
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Financial adviser to the Company

MESSIS  大有融資

A notice convening the extraordinary general meeting of U Banquet Group Holding Limited to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 May 2020, at 3:30 p.m., (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 3:00 p.m.) is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please see page ii of this document for measures being taken to try to prevent and control the spread of the Coronavirus (COVID-19) at the EGM, including:

- **compulsory temperature checks and health declarations**
- **wearing of surgical face masks**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. The Company requests attendees to wear face masks and reminds Shareholders that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

12 May 2020

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue or be required to leave the EGM venue.
- (iii) The Company requests attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

A form of proxy for use at the EGM is attached to this circular. Alternatively, the form of proxy can be downloaded from the "Investor Relations" section of the Company's website at www.ubanquetgroup.com. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders have any questions relating to the EGM, please contact Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong as follows:

Union Registrars Limited

Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or public holiday) in Hong Kong on which the licensed banks are generally open for business throughout the normal business hours
“Company”	U Banquet Group Holding Limited (譽宴集團控股有限公司), a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 1483)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	a date on which Completion shall take place, which should not be later than the Long Stop Date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 21 April 2020 in relation to the Disposal entered into between the Company and the Purchaser
“EGM”	the extraordinary general meeting of the Company to be convened and held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 May 2020 at 3:30 p.m. (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 3:00 p.m.) to approve the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, a lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons or its subsidiaries and their respective associates
“Latest Practicable Date”	7 May 2020, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Long Stop Date”	30 June 2020, or any other date which the parties to the Disposal Agreement may agree in writing
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Disposal”	the disposal of the entire issued share capital in Vast Rainbow Limited (偉彩有限公司) and Elite Rainbow Corporation Limited (韻彩有限公司) pursuant to the terms of the Previous Disposal Agreement
“Previous Disposal Agreement”	the sale and purchase agreement dated 29 October 2019 in relation to the Previous Disposal entered into between Choi Fook Holdings Limited (彩福控股有限公司), an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, and the Purchaser
“Previous Disposed Companies”	Vast Rainbow Limited (偉彩有限公司) and Elite Rainbow Corporation Limited (韻彩有限公司), which were indirect wholly-owned subsidiaries of the Target Company prior to the completion of the Previous Disposal
“Purchaser”	Mr. Chow Ka Chun Simon
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	10,000 ordinary shares at par value of US\$1.00 each in the Target Company, representing its entire issued share capital

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	YuYan Group (Hong Kong) Investment Limited (譽宴集團(香港)投資有限公司), a company incorporated in the British Virgin Islands with limited liability, and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Target Group”	the Target Company and its subsidiaries
“Valuer”	International Valuation Limited, an independent valuer engaged by the Company
“%”	per cent

LETTER FROM THE BOARD



U BANQUET GROUP HOLDING LIMITED

譽宴集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1483)

Executive Directors:

Mr. Sang Kangqiao (*Chairman*)

Mr. Cui Peng

Mr. Xu Wenzhe

Registered office:

Vistra (Cayman) Limited

P.O. Box 31119 Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Independent non-executive Directors:

Mr. Lam Ka Tak

Mr. Xu Zhihao

Mr. Wong Sincere

Head office and principal place of business

in Hong Kong:

Suite 1201, Cityplaza One

1111 King's Road

Taikoo Shing, Hong Kong

12 May 2020

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 21 April 2020 in relation to the Disposal of the entire issued share capital in the Target Company. The purpose of this circular is to provide the Shareholders with further information on the Disposal and other information as required under the Listing Rules.

On 21 April 2020 (after trading hours), the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Company at a consideration of HK\$200,000.

LETTER FROM THE BOARD

MAJOR TERMS OF THE DISPOSAL AGREEMENT

Date

21 April 2020 (after trading hours)

Parties

Vendor: the Company

Purchaser: Mr. Chow Ka Chun Simon

Target Company: YuYan Group (Hong Kong) Investment Limited

As confirmed by the Purchaser and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the Previous Disposal Agreement and the Disposal Agreement, which were both entered into between the Group and the Purchaser, the Purchaser is an Independent Third Party and does not have any past or present relationship with the Company and its connected persons.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire equity interest in the Target Company, free from all encumbrances and together with all rights then or thereafter attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date. As at the Latest Practicable Date, the Target Company is the holding company of the Target Group, which comprises 14 subsidiary companies incorporated in Hong Kong with limited liabilities, which in turn operates two Chinese restaurants in Hong Kong.

Consideration

The consideration for the Disposal shall be HK\$200,000.

The consideration for the Disposal was determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the market value of the Sale Shares of minimal value based on the independent valuation prepared by the Valuer by using the market and cost approaches; (ii) the prevailing market conditions; and (iii) the operational and financial performance of the Target Group with loss after income tax of approximately HK\$13.6 million and HK\$51.2 million for the financial years ended 31 December 2018 and 2019, respectively.

In view of the above, the Directors consider that the terms and conditions of the Disposal Agreement were concluded under normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Payment of the Consideration

The consideration shall be payable by the Purchaser to the Company upon Completion.

Conditions Precedent

Completion is conditional upon fulfilment of, among others, each of the following conditions:

- (a) the Shareholders having resolved at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) the Company having proved that it has good title to the Sale Shares, free from all encumbrances;
- (c) the Company having waived irrevocably any restrictions in relation to the transfer of the Sale Shares which may exist under the articles of association of the Target Company, including pre-emption rights;
- (d) the Board having passed the relevant resolutions approving the Disposal Agreement and the sale and purchase transaction contemplated under the Disposal Agreement;
- (e) the Company having obtained all necessary government or regulatory permits or licenses required for the operation of the businesses of the Target Group (including but not limited to licences issued by the Food and Environmental Hygiene Department, the Liquor Licensing Board and the Environmental Protection Department);
- (f) the Company having obtained all necessary government or regulatory consent or approval to transfer the permits or licences set out in paragraph (e) above to the Purchaser;
- (g) the Company having obtained all necessary consents and authorisations which may be required to implement the Disposal Agreement under any existing contractual arrangements or documentation; and
- (h) all representations, warranties and undertakings as set out in the Disposal Agreement remaining true, valid, and effective up to and including the Completion Date.

If any of the above conditions have not been fulfilled or waived by the Purchaser in writing on or before the Long Stop Date, all rights and obligations of the parties under the Disposal Agreement shall cease and terminate. No party shall have any claim against the other save for any claim in respect of any antecedent breach thereof.

LETTER FROM THE BOARD

Completion

Completion shall take place on or before the Long Stop Date, following the satisfaction of all the aforesaid conditions.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group

The Company is a company incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant and wedding business, property leasing, securities trading business and environmental maintenance service business.

The Purchaser

As confirmed by the Purchaser and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the Previous Disposal Agreement and the Disposal Agreement, which were both entered into between the Group and the Purchaser, the Purchaser is an Independent Third Party and does not have any past or present relationship with the Company and its connected persons.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the British Virgin Islands with limited liability, and is a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. The Target Company is the holding company of the Target Group, which comprises 14 subsidiary companies incorporated in Hong Kong with limited liability. The Target Group is principally engaged in the operation of Chinese restaurant and wedding business. As at the Latest Practicable Date, the Target Group operates two Chinese restaurants in Hong Kong.

