *(Note 3)*	**2.66**	2.45	**95**	**533**	92	653	**138,511**	123,524
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant/ U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin) *(Notes 2)*	**3.01**	3.02	**81**	**541**	84	612	**170,922**	169,873
U Banquet (Sino Plaza)	**2.41**	2.96	**137**	**589**	122	646	**78,487**	85,572
U Banquet • The StarView (The One)	**1.27**	1.02	**270**	**785**	312	812	**192,952**	136,139

Note:

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

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

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

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

Analysis of Chinese restaurants operations for the Two Years Ended 31 December 2018

The average spending per customer for wedding banquets of all of the Group's comparable restaurants increased from approximately HK$686 in 2017 to approximately HK$702 in 2018, representing an increase of 2.3% while the average spending per customer for dining of all of the Group's comparable restaurants remained stable for approximately HK$100 in 2017 and 2018. Revenue from all Chinese restaurant operations increased by approximately 3.4% from approximately HK$362.5 million for the year ended 31 December 2017 to approximately HK$374.7 million for the year ended 31 December 2018. It was mainly due to the increase of revenue contribution from U Banquet • The StarView (The One) and U Banquet • The StarView (Kwun Tong) from approximately HK$87.9 million for the year ended 31 December 2017 to approximately HK$123.0 million for the year ended 31 December 2018. The revenue generated from wedding banquets of these restaurants increased from approximately HK$39.7 million for the year ended 31 December 2017 to HK$73.0 million for the year ended 31 December 2018. Hence, the revenue generated from wedding banquets for all restaurants increased by approximately HK$15.8 million from approximately HK$88.3 million for the year ended 31 December 2017 to approximately HK$104.1 million for the year ended 31 December 2018, representing an increase of approximately 17.9%. Save for the contribution from U Banquet (Causeway Bay) and U Banquet (Sino Plaza), the revenue from all comparable restaurants increased by HK$43.6 million from HK$266.5 million for the year ended 31 December 2017 to approximately HK$310.1 million for the year ended 31 December 2018, representing an increase of approximately 16.4%. It was mainly due to the increase in number of wedding banquets held and average spending per customer for wedding banquets for comparable restaurants as well as the increase in the number of diners for the provision of dining services despite the decrease of average spending per customer for dining.

Save for the U Banquet (Causeway Bay), U Banquet (Sino Plaza) and U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin), the seat turnover rate of all other comparable restaurants increased for the year ended 31 December 2018 as compared to that in 2017 as the total numbers of wedding banquet customers and dining customers have increased for all these restaurants. The directors believed that the increase in the seat turnover rate was a result of a) none of the restaurants has undergone any renovation for the year 2018 while the restaurants located in Wong Tai Sin, North Point and Kwun Tong had been renovated in the year 2017; and b) successfully implemented new strategies for several restaurants with positive result. Hence, even with the closure of U Banquet (Tsim Sha Tsui) during the year ended 31 December 2018, the aggregated revenue generated from the restaurant operation still increased from approximately HK$362.5 million for the year ended 31 December 2017 to approximately HK$374.7 million for the year ended 31 December 2018.

The seat turnover rate of U Banquet • The StarView (The One) was comparatively lower than other restaurants while the average spending per customer for both wedding banquets and dining were higher than other restaurants. The wedding banquet revenue from U Banquet • The StarView (The One) contributed to approximately 83% of the total revenue of the shop, whilst the average wedding banquet revenue generation ratio is approximately 16% for the rest of the restaurants in 2018. The directors believed that U Banquet • The StarView (The One) located in the prime area of Tsim Sha Tsui with artistic and sophisticated decorations including a balcony viewing full glory of Victoria Harbour, attracts more potential wedding banquet customers.

Environmental maintenance business

The Group starts to engage in the environmental maintenance business in the PRC after the completion of acquisition of BYL on 22 October 2018. Since the acquisition of BYL, it has generated approximately HK$31,938,000 service income and HK$4,654,000 segment profit to the Group.

Cost of Revenue

The cost of revenue is mainly comprised of cost of materials consumed for Chinese restaurant business and environmental maintenance business. Cost of revenue for the year ended 31 December 2018 amounted to approximately HK$107,257,000 (2017: HK$98,854,000), representing an increase of approximately 8.5% as compared to last year. The increase in cost of revenue mainly arose from the environmental maintenance business since the Group had completed the acquisition of BYL in October 2018.

