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 2019

RESULTS

The Board of Directors announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*4*	**461,909**	410,858
Other income		**2,043**	1,872
Cost of revenue	*5*	**(89,813)**	(107,257)
Employee benefits expenses		**(193,821)**	(135,138)
Depreciation	*17(a), 17(b)*	**(60,899)**	(15,524)
Amortisation	*19*	**(19,594)**	(3,190)
Operating lease payments	*17(b)*	**(19,444)**	(77,005)
Utilities expenses		**(25,155)**	(33,922)
Other expenses	*6*	**(66,421)**	(65,086)
Gain on disposal of financial assets at fair value through profit or loss		**–**	302
Fair value loss of financial assets at fair value through profit or loss		**(6,395)**	–
Fair value (loss)/gain of investment properties	*20*	**(11,184)**	4,565
Impairment of property, plant and equipment and right-of-use assets	*17(a), 17(b)*	**(23,172)**	(2,831)
Impairment of goodwill	*18*	**(2,104)**	–
Other gain, net		**3,941**	206

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December **2019** ***HK$'000***	2018 *HK$'000*
Operating loss		**(50,109)**	(22,150)
Finance income	*7*	**1,516**	864
Finance costs	*7*	**(7,445)**	(1,993)
Finance costs – net	*7*	**(5,929)**	(1,129)
Loss before income tax		**(56,038)**	(23,279)
Income tax expense	*8*	**(3,783)**	(1,966)
Loss for the year		**(59,821)**	(25,245)
(Loss)/profit attributable to:			
Equity holders of the Company		**(71,003)**	(27,260)
Non-controlling interests		**11,182**	2,015
		(59,821)	(25,245)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share	*9(a)*	**(12 cents)**	(5 cents)
Diluted loss per share	*9(b)*	**N/A**	N/A
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(4,853)**	(3,179)
Total other comprehensive loss for the year		**(4,853)**	(3,179)
Total comprehensive loss for the year		**(64,674)**	(28,424)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(74,856)**	(30,859)
Non-controlling interests		**10,182**	2,435
		(64,674)	(28,424)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	As at 31 December **2019**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**54,702**	62,667
Investment properties	*20*	**95,222**	108,423
Right-of-use assets	*17(b)*	**29,673**	–
Goodwill	*18*	**106,774**	111,247
Intangible assets	*19*	**57,402**	78,081
Non-current deposits		**7,084**	15,751
Prepayment for acquisition of property, plant and equipment		**844**	921
Financial assets at fair value through profit and loss		**537**	6,878
Contract assets	*4*	**27,543**	13,204
Deferred income tax assets		**5,120**	6,473
Total non-current assets		**384,901**	403,645
Current assets			
Contract assets	*4*	**–**	1,742
Trade receivables	*11*	**36,020**	12,024
Deposits, prepayments and other receivables		**26,939**	36,453
Cash and cash equivalents		**230,498**	117,635
Total current assets		**293,457**	167,854
Total assets		**678,358**	571,499
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**5,880**	5,580
Share premium	*12*	**304,370**	255,070
Reserves		**(49,776)**	(155,664)
		260,474	104,986
Non-controlling interests		**66,416**	58,082
		326,890	163,068

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

		As at 31 December	
	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities	*17(b)*	**29,440**	–
Accruals, provisions and other payables		**–**	2,997
Contract liabilities	*4*	**2,103**	2,260
Deferred income tax liabilities		**39,480**	44,048
Provision for reinstatement costs		**447**	1,565
Total non-current liabilities		**71,470**	50,870
Current liabilities			
Trade payables	*13*	**29,387**	20,250
Accruals, provisions and other payables		**49,818**	51,503
Deposits received		**578**	2,103
Provision for reinstatement costs		**–**	1,552
Contract liabilities	*4*	**23,915**	36,272
Consideration payables		**74,571**	113,102
Lease liabilities	*17(b)*	**18,648**	–
Amount due to a related company		**3,378**	3,453
Amount due to a director		**1,100**	1,100
Amount due to a director of certain subsidiaries		**99**	–
Borrowings	*14*	**1,674**	–
Loans from a shareholder	*16*	**19,456**	95,043
Loans from a director of certain subsidiaries	*15*	**41,000**	19,000
Current income tax liabilities		**16,374**	14,183
Total current liabilities		**279,998**	357,561
Total liabilities		**351,468**	408,431
Total equity and liabilities		**678,358**	571,499

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 P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company's principal place of business is located at Suite 1201, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong.

The Company's shares are 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 Chinese restaurant and wedding business, 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 31 March 2020.

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.

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) ***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 2019:

Annual Improvements Project	Annual Improvements 2015-2017 Cycle (amendments)
HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)
HKFRS 9	Prepayment Features with Negative Compensation (amendments)
HKFRS 16	Leases (new standard)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)

The Group had to change its accounting policies following the adoption of HKFRS 16. The impact of the adoption of HKFRS 16, "Leases" is 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.