LETTER FROM THE BOARD

Set out below is the extract of the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December/as at	
	2018	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
	(Note)	(Note)
Revenue	374,714	232,444
Loss before income tax	(13,572)	(51,220)
Loss after income tax	(13,572)	(51,206)
Total assets	79,470	63,117
Total liabilities	101,817	136,354
Net liabilities	(22,347)	(73,237)

Note: The Previous Disposed Companies were indirect wholly-owned subsidiaries of the Target Company prior to the completion of the Previous Disposal on 7 November 2019. Therefore, the results of the Previous Disposed Companies prior to the completion of the Previous Disposal were included in the unaudited consolidated financial information of the Target Group as set out above.

As at 31 December 2019, the unaudited consolidated net liabilities of the Target Group was approximately HK\$73.2 million. Upon Completion, the Target Group will cease to be subsidiaries of the Company and the Target Group's financial results will no longer be consolidated into the financial results of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on (i) the unaudited consolidated net liabilities of the Target Group of approximately HK\$73.2 million as at 31 December 2019; and (ii) the consideration for the Disposal of HK\$200,000, it is estimated that the Group will record an unaudited gain on disposal of approximately HK\$73.4 million (subject to Completion) before deducting the expenses associated with the Disposal.

Upon Completion, the Company will cease to have any equity interest in the Target Group and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

USE OF PROCEEDS

The Group intends to apply the sales proceeds for general working capital purpose.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant and wedding business, property leasing, securities trading business and environmental maintenance service business.

The Board considers that the financial performance of the Target Group was unsatisfactory as the Target Group has been loss-making in the recent financial years and recorded unaudited consolidated net loss of approximately HK\$13.6 million and HK\$51.2 million for the two years ended 31 December 2019, respectively. Besides, the Target Group also had unaudited consolidated net liabilities of HK\$73.2 million as at 31 December 2019. Taking into account the severe market competition and increasingly challenging operating environment of Chinese restaurants and wedding business brought by the social unrest of Hong Kong in the second half of 2019 and the COVID-19 pandemic in 2020, which caused a sharp decline in the number of tourist visits in Hong Kong, and with the deteriorating market sentiment caused by recent government regulation which limits public gathering and increases social distancing, and the future uncertainties in the recovery of the Chinese restaurant and wedding business from the impacts of the COVID-19 pandemic, the Board is of the view that the Disposal serves as a good opportunity for the Group to reduce losses and realise the investment in the Target Group. Upon Completion, the Group will cease to operate Chinese restaurant and wedding business. The Disposal will also allow the Company to focus on the development of other more profitable businesses of the Group.

Following the Disposal, the Group will mainly focus on developing its environmental maintenance service business. As disclosed in the annual report of the Company for the year ended 31 December 2019, the Group started engaging in environmental maintenance service business in the PRC after the completion of acquisition of BYL Property Holdings Group Limited 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's environmental maintenance service projects are mainly contracted with government entities through tendering. The environmental maintenance service business is based in Chengdu, the PRC, and expanded to other regions in the PRC such as Xinjiang Autonomous Region, Hebei Province and Inner Mongolia Autonomous Region through successful environmental maintenance projects tenders in such regions. During the year ended 31 December 2019, the Group's environmental maintenance service business had expanded significantly in terms of its project backlog. As at 31 December 2018, the Group had approximately 15 environmental maintenance service contracts on hand with a total of 11 customers and the aggregate contract sum of the remaining contract period amounted to approximately RMB241.1 million. As at 31 December 2019, the number of environmental maintenance service contracts on hand of the Group increased to approximately 23 projects with 19 customers, and the aggregate contract sum of the remaining contract period increased to approximately RMB374.5 million. Notably, during the year ended 31 December 2019, the Group had obtained new environmental maintenance service contracts of annual aggregate contract sum of approximately RMB7.5 million, RMB64.3 million and RMB22.2 million in Xinjiang

LETTER FROM THE BOARD

Autonomous Region, Hebei Province and Inner Mongolia Autonomous Region, respectively. The contract period of such newly obtained service contracts are generally three years, and the service fees are charged on a fixed fee basis. Given the growth of the Group's environmental maintenance service business in 2019, the Group will continue to strengthen the business and explore further opportunities to secure contracts in Chengdu, Xinjiang Autonomous Region, Hebei Province and Inner Mongolia Autonomous Region in the near future.

The environmental maintenance service business is also one of the major revenue and profit contributor of the Group for the year ended 31 December 2019. During the year ended 31 December 2019, the environmental maintenance service business contributed approximately HK\$226.3 million or 49.0% of the total revenue of the Group, and over 95% of the Group's revenue after excluding the revenue generated from the Chinese restaurant and wedding business. The environmental maintenance service business also brought a segment profit of approximately HK\$28.6 million, as compared with a segment loss of approximately HK\$49.2 million from the Chinese restaurant and wedding business for the year ended 31 December 2019. Given the strong financial performance of the environmental maintenance service business as compared with the Chinese restaurant and wedding business, and the Group's environmental maintenance service contracts are mainly contracted with government entities with periods of one to three years, the Company believes that the development of the environmental maintenance service business will enhance the business and financial prospect of the Group.

In view of the above, the Board considers that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

References are made to the announcements of the Company dated 29 October 2019 and 7 November 2019 in relation to the Previous Disposal. As the Previous Disposal Agreement and the Disposal Agreement were both entered into with the Purchaser, the Previous Disposal and the Disposal would be aggregated as a series of transactions under Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal (as aggregated with the Previous Disposal) are greater than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting in respect of the Disposal Agreement and the transactions contemplated thereunder at the EGM.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors consider the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the Disposal Agreement and the transactions contemplated thereunder as set out in the notice of the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 21 May 2020 to Thursday, 28 May 2020 (both days inclusive), the period during which no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Wednesday, 20 May 2020.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Sang Kangqiao
Chairman and Executive Director

1. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 together with the relevant notes thereto are disclosed in the following documents, which were published on the website of the Stock Exchange (<http://www.hkex.com.hk>):

- annual report of the Company for the year ended 31 December 2019 published on 14 April 2020 (pages 78 to 240);
- annual report of the Company for the year ended 31 December 2018 published on 17 April 2019 (pages 83 to 256); and
- annual report of the Company for the year ended 31 December 2017 published on 23 April 2018 (pages 80 to 224);

2. INDEBTEDNESS STATEMENT**Loans from a shareholder**

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had unsecured non-guaranteed loans from a shareholder of approximately HK\$19,456,000.

Loans from a director of certain subsidiaries

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had unsecured non-guaranteed loans from a director of certain subsidiaries of approximately HK\$44,000,000.

