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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 2016

RESULTS

The board of Directors is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the immediately preceding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Note</i>	Year ended 31 December	
		2016	2015
		HK\$'000	HK\$'000
Revenue	4	363,215	401,071
Other income	4	1,664	1,472
Cost of revenue	6	(89,679)	(102,400)
Employee benefit expenses		(110,948)	(112,111)
Depreciation		(16,414)	(15,921)
Operating lease payments		(74,649)	(69,058)
Utilities expenses		(33,402)	(33,860)
Other expenses	7	(73,212)	(73,358)
Fair value gain/(loss) of investment properties		400	(1,500)
Impairment loss of goodwill		(18,576)	–
Other gain	5	718	–

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

For the year ended 31 December 2016

		Year ended 31 December	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
Operating loss		<u>(50,883)</u>	<u>(5,665)</u>
Finance income	8	349	654
Finance costs	8	<u>(1,325)</u>	<u>(762)</u>
Finance costs – net	8	<u>(976)</u>	<u>(108)</u>
Loss before income tax		(51,859)	(5,773)
Income tax expense	9	<u>(1,987)</u>	<u>(205)</u>
Loss for the year attributable to owners of the Company		<u>(53,846)</u>	<u>(5,978)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(53)</u>	<u>–</u>
Total other comprehensive loss for the year		<u>(53)</u>	<u>–</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(53,899)</u>	<u>(5,978)</u>
Basic loss per share	10	<u>(12 cents)</u>	<u>(1 cent)</u>
Diluted loss per share	10	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

		As at 31 December	
	Note	2016	2015
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		53,285	47,207
Investment properties		24,400	24,000
Goodwill		–	18,576
Rental deposits		14,394	16,387
Prepayment for acquisition of property, plant and equipment		3,200	–
Prepayment for consultancy services		3,582	7,372
Deferred income tax assets		6,632	4,999
		<u>105,493</u>	<u>118,541</u>
Current assets			
Trade receivables	12	1,993	1,918
Deposits, prepayments and other receivables		33,351	25,300
Current income tax recoverable		800	3,849
Cash and cash equivalents		298,604	29,820
		<u>334,748</u>	<u>60,887</u>
Total assets		<u>440,241</u>	<u>179,428</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	4,650	4,650
Share premium	13	90,326	90,326
Other reserves		23,883	23,936
Accumulated losses		(86,173)	(32,327)
		<u>(86,173)</u>	<u>(32,327)</u>
Total equity		<u>32,686</u>	<u>86,585</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

		As at 31 December	
	Note	2016	2015
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Accruals		7,704	8,671
Deposits received		552	790
Borrowings	15	207	395
Deferred income tax liabilities		2,660	36
Provision for reinstatement costs		2,896	2,982
		<u>14,019</u>	<u>12,874</u>
		-----	-----
Current liabilities			
Trade payables	14	13,645	12,265
Accruals, provisions and other payables		24,529	18,950
Deposits received		26,605	23,051
Amounts due to related companies		–	320
Current income tax liabilities		522	802
Amount due to a director		1,100	–
Loans from a shareholder	16	280,387	–
Provision for reinstatement costs		436	–
Borrowings	15	46,312	24,581
		<u>393,536</u>	<u>79,969</u>
		-----	-----
Total liabilities		<u>407,555</u>	<u>92,843</u>
		-----	-----
Total equity and liabilities		<u>440,241</u>	<u>179,428</u>
		=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the operation of a chain of Chinese restaurants, provision of wedding services, distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat, and franchising the use of “U Banquet” in a Chinese restaurant in Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2017.

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.

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”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

(a) *Going concern basis*

During the year ended 31 December 2016, the Group recorded a net loss of HK\$53,846,000 and had operating net cash outflow of HK\$2,665,000. As at the same date, the Group's current liabilities exceeded its current assets by approximately HK\$58,788,000.

As at 31 December 2016, the Group had total banking facilities of approximately HK\$58,125,000, of which approximately HK\$46,124,000 was drawn down as bank borrowings and approximately HK\$11,816,000 was utilised for issuance of letters of guarantee in favour of landlords for rental and utility deposits. The Group's banking facilities are subject to annual review for renewal, and the upcoming renewal date is in April 2017. As at 31 December 2016, the Group failed to comply a covenant requirement of one of the Group's banking facilities amounting to HK\$17,500,000, of which HK\$9,000,000 was drawn down as bank borrowings and HK\$8,500,000 was utilised for issuance of letters of guarantee. Such breach of the covenant requirement may cause the relevant banking facilities of HK\$17,500,000 to be cancelled or suspended.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management covering a period of not less than twelve months from 31 December 2016. A number of measures have been put in place by the directors of the Company to further improve the financial position and alleviate the liquidity pressure, including:

