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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS

The Board of Directors announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December	
		2020	2019
	Note	HK\$'000	(Restated) HK\$'000
Continuing operations			
Revenue	4	255,443	229,465
Cost of revenue	6	(164,410)	(160,080)
Gross profit		91,033	69,385
General and administrative expenses	6	(51,601)	(52,524)
Other income	5	958	822
Other gain/(loss) – net	5	14,500	(18,745)
Operating profit/(loss)		54,890	(1,062)
Finance income	7	2,682	908
Finance costs	7	(852)	(1,797)
Finance income/(costs) – net	7	1,830	(889)
Profit/(loss) before income tax		56,720	(1,951)
Income tax expense	8	(13,637)	(3,783)
Profit/(loss) from continuing operations		43,083	(5,734)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **(CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>(Restated)</i> <i>HK\$'000</i>
Profit/(loss) from discontinued operations (attributable to equity holders of the Company)	9	<u>71,697</u>	<u>(54,087)</u>
Profit/(loss) for the year		<u>114,780</u>	<u>(59,821)</u>
Other comprehensive income/(loss) <i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>26,041</u>	<u>(4,853)</u>
Total comprehensive income/(loss) for the year		<u>140,821</u>	<u>(64,674)</u>
Profit/(loss) attributable to:			
Equity holders of the Company		<u>95,600</u>	<u>(71,003)</u>
Non-controlling interests		<u>19,180</u>	<u>11,182</u>
		<u>114,780</u>	<u>(59,821)</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		<u>114,394</u>	<u>(74,856)</u>
Non-controlling interests		<u>26,427</u>	<u>10,182</u>
		<u>140,821</u>	<u>(64,674)</u>
Total comprehensive income/(loss) attributable to the equity holders of the Company arise from:			
Continuing operations		<u>42,697</u>	<u>(20,769)</u>
Discontinued operations		<u>71,697</u>	<u>(54,087)</u>
		<u>114,394</u>	<u>(74,856)</u>
Earnings/(loss) per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	10(a)	3 cents	(3 cents)
Diluted earnings/(loss) per share	10(b)	3 cents	N/A
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	10(a)	14 cents	(12 cents)
Diluted earnings/(loss) per share	10(b)	14 cents	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		49,611	54,702
Investment properties		95,294	95,222
Right-of-use assets		1,568	29,673
Goodwill	15	112,134	106,774
Intangible assets	15	41,884	57,402
Non-current deposits		2,850	7,084
Prepayment for acquisition of property, plant and equipment		—	844
Financial assets at fair value through profit and loss		—	537
Contract assets	4	22,757	27,543
Deferred income tax assets		658	5,120
Total non-current assets		326,756	384,901
Current assets			
Financial assets at fair value through profit and loss		119,508	—
Contract assets	4	7,733	—
Trade receivables	12	53,251	36,020
Deposits, prepayments and other receivables		27,368	26,939
Restricted cash		5,351	—
Cash and cash equivalents		129,132	230,498
Total current assets		342,343	293,457
Total assets		669,099	678,358
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	7,050	5,880
Share premium	13	480,200	304,370
Reserves		(109,156)	(49,776)
		378,094	260,474
Non-controlling interests		90,040	66,416
		468,134	326,890

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		962	29,440
Contract liabilities	4	–	2,103
Deposits received		846	–
Deferred income tax liabilities		38,960	39,480
Provision for reinstatement costs		–	447
Total non-current liabilities		40,768	71,470
Current liabilities			
Trade payables	14	19,968	29,387
Accruals, provisions and other payables		36,434	49,818
Deposits received		276	578
Contract liabilities	4	–	23,915
Consideration payables		60,293	74,571
Lease liabilities		681	18,648
Amount due to a related company		3,595	3,378
Amount due to a director		–	1,100
Amount due to a director of certain subsidiaries		–	99
Borrowings		–	1,674
Loans from a shareholder		20,180	19,456
Loans from a director of certain subsidiaries		–	41,000
Current income tax liabilities		18,770	16,374
Total current liabilities		160,197	279,998
Total liabilities		200,965	351,468
Total equity and liabilities		669,099	678,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

U Banquet Group Holding Limited (the “Company”) was incorporated in the Cayman Islands on 20 June 2013 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Company’s principal place of business is located at Suite 1201, Cityplaza One, 1111 King’s Road, Taikoo Shing, Hong Kong.

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

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in environmental maintenance business, property leasing, securities trading business and Chinese restaurant and wedding business.

On 21 April 2020, the Group entered into an agreement with Mr. Chow Ka Chun Simon (“Mr. Chow”), an independent third party, to dispose of its Chinese restaurant and wedding business through the disposal of certain of its subsidiaries. Upon completion of the disposal on 28 May 2020, the Group no longer engages in Chinese restaurant and wedding business. As the disposed business is considered as a separate major line of business, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal. Comparative information relating to the discontinued operation has been re-presented on a consistent basis accordingly. Further details of the disposal and discontinued operations are set out in Note 9.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of directors on 18 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amendments to standards and revised conceptual framework for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3	Definition of a Business (amendments)
Hong Kong Accounting Standards (“HKAS”) 1 and HKAS 8	Definition of Material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments to standards and revised conceptual framework listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group also had elected to early adopted amendments to HKFRS 16 – Covid-19-Related Rent Concessions for the current year.