Lease liabilities

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had lease liabilities of approximately HK\$41,144,000.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables in the normal course of business, as at the close of business on 31 March 2020, the Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

4. MATERIAL ADVERSE CHANGE

As disclosed in the annual report of the Company for the year ended 31 December 2019, after the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. As at the Latest Practicable Date, the Group was not aware of any material adverse effects to its environmental maintenance service business, property leasing and securities trading business. In light of the negative impact brought upon by the COVID-19 outbreak in Hong Kong, the Chinese restaurant and wedding business is expected to experience a downturn in 2020.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS

As disclosed in the annual report of the Company for the year ended 31 December 2019, the general economy and the business environment of catering industry in Hong Kong was severely affected by the uncertain development of the China-United States trade war as well as the social unrest of Hong Kong in the second half of 2019. The situation further deteriorated due to the COVID-19 outbreak since January 2020, which severely affected the operating environment in retail and food and beverage business. To avoid the spread of the COVID-19, the Hong Kong government has executed several policies restricting travel and group gatherings, which has led to the decline of both local customers and tourists, seriously affecting the number of people going out in public and the consumers' spending sentiment. The management expects that the Chinese restaurant operations of the Group during 2020 would be even more challenging. The management had decided not to renew the lease contract of two restaurants in Mong Kok which expired since February 2020 due to the continuing poor performance of these two restaurants. Following the completion of the Disposal, the Group will cease to operate Chinese restaurant and wedding business. Given the Target Group was loss making and in net liabilities position in the recent financial years, the financial position of the Group is expected to improve following the Disposal.

As at the Latest Practicable Date, the Group was not aware of any material adverse effects to its environmental maintenance service business, property leasing and securities trading business. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the overall financial position and operating results of the Group.

Looking forward, the Group will continue to utilise its available resources to develop its environmental maintenance service business, property leasing and securities trading business. Apart from this, the Group will also explore business opportunities to strengthen its revenue base, such as acquiring other environmental maintenance service business and/or potential properties in Hong Kong and/or the PRC which is expected to generate a stable and constant stream of revenue and rental income to the Group.

The following is an extract of the valuation report prepared by International Valuation Limited, prepared for the purpose of incorporation in this circular, in connection to the valuation of 100% equity interest in the Target Group as of 31 December 2019.



INTERNATIONAL VALUATION LIMITED
國際評估有限公司

May 12, 2020

The Board of Directors

U Banquet Group Holding Limited

Suite 1201, Cityplaza One,
1111 King's Road,
Taikoo Shing, Hong Kong

Dear Sir and Madam,

International Valuation Limited (“IVL”) has concluded its analysis on the 100% equity interest in YuYan Group (Hong Kong) Investment Limited and its subsidiaries (“Target Group”). The purpose of this engagement is to estimate the market value of the 100% equity interest in the Target Group as of December 31, 2019 (“Valuation Date”).

Our work is designed solely to assist the management (“Management”) of U Banquet Group Holding Limited (“Company”) and its subsidiaries (together as the “Group”) to determine the market value of the 100% equity interest in the Target Group as of the Valuation Date for major transaction reference purpose.

This report states our scope of work and purpose of appraisal, identifies the business appraised, economic and industry overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for major transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equities appraised under this engagement, our efforts will be based on the following description of Market Value: “*Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*”

SCOPE OF THE ENGAGEMENT

Our services included performing a valuation on the equity interest of the Target Group as of the Valuation Date.

In the process of the valuation under this engagement, we relied on business and financial information of the Target Group provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history, development and prospect of the Target Group;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Group, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
 - Understand in more detail of the Target Group;
 - Gain a more thorough understanding of the nature and operations of the Target Group including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Target Group operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

- A. This letter, which describes the nature and extent of the valuation investigation, and presents the conclusion of value; and
- B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

SOURCES OF INFORMATION

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Disposal agreement (“Disposal Agreement”) dated April 21, 2020 in relation to the disposal of the 100% equity interest in the Target Group;
- Unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019;
- Fixed asset register of the Target Group as of December 31, 2019; and
- Group structure chart relating to the Target Group.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We do not provide assurance on the long-term sustainability of the historical financial results recorded by the Target Group because events and circumstances frequently do not occur as expected; differences between historical and future results may be material; and achievement of the future results is dependent on actions, plans, and assumptions of the Management.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

CONCLUSION

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Target Group as of December 31, 2019 is reasonably represented as **HONG KONG DOLLARS NIL**.

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,

International Valuation Limited

1 INTRODUCTION

Description of the Assignment

International Valuation Limited (“IVL”) has concluded its analysis on the 100% equity interest in YuYan Group (Hong Kong) Investment Limited and its subsidiaries (“Target Group”). The purpose of this engagement is to estimate the market value of the 100% equity interest in the Target Group as of December 31, 2019 (“Valuation Date”).

Our work is designed solely to assist the management (“Management”) of U Banquet Group Holding Limited (“Company”) and its subsidiaries (together as the “Group”) to determine the market value of the 100% equity interest in the Target Group as of the Valuation Date for major transaction reference purpose.

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equities appraised under this engagement, our efforts will be based on the following description of Market Value: *“Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history, development and prospect of the Target Group;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Group, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
 - Understand in more detail of the Target Group;
 - Gain a more thorough understanding of the nature and operations of the Target Group including the estimated market trends;
- Analysis of conditions in, and the economic outlook for, the industry in the territory in which the Target Group operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the Target Group.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

Sources of Information

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Group;
- Disposal agreement (“Disposal Agreement”) dated April 21, 2020 in relation to the disposal of the 100% equity interest in the Target Group;
- Unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019;
- Fixed asset register of the Target Group as of December 31, 2019; and
- Group structure chart relating to the Target Group.

Other information regarding the industry and economic outlook, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we conversed with the Management concerning the financial and general outlook of the Target Group.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We do not provide assurance on the long-term sustainability of the historical financial results recorded by the Target Group because events and circumstances frequently do not occur as expected; differences between historical and future results may be material; and achievement of the future results is dependent on actions, plans, and assumptions of the Management.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

2 PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Target Group as of the Valuation Date. We understand that this report would be made available for major transaction reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

3 OVERVIEW OF THE TARGET GROUP

The Company is a company incorporated in Cayman Islands with limited liability. The Group is principally engaged in Chinese restaurant and wedding business, property leasing, securities trading business and environmental maintenance service business.

The Target Company is incorporated in the British Virgin Islands with limited liability, and is a direct wholly-owned subsidiary of the Company as of the Valuation Date. The Target Group is principally engaged in the operation of Chinese restaurant and wedding business. The Target Company is the holding company of the Target Group, which comprises 14 subsidiary companies incorporated in Hong Kong with limited liabilities.

During the year 2019, the Group had closed five restaurants in Causeway Bay, Wong Tai Sin and North Point, sold two restaurants in Causeway Bay and Kwun Tong and opened a new one in Sha Tin. As of December 31, 2019, through the Target Group, the Group operated a total of three restaurants under “U Banquet” brand, including U Banquet (Mong Kok), U Banquet • The StarView (The One) and U Banquet • The StarView (Sha Tin).

The Management had decided not to renew the lease contracts of U Banquet (Mong Kok) after expiry in February 2020 due to the continuing poor performance of the restaurant. Hence, the Target Group operated only two Chinese restaurants in Hong Kong as of the date of the Disposal Agreement.