- i. In November 2016, the controlling shareholder of the Company, Mr. Sang Kangqiao, has entered into a loan facility agreement with the Company to which Mr. Sang Kangqiao agreed to make available to the Company from time to time an unsecured loan facility up to HK\$300,000,000 with an interest rate of 4.5% per annum for a term of two years. As at 31 December 2016, HK\$280,387,000 was drawn down, for purposes of (1) purchasing an investment property located in Beijing at a total consideration of RMB101,090,000 (equivalent to approximately HK\$113,019,000) before the share placement as mentioned in (ii) below; and (2) for general working capital purposes. As disclosed in "Event After the Reporting Period", on 24 February 2017, the condition precedents pursuant to the acquisition agreement have not been fulfilled and a written agreement was reached for the lapse of the acquisition agreement; as a result, the shareholder loan was repaid in full. Nonetheless this shareholder loan facility is still available to the Group for the remaining term (i.e up to November 2018).

- ii. As disclosed in “Event After the Reporting Period”, on 4 January 2017, the Company entered into a placing agreement whereby an aggregate of 93,000,000 new ordinary shares at a price of HK\$1.61 per share were to be issued. The placing was completed on 23 January 2017 and net proceeds of approximately HK\$146,740,000 were raised. The net proceeds from the placing were to be used for repayment of part of the loans from a shareholder and financing the general working capital and future investments of the Group.
- iii. In March 2017, the Group obtained a one-off waiver from compliance of the relevant breached covenant requirement from the relevant bank for the year ended 31 December 2016 in relation to the Group’s banking facilities of HK\$17,500,000. The letters of guarantee issued under these facilities remained in force and no early repayment were demanded by the bank up to the date of approval of these financial statements. The Group is currently negotiating with the bank for renewal of the above banking facilities. Based on the latest communication with the bank and the past experience, the directors consider the renewal of the banking facilities is highly probable.
- iv. The management has become more cost conscious and is reducing unnecessary expenditures to improve its operating cash flows.

Based on the cash flow projections and taking into account the anticipated cash flows generated from the Group’s operations, funding raised from the share placement completed after balance sheet date, and the continuous availability of the banking facilities and the shareholder loan facility, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming fifteen months from 31 December 2016. Accordingly, the directors of the Company consider it appropriate to prepare the consolidated financial statements on a going concern basis.

(b) New amendments to existing standards that have been issued and are effective for the period commencing on 1 January 2016 that are relevant to the Group:

HKAS 1 Amendment	Disclosure initiative
HKAS 16 and HKAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 Amendment	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the consolidation exception
Annual Improvements Project 2014	Annual improvements 2012-2014 cycle

The adoption of the above amendments to standards did not have material impact on the consolidated financial statements or result in any significant changes to the Group’s significant accounting policies.

(c) *The following new standards and amendments to existing standards have been issued and are relevant to the Group but not yet effective and have not been early adopted by the Group:*

		Effective for accounting period beginning on or after
HKAS 7 (Amendments)	Disclosure initiative	1 January 2017
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of assessing the impact of these new standards and amendments to standards. The Group intends to adopt the above new standards and amendment to existing standard when they become effective. So far it has concluded that the below new standards may have a significant impact on the Group's results of operations and financial position:

HKFRS 16 "Leases"

The Group is a lessee of certain land and buildings which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the rental expenses in the Group's consolidated statement of comprehensive income in the year they are incurred with the related operating lease commitments being separately disclosed. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated balance sheet. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the Group's consolidated balance sheet.

In the Group's consolidated statement of comprehensive income, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The Group expects to adopt the new standard when they become effective.

3 SEGMENT INFORMATION

The CODM has been identified as the Chief Executive Officer ("CEO") and 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.

The CODM assesses the performance based on a measure of profit/(loss) after income tax. The CODM considers all business is included in a single operating segment.

The Group is principally engaged in operation of a chain of Chinese restaurants, provision of wedding services, distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meats. The Group also has been franchising the use of "U Banquet" in a Chinese restaurant. Since operation of a chain of Chinese restaurants attributed to majority of the Group's revenue, results and assets during the year ended 31 December 2016, no business segment analysis is presented accordingly.

The Group's revenue is mainly derived from customers in Hong Kong. The principal assets of the Group were also located in Hong Kong. Accordingly, no analysis by geographical segments is provided. For the year ended 31 December 2016, there are no single external customers contributed to more than 10% revenue of the Group.