(b) New and amended standards not yet adopted by the Group

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements to HKFRSs 2018 – 2020 (amendments)	1 January 2022
HKFRS 3	Update reference to the conceptual framework (amendments)	1 January 2022
HKAS 16	Proceeds before intended use (amendments)	1 January 2022
HKAS 37	Onerous contracts – costs of fulfilling a contract (amendments)	1 January 2022
HKAS 1	Classification of liabilities as current or non-current (amendments)	1 January 2023
HKFRS 17	Insurance contracts (new standard)	1 January 2023
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture (amendments)	To be determined

The above new standards and amendments to existing standards have been published that are not mandatory for the annual reporting periods commencing 1 January 2020 and have not been early adopted by the Group. These new standards and amendments to existing standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

3 SEGMENT INFORMATION

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

As discussed in Note 9, subsequent to the disposal, the Group no longer carried on Chinese restaurant and wedding business. The result of this business was classified as discontinued operation of the Group for the years ended 31 December 2020 and 2019.

The Group’s reportable segments under HKFRS 8 for continuing operations are as follows:

- (i) Environmental maintenance business
- (ii) Property leasing business
- (iii) Securities trading business

Segment revenue and results

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

	Environmental maintenance business		Property leasing business		Securities trading business		Continuing Operations Sub-total		Discontinued Operations		Total	
	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)	2020	2019 (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue												
External revenue	253,704	226,331	1,665	3,134	74	–	255,443	229,465	21,523	232,444	276,966	461,909
Finance cost (Note)	(20)	(58)	–	–	(61)	–	(81)	(58)	(1,385)	(5,648)	(1,466)	(5,706)
Segment profit/(loss)	50,881	28,506	(6,562)	(11,181)	10,620	(814)	54,939	16,511	71,697	(54,087)	126,636	(37,576)
Finance income							2,682	908			2,682	908
Finance costs (Note)							(771)	(1,739)			(771)	(1,739)
Unallocated corporate expenses							(130)	(17,631)			(130)	(17,631)
Profit/(loss) before tax							56,720	(1,951)			128,417	(56,038)

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

Note: Finance costs representing interest expenses associated with certain lease liabilities are included in the segment profit/(loss) of respective segments.

Segment assets and liabilities

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

	Environmental maintenance business		Property leasing business		Securities trading business		Continuing Operations Sub-total		Discontinued Operations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	290,428	268,187	115,083	114,880	124,965	-	530,476	383,067	-	57,052	530,476	440,119
Cash and cash equivalents											134,483	230,498
Contingent consideration receivables											-	537
Deferred income tax assets											658	5,120
Other unallocated corporate assets											3,482	2,084
Total assets											669,099	678,358
Segment liabilities	49,449	55,317	825	275	1,926	527	52,200	56,119	-	93,319	52,200	149,438
Loans from a director of certain subsidiaries											-	41,000
Deferred income tax liabilities											38,960	39,480
Amount due to a related company											3,595	3,378
Amount due to a director											-	1,100
Amount due to a director of certain subsidiaries											-	99
Consideration payables											60,293	74,571
Loans from a shareholder											20,180	19,456
Current income tax liabilities											18,770	16,374
Other unallocated liabilities											6,967	6,572
Total liabilities											200,965	351,468

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

- all assets are allocated to operating segments other than certain plant and equipment and right-of-use assets, cash and cash equivalents, certain deposits and prepayment, and other receivables, contingent consideration receivables and deferred income tax assets.
- all liabilities are allocated to operating segments other than certain deposits received and accruals and other payables, amount due to a director, amount due to a related company, amount due to a director of certain subsidiaries, current income tax liabilities, deferred income tax liabilities, loans from a director of certain subsidiaries and loans from a shareholder.

Other segment information

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

	Environmental maintenance business		Property leasing business		Securities trading business		Continuing Operation sub-total		Discontinued Operation		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment and right-of-use assets	10,365	10,071	23	31	745	480	11,133	10,582	13,295	50,317	24,428	60,899
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-	-	23,172	-	23,172
Impairment of goodwill	-	-	1,425	2,104	-	-	1,425	2,104	-	-	1,425	2,104
Amortisation of intangible assets	18,073	19,594	-	-	-	-	18,073	19,594	-	-	18,073	19,594
Fair value changes of investments properties	-	-	5,700	11,184	-	-	5,700	11,184	-	-	5,700	11,184
Capital expenditure	14,117	15,094	1,792	-	-	-	15,909	15,094	591	90,998	16,500	106,092

Geographical Information

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

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing Operations				
– Hong Kong	74	–	1,464	788
– Mainland China	255,369	229,465	325,292	332,434
	<u>255,443</u>	<u>229,465</u>	<u>326,756</u>	<u>333,222</u>
Discontinued Operations				
– Hong Kong	21,523	232,444	–	51,679
Total	<u>276,966</u>	<u>461,909</u>	<u>326,756</u>	<u>384,901</u>

The Group had no inter-segment sales for the year ended 31 December 2019 and 2020.

For the year ended 31 December 2020, there is one (2019: one) external customer contributed to more than 10% of revenue of the Group.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2020 <i>HK\$'000</i>	2019 (Restated) <i>HK\$'000</i>
Securities trading business:		
Interest income	74	–
Property leasing business:		
Rental income	1,665	3,134
Environmental maintenance business		
Services income for provision of environmental maintenance services	<u>253,704</u>	<u>226,331</u>
Total revenue	<u><u>255,443</u></u>	<u><u>229,465</u></u>
Timing of revenue recognition		
– At a point in time	74	–
– Over time	<u>255,369</u>	<u>229,465</u>
	<u><u>255,443</u></u>	<u><u>229,465</u></u>

Assets and liabilities related to contracts with customers

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

	2020 HK\$'000	2019 HK\$'000
Contract assets		
Classified under:		
– non-current assets	22,757	27,543
– current assets	7,733	–
	<u>30,490</u>	<u>27,543</u>
Contract liabilities		
Classified under:		
– non-current liabilities	–	2,103
– current liabilities	–	23,915
	<u>–</u>	<u>26,018</u>

As at 31 December 2020 and 2019, contract assets were arisen from a service contract with a customer of its environmental maintenance business in which the Group has provided the relevant services with an agreed payment schedule of 8 years. Up to the date of this announcement, the Group has recognised accumulated revenue of HK\$30,490,000 in relation to this project. Since the Group has yet to receive audited project report from the customer as at respective year end date, the contract assets have yet to be converted to trade receivables as at 31 December 2020 and 2019.