4 ECONOMIC OVERVIEW

Overview of the Hong Kong Economy

POLITICAL STABILITY: The political stability of Hong Kong may continue to be threatened following recent social unrest. Ms. Carrie Lam, the Chief Executive of Hong Kong since July 2017, faces multiple challenges. Of these, three stand out: addressing public discontent, managing relations with the opposition, and engaging with the central Chinese government. Successfully tackling all three of these issues at once seems increasingly difficult since mid-2019.

INTERNATIONAL RELATIONS: Under the Basic Law (Hong Kong's mini-constitution), defense and foreign affairs are the preserve of the central Chinese government, but the territorial administration has authority over domestic matters and external issues relating to trade. The United States ("US") and China signed a phase one trade deal in January 2020, with China committing to buy US\$200 billion of goods and services over the next two years. The deal results in the suspension of a planned December tariff on around US\$162 billion in Chinese goods, with an existing 15% duty on imports worth around US\$110 billion halved. With the US and Chinese tariffs still in place and phase two negotiations on hold, it is unclear how long the trade war will last.

ECONOMIC GROWTH: According to Census and Statistics Department, Hong Kong's gross domestic products ("GDP") in the fourth quarter of 2019 decreased by 2.9% year-on-year, compared with the decrease of 2.8% in the third quarter. For 2019 as a whole, GDP decreased by 1.2% year-on-year from 2018. The decline in GDP is due to weak domestic and external demand amid anti-government movements and the US-China trade war.

GENERAL RETAIL: According to the Census and Statistics Department, the retail sales in Hong Kong dropped 19.4% in December 2019 compared with the same month last year. The decline reflected the weak consumer sentiment amid subdued economic conditions, severe disruption to inbound tourism and consumption-related activities caused by the local social incidents. 2020 will remain a challenging year for Hong Kong's retail market as the anti-government protests showed no signs of abating.

INFLATION: The annual inflation rate in Hong Kong dropped to 2.9% in December 2019 from 3.0% in the previous month. It was the lowest inflation rate since May 2019. The smaller increase in December was mainly due to the smaller increases in local transport fares as well as the costs for meals bought away from home.

EXCHANGE RATES: The Hong Kong dollar spot exchange rate weakened against the US dollar in the early part of 2019, but stabilized in the third quarter and strengthened in the fourth quarter. Meanwhile, as the US dollar strengthened against some major currencies including the euro and renminbi, the trade-weighted Hong Kong dollar Nominal and Real Effective Exchange Rate Indices picked up by 0.9% and 0.7% respectively during 2019.

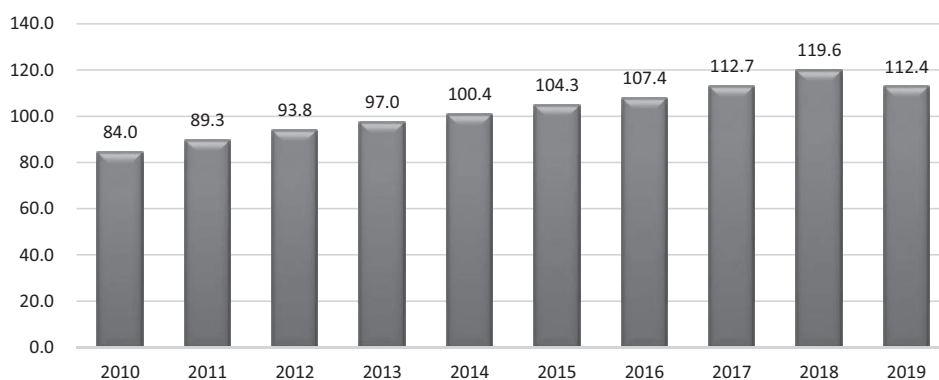
EXTERNAL SECTOR: Total exports of goods compiled under the GDP accounting framework fell by 4.7% in real terms in 2019, in contrast to the 3.5% growth in 2018, as the global economic slowdown and US-Mainland trade tensions dampened global trading and investment activities. The year-on-year decline widened successively in the first three quarters of 2019, before narrowing in the fourth quarter which was helped by a low base of comparison.

5 OVERVIEW OF CHINESE RESTAURANT INDUSTRY

Market Size of Hong Kong Catering Service Market

According to Food and Environmental Hygiene Department, the total number of restaurants in Hong Kong was approximately 15,000 in 2019 and the market is expected to become more competitive. The catering industry kept a sustainable growth supported by the solid market demand. According to Census and Statistics Department, the market size of catering service industry in Hong Kong experienced a moderate growth from HKD83.9 billion in 2010 to HKD112.4 billion in 2019, representing a compound annual growth rate (“CAGR”) of 3.3%.

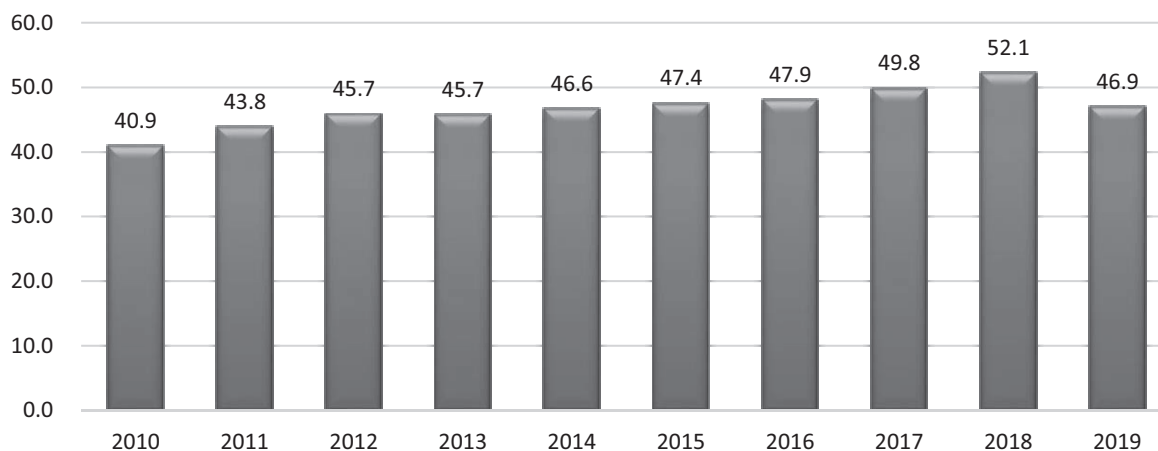
**Total Revenue of Catering Service Market in Hong Kong
(Billion HKD)**



Source: Census and Statistics Department, HKSAR

Among the catering service market, the Chinese restaurant market also maintained a steady uprising trend in recent years. The total revenue generated from Chinese restaurant in Hong Kong increased from HKD40.9 billion in 2010 to HKD46.9 billion in 2019, with a CAGR of 1.5%.