4 REVENUE AND OTHER INCOME

Turnover consists of revenue from (i) operation of Chinese restaurants including provision of dining and wedding banquet services, (ii) provision of wedding services, (iii) distribution of goods, consisting of fresh vegetables, fruits, seafood and frozen meat and (iv) franchising the use of “U Banquet” in a Chinese restaurant.

Revenue and other income recognised during the year are as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Revenue from Chinese restaurants operations	355,020	389,742
Revenue from provision of wedding services	1,785	4,062
Revenue from distribution of goods	3,987	4,033
Franchise income	2,423	3,234
	<u>363,215</u>	<u>401,071</u>
Other income		
Forfeiture of deposits received	926	850
Rental income	591	617
Miscellaneous income	147	5
	<u>1,664</u>	<u>1,472</u>
Total revenue and other income	<u>364,879</u>	<u>402,543</u>

5 OTHER GAIN

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of a subsidiary (<i>Note (i)</i>)	<u>718</u>	<u>–</u>
	<u>718</u>	<u>–</u>

Note (i):

On 14 November 2016, the Group disposed of its 100% equity interests in a wholly owned subsidiary, which owned a motor vehicle to an independent third party at a consideration of HK\$718,000.

6 COST OF REVENUE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of materials consumed	86,665	99,793
Cost of provision of wedding services	178	485
Cost of distribution of goods	<u>2,836</u>	<u>2,122</u>
	<u>89,679</u>	<u>102,400</u>

7 OTHER EXPENSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditors' remuneration		
– Audit services	1,200	1,200
– Non-audit services	400	750
Advertising and promotions	12,727	8,413
Cleaning and laundry expenses	6,599	6,293
Credit card charges	3,685	3,728
Kitchen consumables	1,243	1,154
Repairs and maintenance	4,210	4,891
Entertainment	3,279	3,129
Consumable stores	2,781	2,914
Insurance	1,715	1,845
Legal and professional fee	7,191	4,741
Printing and stationery	1,201	1,243
Staff messing	2,002	2,227
Service fee to temporary workers	13,166	16,682
Consultancy service fee	3,790	3,790
Wedding banquet expenses	1,153	1,662
Transportation	1,066	1,636
Others	5,804	7,060
	<u>73,212</u>	<u>73,358</u>

8 FINANCE COSTS – NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Finance income		
– Interest income on short-term bank deposits	8	28
– Interest income arising from discount of non-current rental deposits	<u>341</u>	<u>626</u>
	----- 349	----- 654
Finance costs		
– Interest expense on bank borrowings	(980)	(614)
– Interest expense on finance lease liabilities	(24)	(45)
– Interest expense on loans from a shareholder	(209)	–
– Unwinding of discount of provision for reinstatement costs	<u>(112)</u>	<u>(103)</u>
	----- (1,325)	----- (762)
Finance costs – net	<u><u>(976)</u></u>	<u><u>(108)</u></u>

9 INCOME TAX EXPENSE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current income tax		
Current income tax on profits for the year	996	1,106
Deferred income tax		
Origination and reversal of temporary differences	<u>991</u>	<u>(901)</u>
Income tax expense	<u><u>1,987</u></u>	<u><u>205</u></u>

10 LOSS PER SHARE

(a) Basic

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

	2016	2015
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>(53,846)</u>	<u>(5,978)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>440,570</u>	<u>440,570</u>
Basic loss per share (<i>HK\$</i>)	<u><u>(12 cents)</u></u>	<u><u>(1 cent)</u></u>

The calculation of basic loss per share for the year ended 31 December 2016 is based on the loss attributable to owners of the Company of HK\$53,846,000 (2015:HK\$5,978,000) and the weighted average of ordinary shares in issue 440,570,000 (2015: 440,570,000 ordinary shares).

(b) Diluted

The Company has one category of dilutive potential ordinary shares: contingent returnable shares (Note). For the year ended 31 December 2016 and 2015, the potential ordinary shares arising from the conversion of 24,430,000 contingent returnable shares had an anti-dilutive effect on the basic loss per share, hence no diluted earnings per share was presented.

Note:

On 10 May 2013, Choi Fook Holdings Limited, a subsidiary of the Company, allotted and issued 75,000 new shares to Century Great Investments Limited (“Century Great”), which was entirely exchanged to the shares of the Company upon completion of the reorganisation on 19 November 2013 at a consideration of HK\$75,000 and the services to be provided by Century Great which include, inter alia, reviewing the Group’s business operations and development and management policies from time to time, devising the Group’s marketing plan, seeking strategic investors for the Group and arranging regular trainings for directors and members of the senior management for a term of five full financial years after the listing (“the vesting period”). Century Great is liable to compensate the Group for all losses and damages resulting from its failure to provide the abovementioned services at any time during the vesting period.