As at 31 December 2019, contract liabilities include deposits received from customers under the contracts for banquet and wedding banquet services of the Group's Chinese restaurant and wedding business. There were no contract liabilities as at 31 December 2020 after the disposal of the Chinese restaurant and wedding business. Revenue recognised under discontinued operation during the year ended 31 December 2020 that was included in the contract liabilities balance at the beginning of the period is HK\$22,018,000.

As at 31 December 2020, aggregate amount of the transaction price for deposits received allocated to contracts that are partially or fully unsatisfied is Nil (2019: HK\$26,018,000).

5 OTHER INCOME AND OTHER GAIN/(LOSS), NET

	2020	2019
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Other income		
Miscellaneous income	<u>958</u>	<u>822</u>
	2020	2019
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Other gain/(loss), net		
Foreign exchange gain/(loss), net	2,198	(1,166)
Fair value gain/(loss) of financial assets at fair value through profit or loss	14,807	(6,395)
Gain on disposal of financial assets at fair value through profit or loss	3,195	–
Change in fair value of investment properties	<u>(5,700)</u>	<u>(11,184)</u>
	<u>14,500</u>	<u>(18,745)</u>

6 EXPENSES BY NATURE

	2020	2019
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Amortisation of the intangible assets	18,073	19,594
Auditors' remuneration		
– Audit services	1,510	1,368
– Non-audit services	–	–
Cleaning expenses	24	25
Cost of environmental maintenance business	28,891	33,365
Cost of property leasing	296	390
Impairment of goodwill	1,425	2,104
Motor car expenses	3,474	2,071
Employee benefits expenses	135,853	123,281
Operating lease payment	1,196	3,414
Depreciation – Property, plant and equipment	9,919	9,792
Depreciation – Right of use assets	1,214	790
Repairs and maintenance	669	785
Insurance	1,062	1,396
Legal and professional fee	2,434	3,845
Printing and stationery	276	221
Consultancy service fee	800	423
Share-based payment expenses granted to consultants	323	1,473
Security charges	515	1,080
Transportation charges and staff fares	2,107	1,803
Donation	–	192
Utilities expenses	1,510	1,713
Others	4,440	3,479
	216,011	212,604
Representing:		
Cost of revenue	164,410	160,080
General and administrative expenses	51,601	52,524
	216,011	212,604

7 FINANCE INCOME/(COSTS) - NET

	2020	2019
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Finance income		
– Interest income on short-term bank deposits	1,694	217
– Interest income on contract asset	988	691
	<u>2,682</u>	<u>908</u>
Finance costs		
– Interest expense on bank borrowings	(4)	(101)
– Interest expense on lease liabilities	(81)	(59)
– Interest expense on loans from a shareholder	(767)	(1,637)
	<u>(852)</u>	<u>(1,797)</u>
Finance income/(costs) – net	<u><u>1,830</u></u>	<u><u>(889)</u></u>

8 INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been made as the Group has no assessable profit arisen from Hong Kong for the year (2019: same). The applicable corporate income tax rate for the Group's PRC subsidiaries is 25% on the estimated assessable profits.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
Hong Kong profit tax	–	–
PRC enterprise income tax	16,224	7,756
Deferred income tax		
Origination and reversal of temporary differences	<u>(2,587)</u>	<u>(3,973)</u>
Income tax expense	<u>13,637</u>	<u>3,783</u>
Income tax expense is attributable to:		
Profit from continuing operations	13,637	3,783
Profit from discontinued operation	<u>–</u>	<u>–</u>
	<u><u>13,637</u></u>	<u><u>3,783</u></u>

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the consolidated entities as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) from continuing operations before income tax expense	56,720	(1,951)
Profit/(loss) from discontinued operation before income tax expense	71,697	(54,087)
	128,417	(56,038)
Tax calculated at the applicable tax rates	25,065	(7,709)
Income not subject to tax	(16,753)	(1,788)
Expenses not deductible for tax purposes	4,169	5,702
Deferred tax not recognised for tax losses	1,156	11,389
Recognition of previously unrecognised tax	–	(2,130)
Write-off of deferred tax previously recognised	–	(1,681)
	13,637	3,783

9 DISCONTINUED OPERATIONS

On 21 April 2020, the Group entered into a sale and purchase agreement with Mr. Chow, to dispose of its Chinese restaurant and wedding business through the disposal of certain of its subsidiaries. As the disposed business is considered as a separate major line of business, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal.