Total Revenue of Chinese Restaurant Market in Hong Kong (Billion HKD)



Source: Census and Statistics Department, HKSAR

Impacts of Social Movements and COVID-19 on the Catering Service Market

From June 2019 to December 2019, anti-government protests became a regular occurrence. Areas from Sheung Wan to Causeway Bay and Yau Tsim Mong districts in Kowloon were most heavily impacted with frequent clashes. Restaurateurs in these areas reported significant drop in custom as citizens opted to dine further away from areas of conflict, or stayed home. According to Census and Statistics Department, the total restaurant receipts decreased by 5.95% in 2019 compared with a year earlier. Chinese restaurants suffered the most, decreasing by 10.05% in value compared to 2.77% of non-Chinese restaurants.

With the initial case of COVID-19 that was confirmed in Hong Kong from January 2020, the public's interest in the best places to dine in around town plummeted to an unprecedented low. On January 28, 2020, the Hong Kong government announced that most civil servants would work from work and prompt many private companies to do the same. As more people were encouraged to stay at home and practice social distancing, more restaurants either closed temporarily or pivoted to delivery and take-out only. As the COVID-19 outbreak is yet to be under control, the future of catering service industry remains uncertain.

Market Size of Hong Kong Wedding Banquet Market

According to ESDlife's Hong Kong Wedding Survey 2019, the total amount of wedding expenditure in 2019 was estimated to be HKD18.2 billion, with a 3% year-on-year drop. Wedding banquet ranked top among all wedding expenditures, with an average expense of approximately HKD185,000 per couple, and total market consumption was estimated up to HKD9.2 billion, achieving a growth of 4%.

In addition, the survey also showed that, among the couples to be married between 2019 and 2021, 52% of them decided to postpone the wedding, while 1% of them cancelled the wedding. Worse still, after news broke that some early COVID-19 victims transmitted the illness at wedding, more couples started postponing. The wedding banquet market in 2020 is uncertain.

6 DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of Market Value: *“Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

7 GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income, Market, and Cost Approaches.

Income Approach

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

Market Approach

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

It is employed in the valuation of the asset for which there is a known used market. Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar items in the second-hand market; an allowance then is made to reflect the costs for freight and installation.

Cost Approach

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Approach

In developing our opinion, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

As of the Valuation Date, only Million Talent Investment Limited (“Million Talent”) and Good Fortress Inc Limited (“Good Fortress”) have Chinese restaurant business operation among the Target Group, in which Million Talent operates U Banquet • The StarView (Sha Tin) and Good Fortress operates U Banquet • The StarView (The One) respectively.

In estimating the market value of the equity interest in Million Talent and Good Fortress, we relied primarily on the Market Approach. The Cost Approach was not adopted as it may be unable to reflect the expected future economic benefit of an income-generating business. The Income Approach is also not adopted since prospective financial projection at market participants’ point of view, which is subject to a number of assumptions and contingent factors, was not reliably available.

Under the Market Approach, we relied on the trading multiples of publicly traded guideline companies of Million Talent and Good Fortress. The Market Approach benchmarked Million Talent and Good Fortress' equity value to the publicly trading entities by looking into their financial performances. Not only could Market Approach reflect the current market's investment preferences or investment habitat, but also provide up-to-date public market information allowing the Management to make a more informative decision.

In estimating the market value of the equity interest in the Target Group except Million Talent and Good Fortress ("Remaining Companies"), we relied primarily on the Cost Approach. The Income Approach is not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available. The Market Approach is also not adopted since the Remaining Companies are investment holding companies, dormant companies without any ongoing business operation or companies with restaurants closed down already in 2019 or planning to close in early 2020 according to the Management.

8 ESTIMATION OF THE MARKET VALUE OF 100% EQUITY INTEREST IN THE TARGET GROUP

Introduction

In this section of our report, we describe our valuation analysis utilized to arrive at the concluded market value of the 100% equity interest in the Target Group. The Market Approach was adopted for Million Talent and Good Fortress, while the Cost Approach was adopted for the Remaining Companies.

Market Approach – Million Talent and Good Fortress

The Market Approach uses direct comparisons to other enterprises and their equity securities to estimate the market value of the common shares of privately issued securities. The Market Approach bases the market value measurement on what other similar enterprises or comparable transactions indicate the value to be. Under this approach, investment by unrelated parties in comparable equity securities of the subject enterprise or transactions in comparable equity securities of comparable enterprises is examined. One commonly used "market comparables" method is the Guideline Public Company.

To adopt the guideline public company method under the Market Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered enterprise-value-to-sales ("EV/Sales"), price-to-sales ("P/S"), enterprise-value-to-earnings-before-interest-and-tax ("EV/EBIT"), enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortization ("EV/EBITDA"), price-to-earnings ("P/E") and price-to-book ("P/B") multiples.

For Million Talent, P/E, P/B, EV/EBIT and EV/EBITDA multiples are not adopted as Million Talent recorded net losses, negative net book value, negative EBIT and EBITDA based on the unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019. EV/Sales multiple was preferred over P/S multiples since it could take into account of the differences in capital structure between Million Talent and the comparable companies. Therefore, we have employed EV/Sales multiple in the valuation for Million Talent as of the Valuation Date.

For Good Fortress, P/E, P/B and EV/EBIT multiples are not adopted as Good Fortress recorded net losses, negative net book value and negative EBIT based on the unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019. EV/Sales and P/S multiples were not adopted since these multiples could not take into account of the differences in cost structure between Good Fortress and the comparable companies. Therefore, we have employed EV/EBITDA multiple in the valuation for Good Fortress as of the Valuation Date.

The selection of guideline companies is by understanding the principal business of the valuation target and search for public companies with businesses as similar with the valuation target as possible. Generally speaking, company in same geographical location is preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of Million Talent and Good Fortress as comparable companies on best-effort basis with reference to the following selection criteria:

- Significant portion of the assets or businesses of the company involves operation of Chinese restaurants in Hong Kong, which are close to the business activities of Million Talent and Good Fortress;
- The companies listed in Hong Kong and have pertinent listing and operating histories; and
- The financial information and relevant multiple of the companies are available to the public.

The following table presents the comparable companies adopted in the valuation of 100% equity interest in Million Talent and Good Fortress:

Comparable Companies	Business Description
Li Bao Ge Group Ltd (1869 HK)	Li Bao Ge Group Limited operates Chinese restaurants. The Company delivers Cantonese cuisine and Chinese banquet and dining services.
Palace Banquet Holdings Ltd (1703 HK)	Palace Banquet Holdings Limited operates restaurants. The Company provides Chinese cuisines, Western cuisines, Asian cuisines, and other products. Palace Banquet Holdings also offers banquet services.
Tao Heung Holdings Ltd (573 HK)	Tao Heung Holdings Limited operates a chain of Chinese restaurants throughout Hong Kong.
LH GROUP LTD (1978 HK)	LH Group Limited operates restaurants. The Company provides Cantonese style dimsum delicacies, seafood, shabu shabu, chicken galbi, and other food. LH Group also offers high end wedding banquet services and other related services.
Dragon King Group Holdings Ltd (8493 HK)	Dragon King Group Holdings Limited operates as a holding company. The Company, through its subsidiaries, manages and owns restaurants. Dragon King Group Holdings serves customers in Asia.
Tang Palace China Holdings Ltd (1181 HK)	Tang Palace China Holdings Ltd. operates restaurant chains. The Company operates restaurants that serve Chinese and Japanese cuisine, and fast-food restaurants that allow the customers to complete the cooking process on a hot plate. Tang Palace primarily serves the middle and high end dining customers, and offers wedding banquet services.