Century Great undertakes that within the five full financial years after the listing, it will not, for each year, sell, or dispose of more than 20% of the entire shares which are beneficially owned by it upon the listing. Non-vesting condition refers to the lock-up period for the shares which are taken into account by adjusting the fair value of the shares so that the amount reflects the discount for the lock-up period. The shares in Century Great is converted to the shares of the Company of 24,430,000 shares and are restricted for a period of 5 years.

The fair value of the shares issued in return for services received approximates the fair value of services received by the Group. The estimate of fair value of services received was measured based on the discounted cash flow model. The fair value of the shares issued as at 10 May 2013 as determined by using the discounted cash flow was approximately HK\$18,950,000, discount rate of 15.0%, lack of control discount of 26.7% and terminal growth rate of 2.8%.

The services received by the Group commenced upon the listing. Share-based payment of HK\$18,950,000 was recognised as prepayment which is to be amortised over the vesting period of 5 years. During the year ended 31 December 2016, HK\$3,790,000 of share based payment was recognised as an expense in the consolidated statement of comprehensive income. (2015: HK\$3,790,000).

11 DIVIDENDS

The directors do not recommend the payment of final dividends for the year ended 31 December 2016 (2015: Nil).

12 TRADE RECEIVABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	1,469	1,251
31 to 60 days	372	405
61 to 90 days	152	237
Over 90 days	—	25
	<u>1,993</u>	<u>1,918</u>

The Group's revenue from its Chinese restaurants operations is mainly conducted in cash or by credit cards. The credit periods granted by the Group to its customers in wedding related business, customers in distribution of goods and a franchisee range from 0 to 90 days. As at 31 December 2016, trade receivables that were not past due nor impaired amounted to approximately HK\$1,993,000 (2015: HK\$1,893,000). These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2016, no trade receivables were impaired (2015: same). No provision for impairment of trade receivables was made as at 31 December 2016 (2015: same).

The carrying amounts of trade receivables approximate their fair values and are denominated in HK\$. The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	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 2015 and 31 December 2016	<u>10,000,000,000</u>	<u>100,000</u>	<u>–</u>
Issued and fully paid:			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	<u>465,000,000</u>	<u>4,650</u>	<u>90,326</u>

14 TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	8,507	8,745
31 to 60 days	5,110	3,512
61 to 90 days	27	–
Over 90 days	1	8
	<u>13,645</u>	<u>12,265</u>

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

15 BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current		
Finance lease liabilities	207	395
Current		
Bank borrowings	46,124	24,250
Finance lease liabilities	188	331
	<u>46,312</u>	<u>24,581</u>
Total borrowings	<u>46,519</u>	<u>24,976</u>

16 LOANS FROM A SHAREHOLDER

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans from a shareholder	<u>280,387</u>	<u>–</u>

On 1 November 2016, the Company and Mr. Sang Kangqiao, a controlling shareholder and the chairman of the Board of Directors of the Company, entered into a loan facility agreement under which Mr. Sang Kangqiao has agreed to make available to the Company from time to time an unsecured loan facility amounted to HK\$300,000,000 with an interest rate of 4.5% per annum for a term of 2 years. As at 31 December 2016, a total of HK\$280,387,000 were drawn down. The carrying amounts of loans from a shareholder approximate their fair values, are denominated in HK\$ and repayable on demand. Subsequent to the balance sheet date, on 24 February 2017, the loans from a shareholder amounting to HK\$280,387,000 were fully repaid.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF CONTROLLING SHAREHOLDERS

On 9 September 2016, Mr. Sang Kangqiao (“Mr. Sang”) and the Company jointly announced that Mr. Sang, Mr. Xu Wenzhe and Mr. Cui Peng (“Purchasers”) entered into a share purchase agreement (the “Agreement”) with Mr. Cheung Ka Ho and U Banquet (Cheung’s) Holdings Company Limited (“Vendors”) to purchase an aggregate of 289,288,750 shares of the Company, representing approximately 62.21% of the then total issued shares of the Company, for a total cash consideration of HK\$373,275,060 (equivalent to HK\$1.29032 per share). Completion of the Agreement took place on 15 September 2016 which Mr. Sang (the Offeror) owned 184,288,750 Shares, representing approximately 39.63% of the then total issued shares of the Company.

In October 2016, pursuant to Rule 26.1 of the Takeovers Code, Mr. Sang was required to make a mandatory unconditional cash offer (the “Offer”) to acquire all the issued shares of the Company at an offer price of HK\$1.29032 per offer share.