The financial performance and cash flow information of the disposed business for the year ended 31 December 2019 and the period from 1 January 2020 to 28 May 2020 (date of completion of disposal), were as follows:

	Period from 1 January 2020 to 28 May 2020 HK\$'000	2019 HK\$'000
Revenue	21,523	232,444
Other income	1,463	1,221
Cost of revenue	(4,129)	(57,372)
Employee benefit expenses	(8,829)	(70,540)
Depreciation	(13,295)	(50,317)
Rental and related expenses	(469)	(16,030)
Utilities expenses	(2,756)	(23,442)
Other expenses	(2,921)	(46,946)
Impairment of property, plant and equipment and right-of-use assets	–	(23,172)
Operating loss	<u>(9,413)</u>	<u>(54,154)</u>
Finance income	1	608
Finance cost	<u>(1,385)</u>	<u>(5,648)</u>
Finance cost – net	<u><u>(1,384)</u></u>	<u><u>(5,040)</u></u>
Loss before income tax	(10,797)	(59,194)
Income tax expense	<u>–</u>	<u>–</u>
Loss after tax of discontinued operations	<u>(10,797)</u>	<u>(59,194)</u>
Gain on disposal of subsidiaries	<u>82,494</u>	<u>5,107</u>
Profit/(loss) for the period/year from discontinued operations	<u><u>71,697</u></u>	<u><u>(54,087)</u></u>

The carrying amounts of assets and liabilities of the disposed business as at 28 May 2020, date of completion of disposal, were as follows:

	2020
	<i>HK\$'000</i>
Property, plant and equipment	9,175
Debtors, prepayments and deposits	11,173
Deferred tax assets	10,312
Right-of-use assets	20,937
Current income tax recoverable	920
Cash and cash equivalents	527
Creditors, accruals and deposits received	(7,545)
Lease liabilities	(38,267)
Contract liabilities	(29,038)
Amounts due to a director/related company	(53,510)
Deferred income tax liabilities	(6,531)
Provision of reinstatement cost	(447)
Net liabilities disposed of:	(82,294)
Gain on disposal of subsidiaries	82,494
Cash consideration received	200
Cash and cash equivalents disposed of	(527)
Net outflow of cash and cash equivalents in respect of the disposal	<u><u>(327)</u></u>

Used to be part of the Chinese restaurant and wedding business, Elite Rainbow Corporation Limited (“Elite Rainbow”) and Vast Rainbow Limited (“Vast Rainbow”) were disposed to Mr. Chow on 7 November 2019.

The following table summarises the consideration received for the disposal and the carrying net amounts of net assets at the disposal date.

	2019 <i>HK\$'000</i>
Property, plant and equipment	25,904
Debtors, prepayments and deposits	11,770
Deferred tax assets	1,681
Right-of-use assets	58,699
Cash and cash equivalents	636
Creditors, accruals and deposits received	(8,086)
Lease liabilities	(60,877)
Contract liabilities	(20,687)
Amounts due to a director/related company	(13,676)
Provision of reinstatement cost	<u>(271)</u>
Net liabilities disposed of:	(4,907)
Gain on disposal of subsidiaries	<u>5,107</u>
Cash consideration received	200
Cash and cash equivalents disposed of	<u>(636)</u>
Net outflow of cash and cash equivalents in respect of the disposal	<u><u>(436)</u></u>

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share:		
– Continuing operations	23,903	(16,916)
– Discontinued operation	<u>71,697</u>	<u>(54,087)</u>
	<u>95,600</u>	<u>(71,003)</u>
Weighted average number of ordinary shares in issue (thousands)	703,077	578,712
Basic earnings/(loss) per share from		
– Continuing operations	3 cents	(3 cents)
– Discontinued operation	<u>11 cents</u>	<u>(9 cents)</u>
	<u>14 cents</u>	<u>(12 cents)</u>

(b) Diluted

Diluted earnings per share for the year ended 31 December 2020 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued. For the year ended 31 December 2019, the Company's potential ordinary shares had an anti-dilutive effect on the basic loss per share, hence no diluted earnings per share was presented.

11 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2020 (2019: Nil).

12 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>53,251</u>	<u>36,020</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	26,885	19,826
31 to 60 days	10,853	8,806
61 to 90 days	7,611	7,388
91 to 180 days	<u>7,902</u>	<u>—</u>
	<u>53,251</u>	<u>36,020</u>

The credit periods granted by the Group to its customers for its environmental maintenance business and its tenants range from 30 to 90 days. As at 31 December 2020, the Group's trade receivables mainly comprised receivables from the Group's environmental maintenance business (2019: credit card receivables from Chinese restaurant and wedding business and receivables from environmental maintenance business). They are related to customers for whom there was no recent history of default.

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The directors of the Group have considered that the allowance on impairment loss is immaterial as at 31 December 2020 and 2019.

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB except for Nil (2019: HK\$227,000) which are denominated in HK\$. The maximum exposure to credit risk at the balance sheet date is the carrying values of trade receivables mentioned above. The Group does not hold any collateral as security.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares <i>Thousand</i>	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Authorised:			
Ordinary shares of HK\$0.01 each as at			
31 December 2019 and 31 December 2020	<u>10,000,000</u>	<u>100,000</u>	<u>–</u>
Issued and fully paid:			
At 1 January 2019	558,000	5,580	255,070
Issue of ordinary shares by subscription <i>(Note(a))</i>	<u>30,000</u>	<u>300</u>	<u>49,300</u>
At 31 December 2019	<u>588,000</u>	<u>5,880</u>	<u>304,370</u>
At 1 January 2020	588,000	5,880	304,370
Issue of ordinary shares by subscription <i>(Note(b))</i>	<u>117,000</u>	<u>1,170</u>	<u>175,830</u>
At 31 December 2020	<u>705,000</u>	<u>7,050</u>	<u>480,200</u>

Note(a):

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

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

Note(b):

On 16 December 2019, the Company entered into a subscription agreement (“Second Subscription Agreement”) with an independent third party (the “Second Subscriber”), pursuant to which the Second Subscriber has conditionally agreed to subscribe for and the Company has agreed to allot and issue 117,000,000 new ordinary shares at a price of HK\$1.53 per share to the Second Subscriber.