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

		Effective for annual periods beginning on or after
HKFRS 3	Definition of a Business (amendments)	1 January 2020
HKAS 1 and HKAS 8	Definition of Material (amendments)	1 January 2020
HKFRS 17	Insurance Contracts (new standard)	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)	1 January 2020
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The above new standards and amendments to existing standards have been published that are not mandatory for the annual reporting periods commencing 1 January 2019 and have not been early adopted by the Group. These new standards and amendments to existing standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

2.2 Changes in accounting policies

The note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.26%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**215,969**
Less: Leases committed but not yet commenced as at 1 January 2019	**(62,591)**
Operating lease commitments of leases commenced as at 1 January 2019	**153,378**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**148,171**
Less: Extension adjustment	**(38,870)**
Less: Short-term leases recognised on a straight-line basis as expense	**(16,769)**
Lease liabilities recognised as at 1 January 2019	**92,532**
Of which are:	
Current lease liabilities	**36,056**
Non-current lease liabilities	**56,476**
	92,532

(iii) ***Measurement of right-of-use assets***

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) ***Adjustments recognised in the consolidated balance sheet on 1 January 2019***

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated Balance Sheet (extract)	**31 December 2018 As originally presented**	**HKFRS 16**	**1 January 2019 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	86,095	86,095
Total assets	–	86,095	86,095
Non-current liabilities			
Lease liabilities	–	56,476	56,476
Current liabilities			
Accruals and other payables	6,437	(6,437)	–
Lease liabilities	–	36,056	36,056
Total liabilities	6,437	86,095	92,532

There is no impact on the Group's equity as at 1 January 2019.

Impact on segment disclosures

The segment assets of the Chinese restaurant and wedding business has increased by HK$86,095,000 as at 1 January 2019 as a result of the change in accounting policy.

(v) ***Lessor accounting***

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of HKFRS 16.

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.

Following the acquisition of BYL Property Holdings Group Liumited ("BYL") and its subsidiaries (collectively as the "BYL Group") which engages in the environmental maintenance business in the PRC during the year ended 31 December 2018, the Group's reportable segments under HKFRS 8 are as follows:

(i) Chinese restaurant and wedding business

(ii) Environmental maintenance business

(iii) Property leasing business

(iv) Securities trading business

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		Environmental maintenance business		Property leasing business		Securities trading business		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External revenue	**232,444**	374,673	**226,331**	31,938	**3,134**	4,228	**–**	19	**461,909**	410,858
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	302	**–**	302
Finance costs *(Note)*	**(2,051)**	–	**(58)**	–	**–**	–	**–**	–	**(2,109)**	–
Segment (loss)/profit	**(49,219)**	(15,969)	**28,564**	4,654	**(11,181)**	6,377	**(814)**	(916)	**(32,650)**	(5,854)
Finance income									**1,516**	864
Finance costs									**(5,336)**	(1,993)
Unallocated corporate expenses									**(19,568)**	(16,296)
Loss before tax									**(56,038)**	(23,279)

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, certain finance cost and exchange gain/loss. This is the measure reported to the CODM for purposes of resources allocation and performance assessment.

Note: Upon the adoption of HKFRS 16 since 1 January 2019, finance costs representing interest expenses associated with relevant lease liabilities are included in the segment (loss)/profit of respective segments.

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		Environmental maintenance business		Property leasing business		Securities trading business		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**57,052**	62,964	**268,187**	245,381	**114,880**	130,050	**–**	–	**440,119**	438,395
Cash and cash equivalents									**230,498**	117,635
Contingent consideration receivables									**537**	6,878
Deferred income tax assets									**5,120**	6,473
Other unallocated corporate assets									**2,084**	2,118
Total assets									**678,358**	571,499
Segment liabilities	**93,319**	79,828	**55,317**	30,717	**275**	1,724	**527**	–	**149,438**	112,269
Loans from a director of certain subsidiaries									**41,000**	19,000
Deferred income tax liabilities									**39,480**	44,048
Amount due to a related company									**3,378**	3,453
Amount due to a director									**1,100**	1,100
Amount due to a director of certain subsidiaries									**99**	–
Consideration payables									**74,571**	113,102
Loans from a shareholder									**19,456**	95,043
Current income tax liabilities									**16,374**	14,183
Other unallocated liabilities									**6,572**	6,233
Total liabilities									**351,468**	408,431

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 and right-of-use assets, cash and cash equivalents, certain deposits and prepayment, and other receivables, contingent consideration receivables 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, amount due to a director of certain subsidiaries, 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		**Environmental maintenance business**		**Property leasing business**		**Securities trading business**		**Other unallocated segment**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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 and right-of-use assets	**50,317**	13,733	**10,071**	1,176	**31**	187	**–**	–	**480**	428	**60,899**	15,524
Impairment of property, plant and equipment and right-of-use assets	**(23,172)**	(2,831)	**–**	–	**–**	–	**–**	–	**–**	–	**(23,172)**	(2,831)
Impairment of goodwill	**–**	–	**–**	–	**(2,104)**	–	**–**	–	**–**	–	**(2,104)**	–
Amortisation of intangible assets	**–**	–	**19,594**	3,190	**–**	–	**–**	–	**–**	–	**19,594**	3,190
Fair value changes of investments properties	**–**	–	**–**	–	**(11,184)**	4,565	**–**	–	**–**	–	**(11,184)**	4,565
Additions of non-current assets	**90,998**	2,453	**15,094**	7,533	**–**	–	**–**	–	**–**	782	**106,092**	10,768
Additions of property, plant and equipment and intangible assets through business combination	**–**	–	**–**	108,522	**–**	–	**–**	–	**–**	–	**–**	108,522

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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**232,444**	374,692	**52,467**	43,067
Mainland China	**229,465**	36,166	**332,434**	360,578
Total	**461,909**	410,858	**384,901**	403,645

The Group had no inter-segment sales for the year ended 31 December 2018 and 2019.