The Offer was closed on 27 October 2016, whereby Mr. Sang received a total of 4,463,250 offer shares, representing approximately 0.96% of the then entire issued share capital of the Company. Together with the shares previously purchased from Vendors, Mr. Sang had acquired a total of 188,752,000 shares, representing approximately 40.59% of the then entire issued share capital of the Company.

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in operation of full-services Chinese restaurants including the provision of dining and wedding banquet services, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat. The Group also has franchised the use of “U Banquet” to a Chinese restaurant in Hong Kong.

Restaurants Operation

For the financial year ended 31 December 2016, the Group operated a total of ten restaurants, nine of which were under “U Banquet (譽宴)” brand (including “U Banquet • The StarView”) and one of which was under “Hot Pot Cuisine (涮得棧)” brand.

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

In September 2016, the Group successfully opened a new restaurant, namely U Banquet (The One) under “U Banquet • The StarView” brand. The newly opened restaurant would expand our Group restaurant network and geographical footprint which further strengthen our position in the Chinese full-service restaurant industry in Hong Kong.

The management resolved to improve the operating efficiency and control expenditures of the Group. The Group reviewed the work allocation of the staff from time to time to enhance labour efficiency. The Group also entered into long term tenancy agreements to maintain the operating lease payments at reasonable level. We had successfully extended our tenancy agreement for the restaurants located in North Point during the year of 2016.

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

Provision of Wedding Services

We operated a wedding shop at Tsim Sha Tsui which to provide services shooting of wedding photos, rental and sale of wedding gowns and decoration and rental of wedding halls under the trade name of “U Weddings”. We distinguish ourselves from our competitors by our ability to provide (as a specialized one-stop wedding service provider) our customers with high quality wedding banquet and wedding services.

Distribution of Goods

Our distribution of goods business consists of sourcing fresh vegetables, fruits, seafood and frozen meat to local restaurants and food ingredient suppliers. During the year, we continued to seek potential customers to broaden our source of revenue.

Franchise of Restaurants Operation

During the year, we had one franchised restaurant operated in Kowloon Bay under the trade name “U Banquet”. We had successfully extended the franchise agreement up to July 2017 with the existing franchisee. The Directors will review and evaluate the performance of the existing franchise business from time to time, and will consider any potential franchisee if and when opportunities arise in the future.

FINANCIAL REVIEW

Revenue

The table below sets forth the revenue breakdown of the Group's for the two years ended 31 December 2016:

	For the year ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
– from Chinese restaurants operations	355,020	389,742
– from provision of wedding services	1,785	4,062
– from distribution of goods	3,987	4,033
– franchise income	2,423	3,234
	<u>363,215</u>	<u>401,071</u>

Revenue of the Group decreased by approximately 9.4% from approximately HK\$401.1 million in 2015 to approximately HK\$363.2 million in 2016. It is mainly due to the decrease in the revenue from the Chinese restaurant operation as a result of the deterioration in Hong Kong's retail industry in 2016. The total number of wedding banquet customers and dining customers of comparable restaurants has declined by approximately 13.6% as compared to the same period in 2015. As a result, the revenue from the Chinese restaurant operation for those comparable restaurants has declined by approximately of HK\$46.8 million as compared with the same period in 2015. Revenue from provision of wedding services drop significantly as two wedding shops located in Kowloon Bay was closed at late 2015. We had successfully extend the franchise agreement up to July 2017 with the existing franchisee, however, having considered the recent Hong Kong economic environment and negotiation with the franchisee, the monthly franchise fee received from the Group decreased from HK\$125,000 to HK\$60,000 for 12 months and the franchisee will also pay the Group 5% of the monthly gross turnover of the franchised business as management fee. Hence, the franchise fee and management fee received from the Group decreased from approximately HK\$3,234,000 in 2015 to approximately HK\$2,423,000 in 2016.

Operating Performance by Restaurant

The table below sets forth the seat turnover rate, average spending per customer and average daily revenue generated by each of the Group's restaurants for the two years ended 31 December 2016:

	Year ended 31 December		Year ended 31 December				Year ended 31 December	
	2016	2015	2016	2015		2016	2015	
	Seat turnover rate (Note 1)		Average spending per customer				Average daily revenue	
			Dining customer	Wedding banquet customer	Dining customer	Wedding banquet customer		
	<i>Times</i>	<i>Times</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
U Banquet (Mong Kok) (1) and U Banquet (Mong Kok) (2)	2.92	3.27	102	611	95	549	201,820	224,035
U Banquet (Tsim Sha Tsui)	3.61	4.25	90	610	85	558	84,537	101,375
U Banquet (Kwun Tong)	4.08	4.36	98	605	97	563	126,086	141,890
U Banquet (Causeway Bay)	2.42	3.18	104	608	100	577	122,243	143,292
U Banquet (North Point)	2.67	3.14	85	582	80	604	125,152	139,497
U Banquet (Wong Tai Sin) and Hot Pot Cuisine Restaurant	3.44	4.14	74	583	68	543	181,907	208,632
U Banquet (Sino Plaza)	3.29	3.90	112	607	101	583	95,176	109,065
U Banquet (The One)	0.82	N/A	342	792	N/A	N/A	99,234	N/A