As at 31 December 2019, all the conditions precedent under the Second Subscription Agreement were fulfilled and the net proceeds of HK\$177,000,000 (after deducting the expenses incurred in the subscription from the gross proceeds of HK\$179,010,000) were raised from the subscription.

The share certificates were delivered to the Second Subscriber and the share subscription was completed on 7 January 2020. Accordingly, the raised capital was credited to an equity account as at 31 December 2019 as shares to be issued and was subsequently credited to share capital and share premium on 7 January 2020.

14 TRADE PAYABLES

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

	2020	2019
	HK\$'000	HK\$'000
0 to 30 days	7,899	9,695
31 to 60 days	1,372	13,737
61 to 90 days	290	5,955
91 to 120 days	8,260	–
Over 120 days	2,147	–
	19,968	29,387

The carrying amounts of trade payables approximate their fair values and are denominated in RMB, except that Nil (2019: HK\$7,403,000) are denominated in HK\$.

15 GOODWILL AND INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Customer backlog <i>HK\$'000</i>	Customer relationship <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019				
Opening net book amount	111,247	45,630	32,451	189,328
Amortisation charge	–	(16,260)	(3,334)	(19,594)
Impairment	(2,104)	–	–	(2,104)
Exchange differences	(2,369)	(477)	(608)	(3,454)
Closing net book amount	<u>106,774</u>	<u>28,893</u>	<u>28,509</u>	<u>164,176</u>
At 31 December 2019				
Cost	108,878	47,804	32,382	189,064
Accumulated amortisation and impairment	<u>(2,104)</u>	<u>(18,911)</u>	<u>(3,873)</u>	<u>(24,888)</u>
Net book amount	<u>106,774</u>	<u>28,893</u>	<u>28,509</u>	<u>164,176</u>
Year ended 31 December 2020				
Opening net book amount	106,774	28,893	28,509	164,176
Amortisation charge	–	(14,896)	(3,177)	(18,073)
Impairment	(1,425)	–	–	(1,425)
Exchange differences	6,785	920	1,635	9,340
Closing net book amount	<u>112,134</u>	<u>14,917</u>	<u>26,967</u>	<u>154,018</u>
At 31 December 2020				
Cost	115,817	48,724	34,017	198,558
Accumulated amortisation and impairment	<u>(3,683)</u>	<u>(33,807)</u>	<u>(7,050)</u>	<u>(44,540)</u>
Net book amount	<u>112,134</u>	<u>14,917</u>	<u>26,967</u>	<u>154,018</u>

During the year ended 31 December 2020, amortisation of intangible assets charged to the consolidated statement of comprehensive income is HK\$18,073,000 (2019: HK\$19,594,000).

Impairment assessments of Goodwill and intangible assets

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

	Opening	Addition	Impairment	Exchange difference	Closing
As at 31 December 2020	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property leasing business –					
New Fortune Group CGU	18,996	–	(1,425)	1,132	18,703
Environmental maintenance					
business – BYL Group CGU	87,778	–	–	5,653	93,431
	<u>106,774</u>	<u>–</u>	<u>(1,425)</u>	<u>6,785</u>	<u>112,134</u>

Property leasing business – New Fortune Group CGU

In assessing the value-in-use calculation, references were made to the valuation of the investment properties and the carrying amount of the business unit's other assets and liabilities which approximated to their fair values, excluding any deferred tax liabilities initially recognised on acquisition relevant to this business unit. Fair values of the properties were determined based on valuations performed by independent valuer at year end.

The directors determined that after having made all reasonable and careful enquiries, the valuation methods, basis and key assumptions applied in the valuation of the investment properties held by the New Fortune Group CGU, the significant drop in fair value of the investment properties was an impairment indicator to the goodwill of the New Fortune Group CGU. An impairment loss on the New Fortune Group CGU of HK\$1,425,000 (2019: HK\$2,104,000) was charged to the consolidated statement of comprehensive income.

Environmental maintenance business – BYL Group CGU

The recoverable amount of the BYL Group CGU calculated based on value-in-use was determined based on valuation performed by CHFT Advisory and Appraisal Limited, an independent professional valuer, which was higher than its fair value loss of sales and exceeded the carrying amount by HK\$132,459,000 (2019: HK\$113,111,000).

In assessing the value-in-use calculation, references were made to the calculations use pre-tax cash flow projections based on financial plans approved by management covering a forecast period of 5 years. Cash flows beyond the forecast period are extrapolated using the estimated long-term growth rates. The long-term growth rate of the CGU does not exceed the long-term average growth rate for the environmental maintenance business in which the CGU operates. The key assumptions applied includes pre-tax discount rate of 16.2% (2019: 15.9%), revenue growth rate of 20% (2019: 28%) for the first year of projection, and 3% (2019: 2%) for the remaining years of the five year budget period and terminal growth rate of 2% (2019: 2%), and an average gross profit margin percentage of 28.6% (2019: 27.8%). The revenue growth rate in the first year of projection was arrived at by taking into account of the expected renewal of existing service contracts, the committed services contracts awarded to BYL Group and the successful bidding and execution of new potential services contracts as at the date of the assessment by management.

Since the carrying amount of the BYL Group CGU is not sensitive to the change in assumption, no sensitivity analysis is disclosed.