For the year ended 31 December 2019, there is one (2018: nil) external customer contributed to more than 10% of revenue of the Group.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2019	2018
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurant operations	**232,444**	374,673
Property leasing business:		
Rental income	**3,134**	4,228
Securities trading business:		
Dividend income	**–**	19
Environmental maintenance business:		
Services income for provision of environmental maintenance services	**226,331**	31,938
Total revenue	**461,909**	410,858

Assets and liabilities related to contracts with customers

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

	2019	2018
	HK$'000	*HK$'000*
Contract assets		
Classified under:		
– non-current assets	**27,543**	13,204
– current assets	**–**	1,742
	27,543	14,946
Contract liabilities		
Classified under:		
– non-current liabilities	**2,103**	2,260
– current liabilities	**23,915**	36,272
	26,018	38,532

As at 31 December 2019, contract assets increased by HK$12,597,000 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$27,543,000 are classified under non-current assets, based on the agreed payment schedule as at 31 December 2019.

As at 31 December 2019, contract liabilities mainly included 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 2019 that was included in the contract liabilities balances at the beginning of the period is HK$35,553,000.

As at 31 December 2019, aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied is HK$26,018,000.

5 COST OF REVENUE

	2019	2018
	HK$'000	*HK$'000*
Cost of materials consumed		
– Chinese restaurant business	**57,372**	103,690
– Environmental maintenance business	**32,051**	2,992
Others	**390**	575
	89,813	107,257

6 OTHER EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**1,650**	1,500
– Non-audit services	**–**	950
Advertising and promotions	**10,276**	11,707
Cleaning and laundry expenses	**7,393**	7,201
Credit card charges	**2,992**	4,222
Kitchen consumables	**429**	835
Repairs and maintenance	**6,322**	5,730
Consumable stores	**1,874**	2,651
Insurance	**2,649**	1,940
Legal and professional fee	**3,754**	2,938
Printing and stationery	**1,068**	1,284
Staff messing	**915**	1,559
Service fee to temporary workers	**4,085**	4,639
Consultancy service fee	**–**	3,582
Wedding banquet expenses	**934**	996
Transportation	**2,058**	1,226
Share-based payment expenses granted to consultants	**1,473**	3,390
Motor car expenses	**2,291**	271
Security charges	**1,224**	316
Donation	**3,322**	87
Others	**11,712**	8,062
	66,421	65,086

7 FINANCE COSTS – NET

	2019	2018
	HK$'000	*HK$'000*
Finance income		
– Interest income on short-term bank deposits	**218**	50
– Interest income arising from discount of non-current rental deposits	**607**	688
– Interest income on contract asset	**691**	126
	1,516	864
Finance costs		
– Interest expense on bank borrowings	**(101)**	–
– Interest expense on loans from a director of certain subsidiaries	**(1,853)**	(1,084)
– Interest expense on lease liabilities	**(3,827)**	–
– Interest expense on loans from a shareholder	**(1,637)**	(853)
– Unwinding of discount of provision for reinstatement costs	**(27)**	(56)
	(7,445)	(1,993)
Finance costs – net	**(5,929)**	(1,129)

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profit tax	**–**	–
PRC enterprise income tax	**7,756**	2,438
Deferred income tax		
Origination and reversal of temporary differences	**(3,973)**	(472)
Income tax expense	**3,783**	1,966

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.

	2019	2018
Loss attributable to owners of the Company *(HK$'000)*	**(71,003)**	(27,260)
Weighted average number of ordinary shares in issue *(thousands)*	**578,712**	533,570
Basic loss per share *(HK$)*	**(12 cents)**	(5 cents)

The weighted average number of ordinary shares used in the calculation of basic loss per share for the year ended 31 December 2018 excluded contingent returnable shares.

(b) Diluted

For the year ended 31 December 2019 and 2018, the Company's dilutive potential ordinary shares 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 2019 (2018: Nil).

11 TRADE RECEIVABLES

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

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**19,826**	8,592
31 to 60 days	**8,806**	3,432
61 to 90 days	**7,388**	–
	36,020	12,024

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 environmental maintenance business and its tenants range from 30 to 90 days. As at 31 December 2019, 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$36,020,000 (2018: HK$12,024,000). They are related to customers for whom there was no recent history of default.

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. No loss allowance were made as at 31 December 2019 and 2018.

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB except for HK$227,000 (2018: HK$825,000) which are denominated in HK$. 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 2018 and 31 December 2019	10,000,000	100,000	–
Issued and fully paid:			
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
At 1 January 2019	558,000	5,580	255,070
Issue of ordinary shares by subscription *(Note)*	30,000	300	49,300
At 31 December 2019	588,000	5,880	304,370

Note:

On 29 March 2019, the Company entered into a subscription agreement ("Subscription Agreement") with an independent third party (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has agreed to allot and issue 30,000,000 new ordinary shares at a price of HK$1.70 per share to the Subscriber.

On 24 April 2019, all the conditions precedent under the Subscription Agreement was fulfilled and the share subscription was completed on the same date. The net proceeds of HK$49,600,000 (after deducting the expenses incurred in the subscription from the gross proceeds of HK$51,000,000) were raised from the subscription 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**9,695**	12,492
31 to 60 days	**13,737**	7,595
61 to 90 days	**5,955**	163
	29,387	20,250

The carrying amounts of trade payables approximate their fair values and are denominated in HK$, except that HK$21,984,000 (2018: HK$4,463,000) are denominated in RMB.