Note:

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

Analysis for the Two Years Ended 31 December 2016

The average spending per customer for wedding banquets of all of the Group's comparable restaurants increased from approximately HK\$562 in 2015 to approximately HK\$608 in 2016, representing an increase of 8.2% while the average spending per customer for dining increased from approximately HK\$84 in 2015 to approximately HK\$90 in 2016, representing an increase of approximately 7.1%. However, revenue from all Chinese restaurant operations decreased by approximately 8.9% from approximately HK\$389.7 million for the year ended 31 December 2015 to approximately HK\$355.0 million for the year ended 31 December 2016. It was mainly due to the decrease in number of wedding banquet held for comparable restaurants as well as the decrease in the number of diners for the provision of dining services despite the increase of average spending per customer for wedding banquet and dining.

Save for the newly opened U Banquet (The One), the seat turnover rate of all other restaurants decreased for the year ended 31 December 2016 as compared to that in 2015 as the total number of wedding banquet customers and dining customers has declined for all comparable restaurants. The Directors believed that the decrease in the seat turnover rate was a result of a) the implementation of the "One-trip-per-week" policy by the PRC Government since 2015 has reduced the number of visitors to Hong Kong; and b) the deterioration in Hong Kong's retail industry in 2016.

The seat turnover rate of U Banquet (The One) was comparably low than other restaurants while the average spending per customer for both wedding banquet and dining were higher than other restaurants. It is primarily due to high ratio of wedding banquet revenue generated from U Banquet (The One) (48.8%) as compared to the average rate of 21.1% for the rest of restaurants averagely generate approximately 21.1% revenue from wedding banquet in 2016. The Directors believed that U Banquet (The One) located in the prime area of Tsim Sha Tsui with artistic and sophisticated decorations including a balcony viewing full glory of Victoria Harbour, attracting more potential wedding banquet customer.

Cost of Revenue

The cost of revenue comprised cost of materials consumed, cost of distribution of goods and cost of provision of wedding services. Cost of revenue for the year ended 31 December 2016 amounted to approximately HK\$89,679,000 (2015: HK\$102,400,000), representing a decrease of approximately 12.4% as compared to last year. The decrease in cost of revenue was in line with the decrease of revenue for the year 2016. The cost of revenue remained stable to approximately 24.7% of the Group's revenue for the year ended 31 December 2016 (2015: 25.5%).

Employee Benefit Expenses

Employee benefit expenses for the year ended 31 December 2016 amounted to approximately HK\$110,948,000 (2015: HK\$112,111,000), representing a decrease of approximately 1.0% as compared to last year. With management change during the year of 2016, total Director's remuneration decrease from approximately HK\$8,594,000 in 2015 to approximately HK\$5,362,000 in 2016. The Group would regularly review the work allocation of the staff to improve and maintain a high standard of service.

Operating Lease Payments

Operating lease payments for the year ended 31 December 2016 amounted to approximately HK\$74,649,000, representing an increase of approximately 8.1% as compared to last year. The increase was mainly due to a new restaurant opened during the year of 2016 which incurred approximately HK\$7,182,000.

Utilities Expenses

Utilities expenses for the year ended 31 December 2016 amounted to approximately HK\$33,402,000 representing a decrease of approximately 1.4% as compared to last year. Eliminating the effect of new opened restaurant during the year, the utilities expenses for those comparable restaurants decreased approximately 4.2% from HK\$33,211,000 in 2015 to HK\$31,826,000 in 2016.

Impairment Loss on Goodwill

As at 31 December 2016, before impairment testing, the goodwill of approximately HK\$18,576,000 was allocated to the four Chinese restaurants business. Having considered the unfavourable sales performance of the four Chinese restaurants with loss making for the year, the management of the Group has consequently determined to fully impaired the goodwill allocated to the four Chinese restaurants business amounting to approximately HK\$18,576,000 (2015: Nil) for the year ended 31 December 2016.