The directors of the Company, to the best of their knowledge information and belief, are not aware of any indications that an impairment of the goodwill and intangible assets of BYL Group CGU is required as at 31 December 2020 and 2019 after considering the above value-in-use calculation and the nature, prospects, financial condition and business risks of the respective CGUs. Accordingly, no impairment loss was considered necessary as at 31 December 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

For the year, the Group was principally engaged in three operating segments, (i) environmental maintenance business; (ii) property leasing business; and (iii) securities trading business.

2020 was a landmark year for the Group. The Group has significantly improved its financial position after the disposal of (the “**Disposal**”) its entire Chinese restaurant and wedding business (the “**Discontinued Operations**”).

For the year ended 31 December 2020 (the “**Year**”), the Company and its subsidiaries (excluding the Discontinued Operations) mainly engaged in the environmental maintenance business which recorded a revenue of approximately HK\$253,704,000, compared to a revenue of approximately HK\$226,331,000 for the year ended 31 December 2019. Total comprehensive income attributable to the equity holders of the Company from the continuing operations was approximately HK\$42,697,000 for the Year (2019: Loss of approximately HK\$20,769,000).

For the period from 1 January 2020 to 28 May 2020, the Discontinued Operations recorded a revenue of approximately HK\$21,523,000, compared to a revenue of approximately HK\$232,444,000 for the year ended 31 December 2019. The decrease in revenue was mainly due to (i) the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) and the subsequent quarantine measures severely affecting the operating environment in food and beverage business; (ii) the Group disposed two restaurants in November 2019; and (iii) two restaurants were closed in February 2020 after the expiry of lease contract. Total comprehensive income attributable to the equity holders of the Company from the Discontinued Operations was approximately HK\$71,697,000 for the Year (2019: Loss of approximately HK\$54,087,000).

Total comprehensive income attributable to the equity holders of the Company was approximately HK\$114,394,000 for the Year, while total comprehensive loss attributable to the equity holders of the Company was approximately HK\$74,856,000 for the year ended 31 December 2019.

Disposal

Taking into account the severe market competition and increasingly challenging operating environment of Chinese restaurant and wedding business brought by the social unrest of Hong Kong in the second half of 2019 and the COVID-19 pandemic in 2020, a strategic decision was taken and executed to dispose the Discontinued Operations.

In April 2020, the Board agreed to dispose of the Discontinued Operations. The Disposal was approved by the shareholders in the extraordinary general meeting of the Company held on 28 May 2020, and all the conditions precedent of the Disposal were fulfilled on the same date. For details, please refer to the Company's announcements dated 21 April 2020 and 28 May 2020.

The Board believes the completion of the Disposal shall generate greater managerial focus and release internal resources of the Group to prioritise the environmental maintenance business and allocate resources flexibly to seize any possible investment opportunities. The Board believes that the Group's business will continue to expand and generate greater value to the shareholders.

Discontinued Operations

Chinese restaurant and wedding business in Hong Kong has been classified as Discontinued Operations in accordance with Hong Kong Financial Reporting Standard 5. Please refer to the announcement dated 28 May 2020 and the circular of the Company dated 11 May 2020 for further details. A gain on disposal of approximately HK\$82,494,000 was recognised for the Year, resulting from a significant portion of the Group's net deficit being disposed of in the Disposal.

Environmental maintenance business

The environmental maintenance business is headquartered in Chengdu, and is penetrating into other regions in the PRC such as Xinjiang Autonomous Region, Hebei Province and Inner Mongolia Autonomous Region. Its scope of services mainly includes (i) janitorial services for public areas in cities; (ii) classification management of solid waste, bulky garbage and food waste; and (iii) facility maintenance management of refuse collection points.

As of 31 December 2020, the Group had a total of 24 environmental maintenance service contracts in progress with the total contract amount of approximately RMB613 million for the remaining contract term.

Property Leasing Business

During the Year, the Group recorded a rental income of approximately HK\$1,665,000 for the leasing of an office in Beijing (2019: approximately HK\$3,134,000). The decrease in rental income was resulted from the vacancy of the office since August 2019. The office was re-decorated into four separate units and were subsequently leased out in November 2019, April 2020, June 2020 and January 2021.

Securities Trading Business

During the Year, the Group recorded an interest income of approximately HK\$74,000 from financial assets at fair value through profit or loss (2019: Nil).

Furthermore, the Group actively invested in the security market in Hong Kong and recorded gain on disposal of financial assets at fair value through profit or loss in the amount of approximately HK\$3,195,000 (2019: Nil) and fair value gain of financial assets at fair value through profit and loss in the amount of approximately HK\$14,807,000 (2019: Fair value loss of approximately HK\$6,395,000 from the contingent consideration receivables), which were classified as “Other gain/(loss)-net” in the consolidated statement of comprehensive income.

FINANCIAL REVIEW

Revenue

The table below sets forth the revenue breakdown of the Group's for the years ended 31 December 2020 and 31 December 2019:

	2020 HK\$'000	2019 HK\$'000
Revenue		
– from environmental maintenance business	253,704	226,331
– from property leasing business	1,665	3,134
– from securities trading business	74	–
	<u>255,443</u>	<u>229,465</u>

Significant expenses for the year:

Cost of Revenue

The cost of revenue is mainly comprised of service fees to workers, material consumed, depreciation on machinery and motor vehicles, motor vehicles expenses and utilities expenses from the environmental maintenance business. Cost of revenue for the year amounted to approximately HK\$164,410,000 (2019: HK\$160,080,000), representing an increase of approximately 2.7% as compared to last year. The increase in cost of revenue mainly arose from the increase of revenue from the environmental maintenance business.