14 BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank loans *(Note)*	**1,674**	–

Note:

Bank borrowings have an effective interest rate of 4.79% per annum (2018: Nil). The carrying amounts of the borrowings were denominated in RMB (2018: Nil).

As at 31 December 2019 bank borrowings were secured by a personal guarantee from Mr. Wan Zhong, the non-controlling shareholder of a subsidiary of the Group. By the date of approval of these consolidated financial statements, the Group has repaid all of its bank borrowings carried as at 31 December 2019.

15 LOANS FROM A DIRECTOR OF CERTAIN SUBSIDIARIES

	2019	2018
	HK$'000	*HK$'000*
Current		
Loans from a director of certain subsidiaries – Unsecured	**41,000**	19,000

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 under 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. The loan facility agreement was renewed on 9 November 2019 for a further period up to 8 April 2020, all other terms and conditions remained the same as the original loan facility agreement. As at 31 December 2019, a total of HK$41,000,000 (2018: HK$19,000,000) was drawn down and the carrying amounts approximate their fair values, denominated in HK$ and repayable on demand.

16 LOANS FROM A SHAREHOLDER

	2019	2018
	HK$'000	*HK$'000*
Loans from a shareholder	**19,456**	95,043

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 2019, a total of HK$19,456,000 (2018: HK$95,043,000) were drawn down. The carrying amounts of loans from a shareholder approximate their fair values, denominated in HK$ and repayable on demand.

Mr. Sang Kangqiao had confirmed his intention not to demand for repayment of the outstanding balances as at 31 December 2019 and all the fund subsequently remitted to the Group for coming twelve months from the date of this announcement.

17(a) PROPERTY, PLANT AND EQUIPMENT

Due to the continuing unsatisfactory performance of certain restaurants, management recognised an impairment loss of HK$8,474,000 (2018: HK$2,831,000) for certain property, plant and equipment during the year ended 31 December 2019, which was estimated based on the recoverable amount of each individual restaurant cash generating unit. The recoverable amount of the three (2018: one) restaurant cash generating units are 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 amounts of the restaurant cash generating units which have indictors of impairment and being tested for impairment were HK$39,401,000 (2018: HK$715,000) as at 31 December 2019. The pre-tax discount rate applied to the cash flow projections was 12.8% (2018: 12.8%). For the year ended 31 December 2019, the Group has recognised depreciation charge of HK$20,833,000 for property, plant and equipment (2018: HK$15,524,000).

17(b) RIGHT-OF-USE ASSETS

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019
	HK$'000	*HK$'000*
Right-of-use assets		
Leased properties	**29,673**	86,095
Lease liabilities		
Current	**18,648**	36,056
Non-current	**29,440**	56,476
	48,088	92,532

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$57,050,000.

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

		2019	2018
	Note	***HK$'000***	*HK$'000*
Depreciation charge of right-of-use assets			
Leased properties		**40,066**	–
Impairment of right-of-use assets		**14,698**	–
Interest expense (included in finance cost)		**3,827**	–
Expense relating to short-term leases		**19,399**	–
Expense relating to variable lease payments not included in lease liabilities		**45**	–

Total total cash flows for leases in 2019 was HK$44,060,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and restaurant stores. Rental contracts are typically made for fixed period of 3 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(iv) Extension and termination options

Extension and termination options are included in a number of offices and restaurant stores across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

18 GOODWILL

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**111,247**	21,720
Addition	**–**	89,019
Exchange difference	**(2,369)**	508
Impairment	**(2,104)**	–
At 31 December	**106,774**	111,247

Impairment assessments of Goodwill

Goodwill acquired through business combinations in previous years are allocated to cash generating units, namely New Fortune Group CGU and BYL Group CGU respectively, for impairment test. The recoverable amounts of the New Fortune Group CGU and BYL Group CGU have been determined by reference to the value-in-use calculation.

	Opening	**Addition**	**Impairment**	**Exchange difference**	**Closing**
As at 31 December 2019	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property leasing business – New Fortune Group CGU	21,522	–	(2,104)	(422)	18,996
Environmental maintenance business – BYL Group CGU	89,725	–	–	(1,947)	87,778
	111,247	–	(2,104)	(2,369)	106,774

19 INTANGIBLE ASSETS

	Customer backlog *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
Year ended 31 December 2019			
Opening net book amount	45,630	32,451	78,081
Amortisation charge	(16,260)	(3,334)	(19,594)
Exchange differences	(477)	(608)	(1,085)
Closing net book amount	28,893	28,509	57,402
At 31 December 2019			
Cost	47,804	32,382	80,186
Accumulated amortisation and impairment	(18,911)	(3,873)	(22,784)
Net book amount	28,893	28,509	57,402

During the year ended 31 December 2019, amortisation of intangible assets charged to the consolidated statement of comprehensive income is HK$19,594,000 (2018: HK$3,190,000).

Note:

The fair values at acquisition date 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 customer backlogs represent the total estimated customer contracts that has been secured and remain to be completed as at the acquisition date. The customer relationships refer to the long-time business relationship and history with key customers in Chengdu, Sichuan, the PRC. 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. The key assumptions used in estimating the fair values of the intangible assets are as follows:

20 INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
At 1 January	**108,423**	108,865
Fair value (loss)/gain	**(11,184)**	4,565
Exchange difference	**(2,017)**	(5,007)
At 31 December	**95,222**	108,423

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

For the year ended 31 December 2019, the Group was principally engaged in four operating segments (i) Chinese restaurant and wedding business, (ii) property leasing business, (iii) securities trading business, and (iv) environmental maintenance business in the PRC.