G-Vision International
Holdings Ltd (657 HK)

G-Vision International (Holdings) Limited, through its subsidiaries, operates a chain of Chinese restaurants specializing in Chiu Chow cuisine in Hong Kong and China. The Company also manufactures and sells environmental friendly paper tableware.

Source: Bloomberg

Below are the EV/Sales and EV/EBITDA multiples of the comparable companies as of the Valuation Date as extracted from Bloomberg to arrive at the market values of Million Talent and Good Fortress.

Comparable Companies	EV/Sales Multiple as of Valuation Date	EV/EBITDA Multiple as of Valuation Date
Li Bao Ge Group Ltd (1869 HK)	<i>(Note 1)</i> 1.3x	<i>(Note 1)</i> 10.9x
Palace Banquet Holdings Ltd (1703 HK)	0.8x	7.0x
Tao Heung Holdings Ltd (573 HK)	0.4x	3.3x
LH GROUP LTD (1978 HK)	0.6x	4.4x
Dragon King Group Holdings Ltd (8493 HK)	0.5x	6.3x
Tang Palace China Holdings Ltd (1181 HK)	0.7x	3.6x
G-Vision International Holdings Ltd (657 HK)	0.6x	<i>(Note 2)</i> N/A
Median, excluding outlier	0.6x	4.4x

Source: Bloomberg

Note 1: EV/Sales and EV/EBITDA multiples of Li Bao Ge Group Ltd (1869 HK) as of the Valuation Date were considered as outliers.

Note 2: EBITDA of G-Vision International Holdings Ltd (657 HK) was negative as of the Valuation Date.

Determination of Market Values of Million Talent and Good Fortress

We multiplied the median (excluding outlier) EV/Sales multiple of the comparable companies as of the Valuation Date to the annualized and normalized latest 12-month revenue of Million Talent as of the Valuation Date to arrive at the enterprise value of Million Talent. Since Million Talent had commenced operation since May 2019, we annualized the 8-month revenue of Million Talent from May 1, 2019 to December 31, 2019 based on the unaudited management accounts of Million Talent for the corresponding period with reference to the revenue ratio of Good Fortress from May 1 to December 31, 2019 and annual revenue from January 1 to December 31, 2019 to account for any possible revenue seasonality of Chinese restaurant business.

We multiplied the median (excluding outlier) EV/EBITDA multiple of the comparable companies as of the Valuation Date to the normalized latest 12-month EBITDA of Good Fortress as of the Valuation Date to arrive at the enterprise value of Good Fortress. The normalized latest 12-month EBITDA was estimated based on the unaudited management accounts of Good Fortress for the corresponding period, excluding any non-recurring other income/loss (if any).

We then adjusted the derived enterprise values of Million Talent and Good Fortress with discount for lack of marketability (“DLOM”) and control premium (“Control Premium”) to account for the fact that Million Talent and Good Fortress are private companies as of the Valuation Date. Furthermore, we adjusted the derived enterprise values of Million Talent and Good Fortress with net cash/(debt) and non-operating assets/(liabilities) to arrive at the market values of equity interest in Million Talent and Good Fortress.

Discount for Lack of Marketability

The value of privately held shares is not directly comparable to the value of publicly traded securities. This is due to the fact that shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the ordinary shares must be adjusted to reflect its lack of liquidity and ready market.

Based on Stout Restricted Stock Study Companion Guide 2019 published by Stout Risius Ross, LLC, a marketability discount of approximately 20.6% has been adopted.

Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The value derived from the comparable companies represents minority interest, therefore adjustment has been made to reflect the degree of control associated with a controlling equity interest in Million Talent and Good Fortress.

Based on Mergerstat Control Premium Study published by FactSet Mergerstat, LLC, a control premium of approximately 28.8% has been adopted.

Cash/(Debt) and Net Non-Operating Assets of Million Talent and Good Fortress

Based on the unaudited management accounts of Million Talent and Good Fortress for 12-month period ended December 31, 2019, Million Talent and Good Fortress have cash and cash equivalents of approximately HKD157,000 and HKD177,000 respectively, and have debts including lease liabilities, of approximately HKD15,623,000 and HKD28,576,000 respectively. In addition, Million Talent held net non-operating liabilities of HKD9,719,000, which mainly comprise of amount due to related companies, while Good Fortress held net non-operating assets of HKD1,133,000, which mainly comprise of other payables and accruals.

Summary of Calculation – Million Talent and Good Fortress

Details of the calculation of the market value of Target Group were illustrated as follows:

As of December 31, 2019	EV/Sales Multiple (Million Talent) HKD	EV/EBITDA Multiple (Good Fortress) HKD
Annualized and Normalized 12-month Sales	15,689,261	
Normalized 12-month EBITDA		10,187,469
Multiply: Median Market Multiple as of the Valuation Date	0.6x	4.4x
Enterprise Value (marketable and minority basis)	8,944,884	44,954,745
<i>Add:</i> Control Premium	2,576,127	12,946,966
<i>Less:</i> Discount for Lack of Marketability	(1,842,646)	(9,260,677)
Enterprise Value (non-marketable and controlling basis)	9,678,364	48,641,034
<i>Add:</i> Cash	157,260	176,825
<i>Less:</i> Debts (including lease liabilities)	(15,622,616)	(28,575,689)
<i>Add:</i> Net Non-operating Assets	(9,718,757)	1,133,060
100% Equity Value (non-marketable and controlling basis)	(15,505,749)	21,375,230
Concluding Market Value of 100% Equity Interest	(15,506,000)	21,375,000

Note: The total may not sum up due to rounding.

Cost Approach – Remaining Companies

We adopted the Cost Approach in the valuation of equity interest in the Remaining Companies, in particular, Net asset value (“NAV”) methodology was adopted. NAV represents the net value of an entity and is calculated as the total value of the entity’s assets minus the total value of its liabilities. Theoretically, any suitable business entity or financial product that deals with the accounting concepts of assets and liabilities can have a NAV. In the context of companies and business entities, the difference between the assets and the liabilities is known as the net assets or the net worth or the capital of the company.

Based on the unaudited management accounts of the Remaining Companies for the 12-month period ended December 31, 2019, total assets of the Remaining Companies mainly include prepayment and other receivables, deposits, fixed assets and right of use assets; while total liabilities of the Remaining Companies mainly include trade payables, other payables and accruals, lease liabilities, contract liabilities and amount due to a director.

After understanding the nature of the assets and liabilities and discussions with the Management, we are not aware of any major collectability or recoverability issues or any material differences between the market values and book values regarding the prepayment and other receivables, and deposits of the Remaining Companies. On the other hand, the Management expected that trade payables, other payables and accruals, contract liabilities and amount due to a director are required to be settled or repaid. Hence, book values have been adopted as the market values as at the Valuation Date for these assets and liabilities; while we have assessed the market values of the fixed assets, right of use assets and lease liabilities of the Remaining Companies as of the Valuation Date.