Other Expenses

Other expenses mainly represent expenses incurred for the Group's operation, consisting of consultancy service fee, service fees to temporary workers, kitchen consumables, laundry, cleaning, repair and maintenance, advertising and promotion, legal and professional, etc. For the year ended 31 December 2016, other expenses amounted to approximately HK\$73,212,000, representing a decrease of approximately 0.2% as compared to last year. Eliminating the effect of other expenses for newly opened restaurants during the year, total other expenses decreased by approximately HK\$4,587,000, which was in line with the decrease in revenue for the year of 2016.

Loss Before Tax and Loss Attributable to Owners of the Company

During the year under review, the performance of restaurant operation for dining services did not reach the expectation from the Group's management.

It is primarily due to the decrease in the revenue from the Chinese restaurant operation as a result of the deterioration in Hong Kong's retail industry in 2016. The total number of wedding banquet customers and dining customers of comparable restaurants has declined by approximately 13.6% as compared to the same period in 2015. As a result, the revenue from the Chinese restaurant operation for those comparable restaurants has declined by approximately of HK\$46.8 million as compared with the same period in 2015.

The new restaurant located in The One, which was opened in September 2016, were yet to be profitable and incurred an operating loss approximately HK\$8.2 million during the period.

With an increase in the operating cost which includes operating lease payment, other expenses and the impairment loss of the goodwill, the Group incurred a loss before tax and a loss attributable to owners of the Company for the year ended 31 December 2016 of approximately HK\$51,859,000 and HK\$53,846,000 respectively, while the loss before tax and loss attributable to owners of the Company amounted to approximately HK\$5,773,000 and HK\$5,978,000 in last year.

Liquidity, Financial Resources and Capital Resources

Capital Structure

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and 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 2016, was to lower the gearing ratio to an acceptable level.

Cash Position and Pledged Bank Deposit

As at 31 December 2016, the Group's cash and cash equivalents were approximately HK\$298,604,000, representing an increase of 901.4% as compared to approximately HK\$29,820,000 as at 31 December 2015. The Group's Controlling shareholder and Director, Mr. Sang has granted an unsecured loan facility up to HK\$300 million with an interest rate of 4.5% per annum for a term of two years. The Company intends to use the loan facility to meet the Group's day-to-day operational expenses and working capital needs and for investment opportunities which may arise from time to time in the future. As at 31 December 2016, the Group owed to Mr. Sang an approximate amount of HK\$280,387,000 and most of the funding was deposited in bank. Subsequent to the balance sheet date on 24 February 2017, the Group had fully repaid the loan to Mr. Sang.

There were no pledged bank deposits as at 31 December 2016 (2015: Nil).

Bank Borrowing and Charges on the Group's Assets

The bank borrowings outstanding as at 31 December 2016 amounted to approximately HK\$46,124,000, representing an increase of approximately 90.2% as compared to 31 December 2015. The bank borrowings are secured by certain investment properties and buildings held by the Group.

As at 31 December 2016, the Group had total banking facilities of approximately HK\$58,125,000, of which approximately HK\$46,124,000 was drawn down as bank borrowings mentioned above and approximately HK\$11,816,000 was utilised for issuance of letters of guarantee in favour of landlords for rental and utility deposits. The Group's banking facilities are subject to annual review for renewal, and the upcoming renewal date is in April 2017. As at 31 December 2016, the Group failed to comply with one of the covenant requirement of one of the Group's banking facilities amounting to HK\$17,500,000, of which HK\$9,000,000 was drawn down as bank borrowings and HK\$8,500,000 was utilised for issuance of letters of guarantee. Such a breach of the covenant requirement may cause the relevant banking facilities of HK\$17,500,000 to be cancelled or suspended. In March 2017, the Group obtained a one-off waiver from compliance of the relevant breached covenant requirement from the relevant bank for the year ended 31 December 2016 in relation to the Group's banking facilities of HK\$17,500,000.

Trade Receivables

As at 31 December 2016, the Group's trade receivables were approximately HK\$1,993,000, representing an increase of approximately 3.9% as compared to the last year. The trade receivables mainly comprised of trade receivable from the distribution of goods. The trade receivables remained stable for two year ended 31 December 2016.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) plus loans from a shareholder less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. As at 31 December 2016, the Group's gearing ratio was 46.4%. As at 31 December 2015, the Group was at net cash position, hence the gearing ratio is not applicable.

Dividends

The Directors do not recommend payment of final dividend in respect of the year ended 31 December 2016 (2015: Nil).