Restaurant Operation

As at 31 December 2019, the Group operated a total of four restaurants which were all under "U Banquet（譽宴）" brand (including "U Banquet • The StarView（譽宴 • 星海）"). During the year 2019, the Group had closed five restaurants which were located in Causeway Bay, Wong Tai Sin and North Point and sold two restaurants located in Causeway Bay and Kwun Tong and opened a restaurant in Sha Tin.

We position ourselves entirely different from traditional, single service-focused Chinese restaurants in Hong Kong. For our dining services, our target customers are having high demand on fresh and high standard of Cantonese dishes, quality servicing standards in hygienic and modernly designed restaurant venues to accommodate family and friends, gatherings and corporate functions. For wedding banquet services, we provide streamlined wedding planning and preparation process by offering one-stop wedding solutions and the choices of creatively-designed venues to cater our customers with high expectations on their wedding banquet. 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 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.

Environmental maintenance business

The Group started engaging 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 specialised cleaning services such as dust removal with the use of mist cannon trucks to reduce haze pollution.

The Group's environmental maintenance business is based on Chengdu, the PRC, and reaches nationwide. Except the business in Chengdu, the PRC, the Group wins the bidding and operates environmental maintenance projects in areas including Xinjiang Autonomous Region, Hebei Province, Yunnan Province and Inner Mongolia Autonomous Region. All environmental maintenance projects are contracts with the government officials via tendering.

Property Leasing Business

During the year 2019, the Group recorded rental income in the amount of HK$3,134,000 for the leasing of a Beijing office (2018: HK$4,228,000).

Securities Trading Business

During the year 2019, the Group recorded no dividend income from held for trading investment (2018: HK$19,000).

FINANCIAL REVIEW

Revenue

The table below sets forth the revenue breakdown of the Group's for the years ended 31 December 2019 and 31 December 2018:

	2019	2018
	HK$'000	*HK$'000*
Chinese restaurant and wedding business:		
Revenue from Chinese restaurant operations	**232,444**	374,673
Property leasing business:		
Rental income	**3,134**	4,228
Securities trading business:		
Dividend income	**–**	19
Environmental maintenance business:		
Services income for provision of environmental maintenance	**226,331**	31,938
Total revenue	**461,909**	410,858

Chinese restaurant and wedding business accounted for around 50.3% of total revenue during the year (2018: 91.2%), while environmental maintenance business account for around 49.0% of total revenue during the year (2018: 7.8%).

During the year 2019, the Group reported a total revenue of approximately HK$461,909,000 (2018: approximately HK$410,858,000), representing an increase of approximately 12.4% as compared to the year of 2018. The increase was primarily due to the increase of revenue from environmental maintenance business, acquired in October 2018, which contributed revenue of approximately HK$31,938,000 for the year ended 31 December 2018 and HK$226,331,000 for the year ended 31 December 2019, representing a year-on-year increase of approximately 608.7%. Revenue from the Chinese restaurant business was approximately HK$232,444,000, representing approximately 50.3% by total revenue. The revenue of Chinese restaurants decreased by HK$142,229,000, decreased of 38.0% as compared to the year of 2018. It is mainly due to the closure of five restaurants and the disposal of two restaurants during the year 2019.

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 2019 and 31 December 2018:

	Year ended 31 December		**Year ended 31 December**				**Year ended 31 December**	
	2019	2018	**2019**		2018		**2019**	2018
	Seat turnover rate *(Note 1)*		**Average spending per customer**				**Average daily revenue**	
			Dining customer	**Banquet customer**	Dining customer	Banquet customer		
	Times	*Times*	***HK$***	***HK$***	*HK$*	*HK$*	***HK$***	*HK$*
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	**2.84**	3.36	**94**	**632**	100	621	**162,299**	203,102
U Banquet • The StarView (Kwun Tong) *(Note 6)*	**4.16**	4.24	**100**	**614**	101	619	**138,281**	143,968
U Banquet (Causeway Bay)/U Banquet – The StarView (Causeway Bay) *(Note 2)* *(Note 6)*	**0.80**	2.18	**143**	**720**	108	641	**50,452**	98,553
U • Kitchen (North Point) and U • Pot (North Point) *(Note 7)*	**2.44**	2.66	**92**	**528**	95	533	**123,048**	138,511
U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin) *(Note 3)*	**1.48**	3.01	**66**	**N/A**	81	541	**68,281**	170,922
U Banquet (Sino Plaza) *(Note 4)*	**2.38**	2.41	**169**	**540**	137	589	**89,326**	78,487
U Banquet • The StarView (The One)	**1.18**	1.27	**249**	**809**	270	785	**177,598**	192,952
U Banquet • The StarView (Sha Tin) *(Note 5)*	**0.67**	N/A	**207**	**737**	N/A	N/A	**42,847**	N/A

Note:

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

2. U Banquet (Causeway Bay) was renamed U Banquet • The StarView (Causeway Bay) in mid-May 2019, the restaurant mainly focuses on banquet business.