Employee Benefits Expenses

The Group had 1,128 employees as at 31 December 2018 (31 December 2017: 480 employees). The increase in the number of employees was mainly due to the acquisition of the environmental maintenance business in October 2018.

Employee benefits expenses for the year ended 31 December 2018 amounted to approximately HK$135,138,000 (2017: HK$122,977,000), representing an increase of approximately 9.9% compared to last year. The Group would regularly review the work allocation of the staff to improve and maintain a high standard of service.

Operating Lease Payments

Operating lease payments for the year ended 31 December 2018 amounted to approximately HK$77,005,000, representing a decrease of approximately 3.0% as compared to last year. The decrease was mainly due to the closure of U Banquet (Tsim Sha Tsui) in January 2018, which have a full year impact in 2017 operating lease payments.

Utilities Expenses

Utilities expenses for the year ended 31 December 2018 amounted to approximately HK$33,922,000 representing an increase of approximately 4.6% as compared to last year. The increase in utilities expenses was in line with increase of revenue from Chinese restaurants operations.

Impairment of Property, Plant and Equipment

Having considered the consistently, unfavourable sales performance of one Chinese restaurant, the management of the Group has consequently determined to impair the property, plant and equipment pertaining to this Chinese restaurant business amounting to approximately HK$2,831,000 for the year ended 31 December 2018 (2017: HK$9,369,000).

Other Expenses

Other expenses mainly represent expenses incurred for the Group's operation, consisting of consultancy service fee, kitchen consumables, laundry, cleaning, repair and maintenance, advertising and promotion, legal and professional, etc. For the year ended 31 December 2018, other expenses amounted to approximately HK$65,086,000, representing an increase of approximately 7.4% as compared to last year. The increase was in line with the increase of revenue for the year ended 31 December 2018.

Loss Before Tax and Loss For The Year

During the year under review, the performance of restaurant operation for both wedding banquet and dining services had been improved as compared to the year in 2017. It is primarily due to the loss of revenue during the decoration period of U Banquet (Mong Kok) (I) and (II), U Banquet • The StarView (Kwun Tong) and U Banquet (Wong Tai Sin) for the year ended 31 December 2017 while no restaurants had such decoration period for the year ended 31 December 2018. In addition, the Group had successfully implemented new strategy for several restaurants with positive result. Hence, despite the closure of the U Banquet (Tsim Sha Tsui) during the year 2018, the aggregated revenue generated from restaurant operation still increased from approximately HK$362.5 million for the year ended 31 December 2017 to approximately HK$374.7 million for the year ended 31 December 2018.

The operating cost which includes depreciation and operating lease payment had been decreased as closure of the U Banquet (Tsim Sha Tsui) for the year ended 31 December 2018. Also, the impairment loss of property, plant and equipment had been decreased approximately HK$6,538,000 as compared to last year. With the effect of increase the revenue and decrease of operating cost and impairment loss of property, plant and equipment mentioned above, the Group's loss before tax and a loss for the year had been decreased from approximately HK$55,307,000 and HK$56,186,000, respectively for the year ended 31 December 2017 to approximately HK$23,279,000 and HK$25,245,000, respectively for the year ended 31 December 2018.

Liquidity, Financial Resources and Capital Resources

Capital Structure

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2018, was to lower the gearing ratio to an acceptable level.

Cash Position and Pledged Bank Deposit

As at 31 December 2018, the Group's cash and cash equivalents were approximately HK$117,635,000, representing a decrease of 40.1% as compared to approximately HK$196,335,000 as at 31 December 2017. The Company and Mr. Sang Kangqiao ("Mr. Sang"), a controlling shareholder and chairman of the Board, entered into a loan facility agreement for a term of 2 years from 1 November 2016 of which Mr. Sang has agreed to make available to the Company from time to time an unsecured loan facility amounting to HK$300,000,000 with an interest rate of 4.5% per annum. The loan facility was renewed during the year for another term of two year ending in October 2020.

As at 31 December 2018, HK$95,043,000 was drawn from the above facility as loan due to a shareholder to provide bridging liquidity to the Group for the acquisition of BYL in October 2018. In addition, in anticipation for the payment conditions of the contingent consideration will be fulfilled, on March 2019, the Group had further drawn down HK$50,000,000 from Mr. Sang under the loan facility.

Subsequent to the balance sheet date, Mr. Sang has confirmed to the Group that he will not demand for repayment of the outstanding balances as at 31 December 2018 and the amount subsequently drawn down by the Group, totaling HK$145,043,000 in the coming twelve months from the date of this announcement.