Employee Benefit Expenses

The Group had 1,377 employees as at 31 December 2020 for the continuing operations (31 December 2019: 1,160 employees). The increase in the number of employee in line with the increase of revenue from the environmental maintenance business. Employee benefits expenses for the year amounted to approximately HK\$ 135,853,000 (2019: HK\$123,281,000) representing an increase of approximately 10.2% compared to last year. The Group would regularly review the work allocation of the staff to improve and maintain a high quality of service.

Amortisation expenses in intangible assets

As a result of the acquisition of the BYL Group in 2018, the Group has carrying amount of intangible assets of approximately HK\$41,884,000 as at 31 December 2020. The intangible assets consist of customer backlogs and customer relationship amounting to approximately HK\$14,917,000 and approximately HK\$26,967,000 respectively as at 31 December 2020. Customer backlogs represent the total estimated customer contract sum secured at the acquisition date which will be amortised over a period of 3 years. Customer relationship represents the long-time business relationship and history with its key customers in Chengdu and is to be amortised over a period of 10 years.

During the year ended 31 December 2020, amortisation of intangible assets amounts to approximately HK\$18,073,000 (2019: HK\$19,594,000), which was classified as “General and administrative expenses” in the consolidated statement of comprehensive income.

Fair value loss of investment properties and impairment of goodwill

As a result of the acquisition of New Fortune Holdings Group Limited (裕祥控股集團有限公司) which holds an investment property and engages in property leasing business, the Group recognised goodwill of approximately HK\$20,920,000 as at completion on 30 June 2017. The Group tests annually or whenever events or changes in circumstances result in indicator of impairment of goodwill arising from business combinations.

After considering the valuation of investment property as at 31 December 2020 performed by an independent professional valuer, the Group recognised a fair value loss on investment properties amounted to approximately HK\$5,700,000 which was classified as “Other gain/(loss)-net” in the consolidated statement of comprehensive income (2019: fair value loss of approximately HK\$11,184,000).

The Group considered the revaluation downward of the investment properties was an impairment indicator. Accordingly, an impairment of goodwill in the amount of approximately HK\$1,425,000 (2019: HK\$2,104,000) was recognised during the year ended 31 December 2020, which was classified as “General and administrative expenses” in the consolidated statement of comprehensive income.

Liquidity, Financial Resources and Capital Resources

Capital Structure

The Group's objectives for managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2020, was to lower the gearing ratio to an acceptable level.

Cash Position and Restricted Cash

As at 31 December 2020, the Group's cash and cash equivalents were approximately HK\$129,132,000, representing an decrease of 44% as compared to approximately HK\$230,498,000 as at 31 December 2019. The decrease mainly arose from the investment in various Hong Kong listed equity security, listed debt instruments and unlisted fund in the amount of approximately HK\$119,508,000 as at 31 December 2020.

Bank deposit in the amount of approximately HK\$5,351,000 were pledged as performance guarantee of various projects from the environmental maintenance business as at 31 December 2020 (31 December 2019: Nil).

Trade Receivables

As at 31 December 2020, the Group's trade receivables were approximately HK\$53,251,000, representing an increase of approximately 47.8% as compared to last year. The trade receivables were arose from the continuing growth of the environmental maintenance business across various regions in the PRC.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as consideration payables, loans from a director of certain subsidiaries, loans from a shareholder, borrowings less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt. As at 31 December 2020 and 31 December 2019, the Group is at a net cash position, hence, no gearing ratio is disclosed.

Dividends

The directors do not recommend payment of final dividends in respect of the year ended 31 December 2020 (2019: Nil).

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

Subscription of new shares under general mandate

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

Disposal of subsidiaries

On 21 April 2020, the Company entered into a sale and purchase agreement with Mr. Chow Ka Chun Simon (“Mr. Chow”) to dispose of the Group’s 100% equity interest in YuYan Group (Hong Kong) Investment Limited (the “Disposal Group”) to Mr. Chow at a consideration of HK\$200,000.

The Group completed such disposal on 28 May 2020. Accordingly, the financial results of disposal businesses for the period from 1 January 2020 to 27 May 2020 were presented as “Discontinued Operations” in the accompanying consolidated statement of comprehensive income in accordance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operations”. Comparative figures for the year ended 31 December 2019 had been restated accordingly.

All the conditions precedent under the disposal agreement have been fulfilled and completion of the disposal took place on 28 May 2020. For details, please refer to the announcements of the Company dated 21 April 2020, 11 May 2020 and 28 May 2020.

Subscription of interest in a segregated portfolio of a fund

On 2 July 2020, Wah Shuk Holdings Limited (華成控股有限公司), (“the Subscriber”), a wholly-owned subsidiary of the Company, had entered into a subscription agreement with the Deep Blue Fund SPC, pursuant to which the Subscriber had agreed to subscribe for the Class B shares in the Deep Blue SP I of the Fund in a sum of US\$7,000,000. The subscription amount was determined after arm’s length negotiations between the parties with reference to, among other things, the prospect and the return of the Deep Blue SP I of the Fund and the financial resources available to the Group. For details, please refer to the announcements of the Company dated 2 July 2020 and 13 July 2020.

Deemed disposal of the equity interest in a subsidiary

On 7 September 2020, Shenzhen BYL Ecological Technology Company Limited* (深圳寶潤來生態科技有限公司), an indirectly non wholly-owned subsidiary of the Company which currently holds 100% equity interests in the Aerospace Sanchuang Environmental Technology Chengdu Co., Ltd.* (航天三創環保科技(成都)有限公司) (“the Target Company”), entered into the capital increase agreement with Sichuan Aerospace Science and Technology Environmental Protection Equity Investment Fund Management Center (Limited Partnership)* (四川航天航科環保股權投資基金管理中心(有限合夥)) (“the Investor”) and the Target Company, pursuant to which the Investor will invest RMB80.0 million (equivalent to approximately HK\$90.48 million) to the Target Company and the registered capital of the Target Company will increase from RMB60.0 million to RMB75.0 million.