3. U • Kitchen (Wong Tai Sin) and U • Pot (Wong Tai Sin)'s business were closed on 2 January 2019.

4. U Banquet (Sino Plaza)'s business was closed on 1 April 2019.

5. U Banquet • The StarView (Sha Tin) is mainly focuses on banquet business and opened in mid-May 2019.

6. These two restaurants were sold to a third party on 7 November 2019.

7. U • Kitchen (North Point) and U • Pot (North Point)'s business were closed on 15 September 2019.

Analysis of Chinese restaurant operations for the Two Years Ended 31 December 2019 and 31 December 2018

Revenue from all Chinese restaurant operations decreased by approximately 38.0% from approximately HK$374.7 million for the year ended 31 December 2018 to approximately HK$232.4 million for the year ended 31 December 2019. It was mainly due to the closure of five restaurants and the disposal of two restaurants during the year 2019. The revenue from these five restaurants decreased by approximately HK$131.6 million as compared to the year 2018.

The seat turnover rate of all comparable restaurants decreased for the year ended 31 December 2019 as compared to that in 2018 as the total numbers of wedding banquet customers and dining customers have decreased for all these restaurants. The directors believed that the decrease in the seat turnover rate was a result of 1) the accelerated downtrend of the Hong Kong economy resulting from various uncertainties in the current environment, including the sharp decline in inbound visitors starting from June 2019, and gloominess of the situation of the US-China trade tension; and 2) the weakened consumer sentiment caused by the social unrest in Hong Kong which occurred since June 2019. The seat turnover rate of U Banquet • The StarView (The One) and newly opened U Banquet • The StarView (Sha Tin) were 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) & (Sha Tin) contributed to approximately 75% of the total revenue of the restaurants, whilst the average wedding banquet revenue generation ratio is approximately 19% for the rest of the restaurants in 2019.

Environmental maintenance business

The Group started engaging in the environmental maintenance business in the PRC after the completion of acquisition of BYL on 22 October 2018. During the year 2019, it has generated approximately HK$226,331,000 (2018: HK$31,938,000) service income and HK$28,564,000 (2018: HK$4,654,000) segment profit to the Group after deducting relevant expense in amortisation of intangible asset of HK$19,594,000 (2018: HK$3,190,000).

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 2019 amounted to approximately HK$89,813,000 (2018: HK$107,257,000), representing a decrease of approximately 16.3% as compared to last year. The decrease was in line with the decrease of revenue from Chinese restaurant business as certain restaurants were closed and sold during the year ended 31 December 2019 despite an increase in cost of revenue arising from the environmental maintenance business from HK$2,992,000 in 2018 to HK$32,051,000 in 2019.

Employee Benefits Expenses

The Group had 1,383 employees as at 31 December 2019 (31 December 2018: 1,128 employees). The increase in the number of employees was mainly due to the expansion of the environmental maintenance business in 2019. Employee benefits expenses for the year ended 31 December 2019 amounted to approximately HK$193,821,000 (2018: HK$135,138,000), representing an increase of approximately 43.4% compared to last year. The Group would regularly review the work allocation of the staff to improve and maintain a high quality of service.

Operating Lease Payments

Operating lease payments for the year ended 31 December 2019 amounted to approximately HK$19,444,000, representing a decrease of approximately 74.7% as compared to last year. Such significant decrease was mainly attributable to the initial adoption of Hong Kong Financial Reporting Standard 16 ("HKFRS 16") as at 1 January 2019. Under the Group's accounting policies in compliance with HKFRS 16, only the lease payments under short-term leases (namely, leases with term of 12 months or less) or leases of low-value assets and variable rents that do not depend on index or rate are included in operating lease payments. For other lease payments (namely, long-term leases), they are reflected on the consolidated balance sheet as right-of-use assets and lease liabilities. As most of our premises are leases that are classified as long term leases, the adoption of HKFRS 16 resulted in a significant decrease in operating lease payments and a related significant increase in depreciation expenses from the right-of-use assets and interest expenses from lease liabilities.

	Year ended 31 December	
	2019	2018
	HK'000	*HK'000*
Depreciation charges of property, plant and equipment	**20,833**	15,524
Depreciation charges of right-of-use assets	**40,066**	–
Total depreciation	**60,899**	15,524
Depreciation charge of right-of-use asset	**40,066**	–
Interest expense on lease liabilities	**3,827**	–
Operation lease payments	**19,444**	77,005
Total	**63,337**	77,005

Utilities Expenses

Utilities expenses for the year ended 31 December 2019 amounted to approximately HK$25,155,000, representing a decrease of approximately 25.8% as compared to last year. The decrease was in line with the decrease of revenue from Chinese restaurant business as certain restaurants were closed and sold during the year ended 31 December 2019.

Impairment of Property, Plant and Equipment and right-of-use assets

Considering the unfavourable sales performance of the remaining Chinese restaurants, the management of the Group has consequently determined to impair the property, plant and equipment (including the right-of-use assets) pertaining to the Chinese restaurant business amounting to approximately HK$23,172,000 for the year ended 31 December 2019 (2018: one restaurant HK$2,831,000).

Amortisation expenses in intangible assets

As a result of the acquisition of the BYL Group in 2018, the Group has carrying amount of intangible assets of approximately HK$57,402,000 as at 31 December 2019. The intangible assets consist of customer backlogs and customer relationship amounting to approximately HK$28,893,000 and approximately HK$28,509,000 respectively as at 31 December 2019. Customer backlogs represent the total estimated customer contract sum secured at the acquisition date which will be amortised over a period of 3 years. Customer relationship represents the long-time business relationship and history with its key customers in Chengdu and is to be amortised over a period of 10 years.