There were no pledged bank deposits as at 31 December 2018 (2017: Nil).

Loans from a director of certain subsidiaries

On 9 May 2017, the Group entered into a loan facility agreement with a director of certain subsidiaries in which the director of certain subsidiaries has agreed to make available to the Group, from time to time an unsecured loan facility amounted to HK$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years. As at 31 December 2018, a total of HK$19,000,000 (2017: HK$45,000,000) of this loan was drawn down.

Subsequent to the balance sheet date, in January 2019, the Group further drew down a loan of HK$15,000,000 for capital expenditure of existing shop renovation and new shop decoration. This director of certain subsidiaries has confirmed that he will not demand for repayment of the outstanding balances as at 31 December 2018 and all the fund subsequently remitted to the Group for a period of twelve months from the date of this announcement.

Trade Receivables

As at 31 December 2018, the Group's trade receivables were approximately HK$12,024,000, representing an increase of approximately 515.0% as compared to the last year. The trade receivables mainly comprised of trade receivable from the Chinese restaurants operation and newly acquired environmental maintenance business. The increase of trade receivables mainly arose from the environmental maintenance business acquired in October 2018.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as consideration payables, loans from a director of certain subsidiaries, loans from a shareholder less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. As at 31 December 2018, the Group's gearing ratio was 40%. As at 31 December 2017, the Group is at a net cash position, hence, no gearing ratio is disclosed.

Dividends

The directors do not recommend payment of final dividends in respect of the year ended 31 December 2018 (2017: Nil).

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

Completion of Acquisition of Environmental Maintenance Business

On 9 February 2018, Wild South Limited, (the "Purchaser"), a directly wholly-owned subsidiary of the Company) and Mr. Wan Zhong ("The Vendor") entered into a 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 BYL Property Holdings Group Limited ("The Target Company") as at the date of the Stock Purchase Agreement and Completion, at the aggregate consideration of RMB132,600,000 (subject to adjustments) (equivalent to approximately HK$154,106,000) ("Acquisition").

Under the Stock Purchase Agreement, the Vendor shall provide the profit guarantee to the Purchaser and pursuant to which the Vendor shall guarantee that the audited consolidated net profit after tax of the Target Company and its subsidiary ("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) in aggregate. For due observance and punctual performance of the Vendor's obligations under the profit guarantee, the Vendor shall upon the Completion (i) procure certain landed properties in the PRC to be charged to Shenzhen Huashu, a wholly-owned subsidiary of the Company; and (ii) charge the remaining 49% of the entire issued share capital of the Target Company to the Purchaser. A circular setting out, among other things, details of the above matters was published on 15 June 2018 ("the Circular").

An extraordinary general meeting ("EGM") of the Company was held on 16 July 2018, the Acquisition has been approved by the shareholders of the Company and the Acquisition was completed in October 2018.

For details, please refer to the announcements of the Company dated 9 February 2018, 16 March 2018, 16 April 2018, 16 May 2018, 29 May 2018, 12 June 2018, 20 June 2018, 8 August 2018, 13 August 2018 and 22 October 2018, the poll results announcement of the Company dated 16 July 2018 and the Circular.

Possible Subscription of New Shares Under Specific Mandate

On 15 March 2018, the Company entered into the Subscription Agreement with 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"), 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)). A circular setting out, among other things, details of the above matters was published on 15 June 2018 ("the Circular"). An EGM of the Company was held on 16 July 2018, the Possible Subscription has been approved by the shareholders of the Company and it is expected to be completed in due course. For details, please refer to the announcements of the Company dated 15 March 2018, 19 March 2018, 29 May 2018 and 20 June 2018, the poll results announcement of the Company dated 16 July 2018 and the Circular.

As disclosed in the Circular, completion of the Subscription is conditional upon the fulfillment (or waiver, if applicable) of the various conditions precedent as set out in the Subscription Agreement (as supplemented by the Subscription Supplemental Agreement) on or before 31 July 2018 (the "Long Stop Date") or such later date as the Company and the Subscriber may agree in writing. Since additional time is required for the fulfilment of the conditions precedent to the completion, the Company and the Subscriber agreed to extend the Long Stop Date subsequently to 31 March 2019 and another EGM will need to be held for the shareholders to reconsider the subscription agreements. For details, please refer to the announcements of the Company dated 31 July 2018, 13 August 2018, 31 October 2018 and 31 January 2019.

Save as disclosed, the Group did not have any significant investments and had no other material acquisitions or disposal of investments during the period and under review.