Fixed Assets

In arriving at our market value of the fixed assets (“Fixed Assets”) of the Remaining Companies, we have considered two generally accepted approaches to value, namely the Cost Approach and the Market Approach.

The Cost Approach considers that the cost to reproduce or replace in new condition the assets appraised in accordance with the current market prices for the similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The Market Approach considers price recently paid for the similar assets, with adjustment made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is established used market comparable may be appraised by this approach.

In any valuation study, all two approaches must be considered, as one or more approaches may be applicable to value the Fixed Assets. In some situations, element of two approaches may be combined to reach an opinion of value.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility or other observable conditions distinguishing the Fixed Assets from machinery or like kind in new condition were noted and made as a part of our judgment in arriving at the value. We noted certain amount of deferred maintenance being experienced by some of the Fixed Assets.

Our valuation was conducted on desktop basis without on-site physical inspection to reduce the risk of the spread of COVID-19 in the community. We have accepted the records of the Fixed Assets furnished to us by the Management as properly describing the Fixed Assets, their cost and their acquisition dates. We have not investigated the title of the Fixed Assets appraised and have relied to a considerable extent on such records, listing, specifications and documents in arriving at our opinion of value.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Management. We were also advised that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Lease Liabilities

Within the Remaining Companies, Step Up Corporation Limited had the right of use assets and lease liabilities in relation to the lease contract of U Banquet (Mong Kok) based on the unaudited management accounts as of the Valuation Date. As we understand from the Management that the Company had decided not to renew the lease contracts of U Banquet (Mong Kok) after expiry in February 2020, the market values of the right of use assets and lease liabilities of Step Up Corporation Limited are estimated to be nil as of the Valuation Date.

Summary of Calculation – Target Group

The Target Group comprises of the Target Company and 14 subsidiary companies as of the Valuation Date. We arrived at the equity interest of the Target Group by the sum of market values of the equity interest of individual companies of the Target Group and adjusted by the consolidated adjustments based on the unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019.

Company Name	Valuation Approach	Market Value of Equity Interest (HKD)
YuYan Group (Hong Kong) Investment Limited	Cost Approach	100
U Banquet Group Limited	Cost Approach	(3,923,831)
Great Business (China & HK) Trading Limited	Cost Approach	1,789,988
Modern Management (Restaurant) Limited	Cost Approach	1,684,610
U Weddings Studio Limited	Cost Approach	(9,900,290)
Choi Fook Holdings Limited	Cost Approach	50,064,400
General Corporation Limited	Cost Approach	(2,078,353)
Smart Award Limited	Cost Approach	2,433,659
Choi Fook Seafood Restaurant Limited	Cost Approach	(1,919,680)
Step Up Corporation Limited	Cost Approach	(7,791,714)
Choi Fook Royal Banquet Limited	Cost Approach	(35,783,163)
Smiling Profit Limited	Cost Approach	(27,415,720)
Billion Treasure Property Development Limited	Cost Approach	2,459,710
Million Talent Investment Limited	Market Approach	(15,506,000)
Good Fortress Inc Limited	Market Approach	<u>21,375,000</u>
		(24,511,285)
Consolidation Adjustments		<u>(3,548,648)</u>
The Target Group		<u><u>(28,059,933)</u></u>

Market values of the equity interest of certain companies are negative as of the Valuation Date mainly resulted from the net amount due to related companies. As advised by the Management, it is assumed that all companies within the Target Group would be obliged to and would settle the amount due to related companies and/or inter-company balances as of the Valuation Date. Hence, we considered summing up the market values of the equity interest of individual companies of the Target Group would be appropriate to offset any inter-company balances within the Target Group.

Consolidation Adjustments – Target Group

Based on the unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019, there are certain consolidation adjustments in relation to tax and deferred tax, rental deposit and HKFRS16, effective rent, long service payment, annual leave, membership income and contract liabilities, and reinstatements. We assume the accuracy of financial information provided to us by the Management and assume there is no material error in the accounting record of the Target Group.

9 MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Target Group. Any deviation from the above major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- Unaudited management accounts of the Target Group for the 12-month period ended December 31, 2019 as provided by the Management can reasonably represent its financial position and performance of the Target Group as of the Valuation Date since audited financial accounts as of the Valuation Date was not available;
- We assume the accuracy of financial information provided to us by the Management and assume there is no material error in the accounting record of the Target Group;
- As advised by the Management, it is assumed that all companies within the Target Group would be obliged to and would settle the amount due to related companies and/or inter-company balances as of the Valuation Date;
- There will be no major changes in the current taxation laws in the territories (the “Territories”) in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Group;

- The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate has or would be officially obtained and renewable upon expiry;
- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and
- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

10 CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Target Group as of December 31, 2019 is reasonably represented as **HONG KONG DOLLARS NIL**.

This report and the observations and analyses are intended solely for use by the Group for the purpose of assisting the management of the Group to assess the market value of the 100% equity interest in the Target Group as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Group.

Yours faithfully,
For and on behalf of

International Valuation Limited

Prepared and analyzed by:
Winnie Lam, CFA

Ms. Lam, has more than 9 years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. She is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration double-majored in finance and management of organizations.

11 STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents without prior written consent from International Valuation Limited (“IVL”).
2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Neither IVL nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Group, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.
3. Information furnished by others or taken from Company reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.
4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.
5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.
6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.
8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.
9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.
10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
12. Our valuation is only an indicative quantum at which interest in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.
13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

1. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV to the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares of the Company

Name of director	Nature of interest	Number of shares/ underlying Shares held	Approximate % of shareholding
Mr. Sang Kangqiao ("Mr. Sang")	Beneficial owner	189,152,000	41.84%
	Other	<u>105,800,000</u>	
		294,952,000 <i>(note 1)</i>	
Mr. Cui Peng ("Mr. Cui")	Beneficial owner	5,400,000	41.84%
	Other	<u>289,552,000</u>	
		294,952,000 <i>(note 2)</i>	
Mr. Xu Wenze ("Mr. Xu")	Beneficial owner	100,400,000	41.84%
	Other	<u>194,552,000</u>	
		294,952,000 <i>(note 3)</i>	
Mr. Lam Ka Tak	Beneficial owner	400,000 <i>(note 4)</i>	0.057%
Mr. Xu Zhihao	Beneficial owner	400,000 <i>(note 5)</i>	0.057%

Notes:

1. Mr. Sang is the beneficial owner of 188,752,000 Shares and 400,000 underlying Shares in respect of the share options granted pursuant to the share option scheme. Other represents the Shares and underlying Shares held by Mr. Xu and Mr. Cui, who are parties acting in concert with Mr. Sang and by virtue of the SFO, each of Mr. Sang, Mr. Xu and Mr. Cui is deemed to be interested in the Shares held by each other.
2. Mr. Cui is the beneficial owner of 5,000,000 Shares and 400,000 underlying Shares in respect of the share options granted pursuant to the share option scheme. Other represents the Shares and underlying Shares held by Mr. Sang and Mr. Xu, who are parties acting in concert with Mr. Cui and by virtue of the SFO, each of Mr. Sang, Mr. Xu and Mr. Cui is deemed to be interested in the shares held by each other.
3. Mr. Xu is the beneficial owner of 100,000,000 Shares and 400,000 underlying Shares in respect of the share options granted pursuant to the share option scheme. Others represent the Shares and underlying Shares held by Mr. Sang and Mr. Cui, who are parties acting in concert with Mr. Xu and by virtue of the SFO, each of Mr. Sang, Mr. Xu and Mr. Cui is deemed to be interested in the shares held by each other.
4. Mr. Lam Ka Tak is the beneficial owner of 400,000 underlying Shares in respect of the share options granted pursuant to the share option scheme.
5. Mr. Xu Zhihao is the beneficial owner of 400,000 underlying Shares in respect of the share options granted pursuant to the share option scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