During the year ended 31 December 2019, amortisation of intangible assets amounts to approximately HK$19,594,000 (2018: HK$3,190,000)

Fair value loss of investment properties and impairment of goodwill

As a result of the acquisition of New Fortune Group which holds an investment property and engages in property leasing business, the Group recognised goodwill of approximately HK$20,920,000 as at completion on 30 June 2017. The Group tests annually or whenever events or changes in circumstances result in indicator of impairment of goodwill arising from business combinations.

After considering the valuation of investment property as at 31 December 2019 performed by an independent professional valuer, the Group recognised a fair value loss on investment properties amounted to approximately HK$11,184,000 (2018: fair value gain of HK$4,565,000). The Group considered the revaluation downward of the investment properties was an impairment indicator. Accordingly, an impairment of goodwill in the amount of approximately HK$2,104,000 (2018: Nil) was recognised during the year ended 31 December 2019.

Other Expenses

Other expenses mainly represent expenses incurred for the Group's operation, consisting of service fee to workers, kitchen consumables, laundry, cleaning, repair and maintenance, advertising and promotion, legal and professional, etc. For the year ended 31 December 2019, other expenses amounted to approximately HK$66,421,000, representing an increase of approximately 2.1% as compared to last year. The increase mainly arose from the full year operation of environmental maintenance business during the year ended 31 December 2019.

Loss Before Tax and Loss For The Year

With the effect of increasing operating cost, impairment loss of property, plant and equipment and right-of-use assets, amortisation expenses in intangible assets and fair value loss of investment properties mentioned above, the Group's loss before tax and loss for the year increased significantly from approximately HK$23,279,000 and HK$25,245,000, respectively for the year ended 31 December 2018 to approximately HK$56,038,000 and HK$59,821,000, respectively for the year ended 31 December 2019.

Liquidity, Financial Resources and Capital Resources

Capital Structure

The Group's objectives for 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 2019, was to lower the gearing ratio to an acceptable level.

Cash Position and Pledged Bank Deposit

As at 31 December 2019, the Group's cash and cash equivalents were approximately HK$230,498,000, representing an increase of 95.9% as compared to approximately HK$117,635,000 as at 31 December 2018. The increase mainly arose from the net proceeds of approximately HK$177,000,000 for the subscription of new shares under general mandate. The Company received the proceeds before the completion of subscription.

There were no pledged bank deposits as at 31 December 2019 (2018: 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 of which the director 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. The loan facility agreement was renewed on 9 November 2019 for a further period up to 8 April 2020, all other terms and conditions remained the same as the original loan facility agreement. As at 31 December 2019, a total of HK$41,000,000 (2018: HK$19,000,000) of this loan was drawn down. Subsequent to the balance sheet date, in March 2020, the Group further drew down a loan of HK$3,000,000 for daily operation.

Trade Receivables

As at 31 December 2019, the Group's trade receivables were approximately HK$36,020,000, representing an increase of approximately 199.6% as compared to last year. The trade receivables were mainly from the environmental maintenance business. The increase of trade receivables mainly arose from the environmental maintenance business which increased from HK$11,200,000 for the year 2018 to HK$35,652,000 for the year 2019.

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, borrowings 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 2019, the Group is at a net cash position, hence, no gearing ratio is disclosed. As at 31 December 2018, the Group's gearing ratio was 40%.

Dividends

The directors do not recommend payment of final dividends in respect of the year ended 31 December 2019 (2018: Nil).

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

Subscription of New Shares Under General Mandate

On 29 March 2019, the Company entered into a subscription agreement with China Aerospace Environmental Holdings Group Limited（中國航天環保控股集團有限公司）, a limited company incorporated in the British Virgin Islands, ("China Aerospace"), pursuant to which China Aerospace has conditionally agreed to subscribe for (or procure the subscription by its nominee(s)) the Company has agreed to allot and issue 30,000,000 new Shares at the subscription price of HK$1.70 per subscription share to China Aerospace (or its nominee(s)). All the conditions precedent under the subscription agreement have been fulfilled and completion of the subscription took place on 24 April 2019 (the "2019 Subscription"). For details, please refer to the announcements of the Company dated 29 March 2019 and 24 April 2019.

On 16 December 2019, the Company entered into a subscription agreement with Goldpalm Offshore Limited (金棕櫚海外有限公司), a limited company incorporated in the British Virgin Islands, ("Goldpalm"), pursuant to which Goldpalm has conditionally agreed to subscribe for (or procure the subscription by its nominee(s)) and the Company has agreed to allot and issue 117,000,000 new Shares at the subscription price of HK$1.53 per subscription share to Goldpalm or its nominee(s)) ("the New Subscription Agreement"). All the conditions precedent under the New Subscription Agreement have been fulfilled and completion of the subscription took place on 7 January 2020 (the "2020 Subscription"). For details, please refer to the announcements of the Company dated 16 December 2019, 19 December 2019 and 7 January 2020.

Potential future investment

On 24 April 2019, the Company entered into a memorandum of understanding agreement ("the MOU") with Hui Tian Network Technology Co., Ltd. (匯天網絡科技有限公司), a company incorporated in the PRC with limited liability (the "Target Company") and Ms. Yang Meiling ("Ms. Yang") in respect of the proposed capital injection into the Target Company. As the negotiation on certain conditions had not been completed prior to the expiry of the priority period on 29 October 2019, no formal agreement was entered into between the parties. The MOU has lapsed and ceased to have any effect. For details, please refer to the announcements of the Company dated 24 April 2019 and 24 October 2019.