* For identification purpose only

After the completion of disposal, which shall be no later than 20 May 2021, the Investor will be interested in 20% of the enlarged registered capital of the Target Company. The equity interest held by the Shenzhen BYL in the Target Company will be diluted from 100.0% to 80.0%, and the equity interest indirectly held by the Company in the Target Company will be diluted from 51.0% to 40.8%. The Target Company will continue to be an indirect non wholly-owned subsidiary of the Company. For details, please refer to the announcements of the Company dated 7 September 2020, 17 September 2020 and 30 December 2020.

Save as disclosed above, there is no plan for material investments or capital assets as at 31 December 2020.

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities during the Year and subsequently after 31 December 2020.

Use of Proceeds from the Subscriptions

The net proceeds from the Subscription were approximately HK\$177,000,000 and the Company intends to apply the net proceeds in (i) the settlement of outstanding consideration payable for the acquisition of BYL Property Holdings Group Limited in 2018 (“Settlement of Consideration Payable”) amounting to approximately HK\$74,571,000 as at 31 December 2019; and (ii) general working capital as to the remaining balance. Up to the date of this announcement, the Company had paid approximately HK\$13,920,000 for the settlement of outstanding consideration payable, with the remaining balance to be utilised as intended. Approximately HK\$102,429,000 has been utilised as general working capital as intended.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the year and the period immediately prior to the date of this announcement.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: Nil).

Share Option

On 17 May 2017, the Company has granted share options (the “Options”) under its share option scheme (the “Share Option Scheme”) adopted on 19 November 2013 to certain eligible grantees (the “Grantees”), which, subject to acceptance by the Grantees, will enable the Grantees to subscribe for an aggregate of 11,600,000 ordinary shares of the Company of HK\$0.01 each in the share capital of the Company as stated in the announcement of the Company dated 17 May 2017. No option had been exercised during the year. As at 31 December 2020, there were 10,400,000 Options outstanding under the Share Option Scheme.

On 5 February 2021, a total of 29,600,000 Options under the Share Option Scheme were granted. As at the date of this announcement, there were 40,000,000 Options outstanding under the Share Option Scheme.

Fulfillment of profit guarantee in relation to the acquisition

Reference was made to the announcements of the Company dated 9 February 2018, 16 March 2018, 16 April 2018, 16 May 2018, 29 May 2018 and 12 June 2018 in respect of the acquisition of BYL Property Holdings Group Limited (“Target Company”). Pursuant to the sales and purchase agreement signed between Wild South Limited (“the Purchaser”), a wholly-owned subsidiary of the Company, and Mr. Wan Zhong (“the Vendor”), the Vendor irrevocably and unconditionally warrants and guarantees the Purchaser that the aggregated audited consolidated net profit (after taxation and excluding any profit or loss deriving from activities not within the ordinary and usual course of business) (the “Audited Profit”) of the Target Company together with its subsidiaries (the “Target Group”) for the three financial years ending 31 December 2020 (the “Relevant Period”) as stated in the audited consolidated financial statements of the Target Group for the Relevant Period (the “Audited Accounts”) to be prepared by a Hong Kong certified public accountants’ firm (as approved by the Purchaser) shall not be less than the total sum of RMB94,500,000 (equivalent to approximately HK\$118,125,000) (the “Guaranteed Amount”). If the Audited Profit is less than the Guaranteed Amount, the Vendor will pay the Purchaser a compensation based on the formula prescribed in the sales and purchase agreement.

The Audited Accounts shall be available on or before 31 March 2021. As at the date of this announcement, the unaudited consolidated net profit (after taxation and excluding any profit or loss deriving from activities not within the ordinary and usual course of business) of the Target Group for the Relevant Period has exceeded RMB94,500,000 according to the unaudited financial statement of the Target Group.

Impact of COVID-19

As at the date of this announcement, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Prospects

During the Year, the Group completed the Disposal which has significantly strengthened the financial position of the Group. The Disposal provided the Group with more flexibility and liquidity to expand its existing business scale, and allocate more corporate resources towards potential business opportunities with better prospects. Meanwhile, the environmental maintenance business maintained its continuing growth as a result of securing various service contracts across various regions in the PRC including Chengdu, Xinjiang Autonomous Region, Hebei, Inner Mongolia Autonomous Region and the Neijiang region. It is expected that with the increasing number of service contracts secured by the Group, the environmental maintenance business shall continue to contribute stable income stream for the Group.

Looking forward, the Group will continue to utilize its available resources to engage and develop its core business. Apart from the environmental maintenance business, the Group will explore business opportunities in other industries and double down on investments in high growth businesses in the PRC (including but not limited to high technology and internet business) that will flourish in the post-pandemic economic environment in order to generate a stable and constant stream of income to the Group and create long term value for our shareholder.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2020. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Further information on the Company’s corporate governance practices will be set out in the Corporate Governance Report contained in the Company’s annual report for the year ended 31 December 2020, which will be sent to the shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries to all the directors and all the directors of the Company had confirmed compliance with the required standard of dealings and the code of conduct for directors’ securities transactions during the year ended 31 December 2020.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE REVIEW

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the “Audit Committee”) which comprises three independent non-executive directors. Mr. Lam Ka Tak is the chairman of the Audit Committee. The annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

COMPETING BUSINESS

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

APPRECIATION

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

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

Hong Kong, 18 March 2021

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