Name of substantial shareholder	Nature of interest	Number of shares and derivatives interested (Long position)	Approximate % of shareholding
Goldpalm Offshore Limited	Beneficial owner	117,000,000	16.60%
Ms. Ma Yanying	Interest in controlled corporation (<i>note 1</i>)	117,000,000	16.60%

Notes:

1. Goldpalm Offshore Limited is wholly-owned by Ms. Ma Yanying. Ms. Ma Yanying is therefore deemed to be interested in the same number of Shares held by Goldpalm Offshore Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had any interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

2. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, 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 which is required to be disclosed pursuant to the Listing Rules.

3. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are to be acquired or disposed of by or leased to any members of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

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

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL LITIGATION

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

7. EXPERT'S QUALIFICATION AND CONSENT

The followings are the qualification of the expert whose letter or opinion is contained in this circular:

Name	Qualification
International Valuation Limited	an independent professional valuer

The expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or reports and/or the references to its name in the form and context in which they respectively appeared herein.

As at the Latest Practicable Date, the expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

- (a) the placing agreement dated 15 March 2018 entered into between the Company and Sheng Yuan Securities Limited in relation to the placing of up to 180,000,000 Shares at the price of HK\$1.80 per Share (the “**Placing Agreement**”), which was subsequently terminated by the deed of termination dated 29 May 2018 entered into between the Company and Sheng Yuan Securities Limited to terminate the Placing Agreement;
- (b) the stock purchase agreement dated 9 February 2018 (as supplemented by the supplemental agreements dated 29 May 2018 and 12 June 2018) entered into between Wild South Limited and Mr. Wan Zhong in relation to the sale and purchase of 51% of the entire issued share capital of BYL Property Holdings Group Limited;
- (c) the subscription agreement dated 15 March 2018 (as supplemented by supplemental agreements dated 29 May 2018 and 12 June 2018) entered into between the Company and CASIC Investment Fund Management (Beijing) Limited Company* in respect of the subscription of a total of 180,000,000 new Shares, which was subsequently terminated by the deed of termination dated 29 March 2019 entered into between the Company and CASIC Investment Fund Management (Beijing) Limited Company*;
- (d) the subscription agreement dated 29 March 2019 entered into between the Company and the China Aerospace Environmental Holdings Group Limited* in respect of subscription of a total of 30,000,000 new Shares;
- (e) the memorandum of understanding dated 24 April 2019 entered into between the Company, Hui Tian Network Technology Co., Ltd.* and Ms. Yang Meiling setting out the preliminary understanding in relation to the capital injection into Hui Tian Network Technology Co., Ltd.*, which subsequently lapsed and ceased to have any effect on 24 October 2019;
- (f) the Previous Disposal Agreement;
- (g) on 1 November 2016, the Company and Mr. Sang entered into a loan facility agreement under which Mr. Sang has agreed to make available to the Company from time to time an unsecured loan facility amounted to HK\$300,000,000 with an interest rate of 4.5% per annum for a term of 2 years, which was subsequently renewed on 1 November 2018 for a term of 1 year, and further renewed on 1 November 2019 for a period up to 31 October 2020, all other terms and conditions remained the same as the original loan facility agreement;

- (h) on 9 May 2017, U Banquet Group Limited, a subsidiary of the Company, entered into a loan facility agreement with a director of certain subsidiaries under which the director has agreed to make available to the Group from time to time an unsecured loan facility amount up to HK\$60,000,000 with an interest rate of 4.5% per annum for a term of 2.5 years, and was subsequently 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;
- (i) the conditional subscription agreement entered into between the Goldpalm Offshore Limited and the Company dated 16 December 2019 in relation to the subscription of 117,000,000 new Shares; and
- (j) the Disposal Agreement.

* *For identification purposes only*

9. GENERAL

- (a) The Company Secretary of the Company is Mr. Yu Kin Man Duncan (“**Mr. Yu**”). Mr. Yu is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is situated at Suite 1201, Cityplaza One, 1111 King’s Road, Taikoo Shing, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (e) The principal share registrar and transfer office of the Company in the Cayman Islands is Appleby Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (f) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m. on any Business Days at Suite 1201, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong, from the date of this circular up to and include the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (c) the valuation report prepared by the Valuer, the extract of which is set out in Appendix II to this circular;
- (d) the written consent referred to in the section headed "Expert's qualification and consent" in this appendix;
- (e) the annual reports of the Company for the two years ended 31 December 2019; and
- (f) this circular.

NOTICE OF EGM



U BANQUET GROUP HOLDING LIMITED

譽宴集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1483)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of U Banquet Group Holding Limited (the “**Company**”) will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 May 2020 at 3:30 p.m. (or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 3:00 p.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

1. “**THAT**
 - (a) the sale and purchase agreement (the “**Disposal Agreement**”) dated 21 April 2020 entered into between the Company and Mr. Chow Ka Chun Simon (the “**Purchaser**”), pursuant to which the Company conditionally agrees to sell and the Purchaser conditionally agrees to purchase the entire issued share capital of YuYan Group (Hong Kong) Investment Limited (the “**Target Company**”) at a total consideration of HK\$200,000, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
 - (b) any one of the directors of the Company (the “**Directors**”) be and is hereby authorised to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Disposal Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 12 May 2020

NOTICE OF EGM

Head office and principal place of

business in Hong Kong:

Suite 1201, Cityplaza One

1111 King's Road

Taikoo Shing, Hong Kong

Registered office:

Vistra (Cayman) Limited

P.O. Box 31119 Grand Pavilion

Hibiscus Way, 802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Notes:

1. The resolution set out in this notice of the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company in accordance with the Listing Rules.
2. Each shareholder of the Company ("**Shareholder**") who are entitled to attend and vote at the EGM will be entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a Shareholder of the Company.
3. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
5. Shareholder(s) or his/her/their proxy(ies) must present proof of their identities upon attending the EGM.
6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
7. Where there are joint registered holders of any share of the Company ("**Share**"), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of other joint shareholder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

NOTICE OF EGM

8. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 21 May 2020 to Thursday, 28 May 2020 (both days inclusive), the period during which no transfer of Shares will be registered. In order for a Shareholder to be eligible to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Wednesday, 20 May 2020.
9. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong any time after 12:00 noon on the date of the EGM, the EGM will be postponed. The Company will publish an announcement on the website of the Company at www.u-banquetgroup.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

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