Save as disclosed above, there is no plan for material investments or capital assets as at 31 December 2019.

Disposal of subsidiaries

On 29 October 2019, Choi Fook Holdings Limited ("Choi Fook"), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with Mr. Chow Ka Chun Simon ("Mr. Chow"), pursuant to which Choi Fook conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in Elite Rainbow Corporation Limited ("Elite Rainbow") and Vast Rainbow Limited ("Vast Rainbow") at a consideration of HK$200,000 and the Group recorded a gain on disposal of approximately HK$5.1 million which was recognised in the consolidated statement of comprehensive income within "other gain, net". Elite Rainbow is an indirect wholly-owned subsidiary of the Company principally engaged in the operation of a Chinese restaurant located at 2nd Floor of Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. Vast Rainbow is an indirect wholly-owned subsidiary of the Company principally engaged in the operation of a Chinese restaurant located at the whole of 5th Floor and 5th Mezzanine Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong. Upon the completion of disposal, the Company will cease to have any equity interest in the disposed companies and they will cease to be subsidiaries of the Company. All the conditions precedent under the disposal agreement have been fulfilled and completion of the disposal took place on 7 November 2019. For details, please refer to the announcements of the Company dated 29 October 2019 and 7 November 2019.

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities during the year and subsequently after 31 December 2019.

Use of Proceeds from the 2019 Subscription

The net proceeds from the 2019 Subscription are approximately HK$49,600,000 which were all applied for the repayment of a shareholder's loan.

Use of Proceeds from the 2020 Subscription

The net proceeds from the 2020 Subscription are approximately HK$177,000,000 and the Company intends to apply the net proceeds in (i) the settlement of outstanding consideration payable for the acquisition of BYL Property Holdings Group Limited in 2018 amounting to approximately HK$74,571,000; and (ii) general working capital as to the remaining balance. No further repayment has been made to the consideration payable from 31 December 2019 up to the date of this announcement.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: Nil).

Share Option

On 17 May 2017, the Company has granted share options (the "Options") under its share option scheme (the "Share Option Scheme") adopted on 19 November 2013 to certain eligible grantees (the "Grantees"), which, subject to acceptance by the Grantees, will enable the Grantees to subscribe for an aggregate of 11,600,000 ordinary shares of the Company of HK$0.01 each in the share capital of the Company as stated in the announcement of the Company dated 17 May 2017. No option had been exercised during the year. As at 31 December 2019, there were 10,400,000 options outstanding under the Share Option Scheme.

Fulfillment of profit guarantee in relation to the acquisition

Reference was made to the announcements of the Company dated 9 February 2018 in respect of the acquisition of BYL Property Holdings Group Limited ("Target Company"). Pursuant to the sales and purchase agreement signed between Wild South Limited ("the Purchaser"), a wholly-owned subsidiary of the Company, and Mr. Wan Zhong ("the Vendor"), the Vendor irrevocably and unconditionally warrants and guarantees the Purchaser that the aggregated consolidated net profit after tax (the "Audited Profit") of the Target Company together with its subsidiaries (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 for the Relevant Period (the "Audited Accounts") to be prepared by a Hong Kong certified public accountants' firm (as approved by the Purchaser) 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 sales and purchase agreement.

According to the unaudited financial statement of the Target Group, the consolidated net profit after tax in the amount of approximately RMB22,553,000 and RMB32,704,000 has been achieved for the year ended 31 December 2018 and 2019 respectively.

As at 31 December 2018, the fair value of the contingent consideration receivable was determined by a professional independent valuer at RMB6,036,000 (equivalent to approximately HK$6,878,000). As at 31 December 2019, fair value loss on contingent consideration receivables in the amount of HK$6,395,000 (2018: Nil) was determined by the same valuer.

Prospects

Looking back at the year 2019, the general economy and the business environment of catering industry in Hong Kong was severely affected by the uncertain development of the China-US trade war as well as the social incidents since June 2019. The situation became even worse due to the outbreak of the novel coronavirus pneumonia (COVID-19) epidemic (the "Epidemic") in the PRC since January 2020, severely affecting the operating environment in retail and food and beverage business. To avoid the spread of the Epidemic, the Hong Kong government has executed several policies which has led to the decline of both local customers and tourists, seriously affecting the people traffic and the consumers' spending sentiment. The management expects that the Chinese restaurant operations of the Group during 2020 would be even more challenging. To cope with this, the management will keep monitoring the market conditions to adjust the operation strategies on a timely basis. The management had decided not to renew the lease contract of U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2) which expired since February 2020 due to the continuing poor performance of these two restaurants. Also, the Group would actively negotiate with business partners including suppliers and landlords of the Chinese restaurant operation on mitigative measures during such unabated difficult period.

With the foreseeable worsening business environment, the Group will continuously evaluate and adopt different cost control and cut-loss measures in order to maintain competitiveness and to return to profitability. The Group will pay close attention to the development of the Epidemic outbreak and evaluate its impact on the overall financial position and operating results of the Group.

As at the date of this announcement, the Group was not aware of any material adverse effects to its environmental maintenance, property leasing and security trading business.

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 acquiring other environmental maintenance business and/or potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of service and 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 2019. 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 2019, 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 2019.

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 2019 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 2019 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, 31 March 2020

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