Event After the Reporting Period

On 7 December 2016, the Company announced that 北京慧事通科技有限公司 (Beijing Huishitong Technology Company Limited*) (“the Purchaser”), an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement (the “Acquisition Agreement”), pursuant to which the Purchaser conditionally agreed to purchase and 北京日興房地產發展有限公司 (Beijing Rixing Property Development Company Limited*), a company incorporated in the PRC with limited liability (the “Vendor”) conditionally agreed to sell the Target Property at the Consideration of RMB101,090,000 (approximately HK\$113,019,000), which shall be payable by the Purchaser to the Vendor in cash (the “Acquisition Announcement”), which constituted a major and connected transaction. RMB5,000,000 had been paid to the Vendor in cash as deposit (the “Deposit”) upon signing of the Acquisition Agreement.

Pursuant to the Acquisition Agreement, if any conditions precedent to the completion has not been fulfilled by the long-stop date on 28 February 2017 (the “Long-Stop Date”) or such other date as the Vendor and the Purchaser may agree in writing, then the Purchaser shall not be bound to proceed with the acquisition, and save as to the Deposit which shall be returned to the Purchaser (without interest), all rights and liabilities of the Vendor and the Purchaser shall cease and neither the Vendor nor the Purchaser shall have any claim against the other.

On 28 February 2017, the Company announced that as the conditions precedent to the Acquisition Agreement have not been fulfilled by the Long-Stop Date and no extension of time was agreed by the Vendor and the Purchaser, the Acquisition Agreement has lapsed in accordance with the terms thereof. The Deposit will be returned to the Purchaser (without interest).

On 4 January 2017, the Company entered into a placing agreement with a placing agent for the placing of up to an aggregate of 93,000,000 new Shares to the placees at the placing price of HK\$1.61 per placing share (the “Placing”).

Following completion of the Placing on 23 January 2017, net proceeds of approximately HK\$146.74 million (the “Net Proceeds”) has been raised. As disclosed in the placing announcement dated 23 January 2017, the Company originally intended to allocate the Net Proceeds as to: (a) approximately HK\$107.38 million for payment of second installment of the proposed property acquisition as referred to in the Acquisition Announcement (the “Proceeds for Proposed Property Acquisition”); and (b) the balance of approximately HK\$39.36 million for the repayment of part of shareholder’s loan and the general working capital of the Group.

Upon the lapse of the Acquisition Agreement, the Company intends to allocate the Net Proceeds for Proposed Property Acquisition in the amount of approximately HK\$107.38 million towards acquisition of other potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of rental income to the Group. In addition, the Company will also continue to explore potential business opportunities in other sectors including but not limited to high and new technology sector which may bring higher return and additional source of revenue to the Group (together, the “Change in Use of Proceeds”). The Company shall issue further announcement(s) to update the Shareholders on the application of the Change in Use of Proceeds as soon as the aforementioned targets are identified as and when appropriate.

Save for the Change in Use of Proceeds as disclosed above, the Company intends to allocate the remaining Net Proceeds as originally intended.

Prospects

The operating environment in Hong Kong is expected to remain challenging for the foreseeable future. Nonetheless, the management is confident that the Group can succeed and enhance the shareholders’ value.

The Group had opened a new restaurant located in The One, Tsim Sha Tsui, namely, U Banquet (The One) with new brand “U Banquet • The StarView”. The management believed that U Banquet (The One) would bring a luxurious dining experience for both wedding banquet and dining customers and expected to become another major income stream for the Group and enlarge the Group’s market share within the industry.

The Group will continue to deploy different marketing strategies, adding creative features to the existing and new restaurants, meanwhile, implementing effective cost control measures and minimizing the operating costs on rental, raw materials and labour accordingly.

Looking forward, the Group will continue to utilize its available resources to engage in its current business. The Group will continue to develop its core business. Apart from this, the Group will also explore business opportunities to strengthen its revenue base such as acquisition of potential properties in Hong Kong and/or China which is expected to generate a stable and constant stream of rental income to the Group. In addition, the Company will also continue to explore potential business opportunities in other sectors including but not limited to high and new technology sector which may bring higher return and additional source of revenue to the Group as well as maximise its return of the shareholders and value of the Company.

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 2016, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year under review, the Company has not separated the roles of Chairman and Chief Executive Officer of the Company. Subsequent to the resignation of Mr. Cheung Ka Ho as the Chairman and the Chief Executive Officer of the Board on 27 October 2016 and Mr. Sang Kangqiao was appointed as the Chairman of the Company, Mr. Sang was responsible for overseeing the operations of the Group. In the Company, decisions are made collectively by the Executive Directors and occasionally are discussed with the management. The Board believes that it enable Company to make decisions, operate and implement follow up actions quickly.

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 2016, 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 2016.

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 2016 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 2016 have been reviewed by the Audit Committee.

COMPETING BUSINESS

During the year and up to the date of this report, 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, 23 March 2017

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