Acquisition of financial assets at fair value through profit and loss

During the year, the Group disposed all financial assets at fair value through profit and loss and recorded realised gain on disposal of financial assets at fair value through profit and loss, fair value gain of financial assets at fair value through profit and loss and dividend income from financial assets at fair value through profit and loss in the amount of HK$302,000, HK$0 and HK$19,000 respectively (year ended 31 December 2017: HK$2,206,000, HK$108,000 and HK$189,000).

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities during the year and subsequently after 31 December 2018:

Proposed Use of Proceeds from the Possible Subscriptions

On 15 March 2018, the Company entered into a subscription agreement with 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”), 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)) (“The Possible Subscription”).

The gross proceeds from the Possible 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 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.

A circular setting out, among other things, details of the above matters was published on 15 June 2018. An extraordinary general meeting of the Company was held on 16 July 2018, the Possible Subscription has been approved by the shareholders of the Company and it is expected to be completed in due course. Up to the date of this announcement, the Subscriber is still in the course of fulfilling the various conditions precedent to the Possible Subscription. The Company and the Subscriber agreed to extend the long stop date for fulfilling the various conditions precedent of the Possible Subscription subsequently to 31 March 2019. For details, please refer to the announcements of the Company dated 15 March 2018, 19 March 2018, 29 May 2018, 20 June 2018, 31 July 2018, 13 August 2018, 31 October 2018 and 31 January 2019, the poll results announcement of the Company dated 16 July 2018 and the Circular.

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

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

Share Option

On 17 May 2017, the Company has granted share options (the "Options") under its share option scheme (the "Share Option Scheme") adopted on 19 November 2013 to certain eligible grantees (the "Grantees"), which, subject to acceptance by the Grantees, will enable the Grantees to subscribe for an aggregate of 11,600,000 ordinary shares of the Company of HK$0.01 each in the share capital of the Company as stated in the announcement of the Company dated 17 May 2017. No option had been exercised during the year. As at 31 December 2018, 240,000 options was lapsed, 560,000 options was forfeited and there were 10,800,000 options outstanding under the Share Option Scheme.

Prospects

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 2018 remained under pressure. The operating environment in Hong Kong is expected to remain challenging for the foreseeable future. The management had decided not to renew the lease contract of U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin) which expired since February 2019 as continuing poor performance of this restaurant. Nonetheless, the management is confident that the Group can succeed and enhance the shareholders' value. The Group will continue to deploy different marketing strategies, adding creative features to the existing and new restaurants, meanwhile, implementing effective cost control measures and minimising the operating costs on rental, raw materials and labour accordingly. The Group had entered a lease contract in December 2018 with a landlord for a restaurant in Sha Tin, namely, U Banquet • The StarView (Sha Tin) which is expected to be opened in the second quarter of 2019. With the strong revenue contribution from U Banquet • The StarView (The One), the management expected that U Banquet • The StarView (Sha Tin) would become another major income stream for the Group and enlarge the Group's market share within the industry. In addition, a renovation of U Banquet (Causeway Bay) had been commence since February 2019 and expected to be re-open in May 2019. The management believed that the new outlook of U Banquet (Causeway Bay) can attract both wedding banquet and dining customers in foreseeable future.

The Group starts to engage in environmental maintenance business in the PRC after the completion of acquisition of BYL on 22nd Oct 2018. Since the acquisition of BYL, it has already generated significant service income and segment profit to the Group. The Company believes that the environmental maintenance industry in the PRC will enjoy a sustainable growth in the future and thus enhance the business development and financial prospect of the Group.

Looking forward, the Group will continue to utilise its available resources to engage in and develop its current business. Apart from this, the Group will also explore business opportunities to strengthen its revenue base such as acquisition of potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of rental income to the Group.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2018. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2018, which will be sent to the shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries to all the directors and all the directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2018.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE REVIEW

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "Audit Committee") which comprises three independent non-executive directors. Mr. Lam Ka Tak is the chairman of the Audit Committee. The annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

COMPETING BUSINESS

During the year and up to the date of this announcement, the directors are not aware of any business or interest of the directors, the management of the Company and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

APPRECIATION

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

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

Hong Kong, 27 March 2019

As at the date of this Announcement, the executive directors are Mr. Sang Kangqiao, Mr. Cui Peng and Mr. Xu Wenze; the independent non-executive directors are Mr. Lam Ka Tak, Mr. Xu Zhihao and Mr. Wong Sincere.