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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)

**DISCLOSABLE TRANSACTION IN RELATION TO
DEEMED DISPOSAL OF THE EQUITY INTEREST IN
A SUBSIDIARY**

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 7 September 2020 (after trading hours), Shenzhen BYL Ecological Technology Company Limited* (深圳寶潤來生態科技有限公司), an indirect 51.0% non-wholly owned subsidiary of the Company, Aerospace Sanchuang Environmental Technology Chengdu Co., Ltd.* (航天三創環保科技(成都)有限公司), an indirect 51.0% non-wholly owned subsidiary of the Company, and 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)) entered into the Capital Increase Agreement, pursuant to which the Investor agrees to make Capital Contribution in cash in an amount of RMB80.0 million (equivalent to approximately HK\$90.48 million, of which RMB15.0 million would be contributed as the registered capital of the Target Company and RMB65.0 million would be contributed as the capital reserve of the Target Company) to the Target Company, and the registered capital of the Target Company will increase from RMB60.0 million to RMB75.0 million. Upon Completion of the Capital Contribution, the percentage of the equity interest owned by the Current Shareholder and the Investor in the Target Company would be 80.0% and 20.0%, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Company is wholly owned by the Current Shareholder. Upon Completion of the Capital Contribution, the equity interest held by the Current Shareholder 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%. Therefore, the transactions contemplated under the Capital Increase Agreement constitutes a deemed disposal of the Group's equity interest in the Target Company under Rule 14.29 of the Listing Rules. As the Target Company continues to be an indirect non-wholly owned subsidiary of the Company, the financial results of the Target Company will continue to be consolidated into the financial statements of the Group. As one of the applicable percentage ratios calculated under the Listing Rules in respect of the Capital Contribution exceeds 5% but is less than 25%, the transactions contemplated under the Capital Increase Agreement constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements, but is exempt from the circular and Shareholders' approval requirements, under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 7 September 2020 (after trading hours), the Current Shareholder, the Target Company, and the Investor entered into the Capital Increase Agreement 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. After Completion, the Investor will be interested in 20% of the enlarged registered capital of the Target Company. The equity interest held by the Current Shareholder 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.

THE INVESTMENT AGREEMENT

Date

7 September 2020

Parties

- (i) Investor: 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))
- (ii) Current Shareholder: Shenzhen BYL Ecological Technology Company Limited* (深圳寶潤來生態科技有限公司)
- (iii) Target company: Aerospace Sanchuang Environmental Technology Chengdu Co., Ltd.* (航天三創環保科技(成都)有限公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Investor and its ultimate beneficial owner(s) are Independent Third Parties.

The Investment

Pursuant to the Capital Increase Agreement, the Investor shall invest RMB80.0 million for 20% of equity interests in the Target Company, of which RMB15.0 million would be contributed to the registered capital of the Target Company while RMB65.0 million would be contributed to the capital reserve of the Target Company. The Consideration was determined after arm's length negotiations based on the historical financial performance and position of the Target Company. After Completion of the Capital Contribution by the Investor, the registered capital of the Target Company will be increased to RMB75.0 million.

Payment terms

After the fulfilment of all conditions precedent, the Investor shall settle the Investment Amount to the designation bank account of the Target Company before 31 December 2020 (the “Settlement Period”).

Use of proceeds

Proceeds from the Deemed Disposal would be applied towards the operation, expansion of personnel and working capital of the Target Company.

Conditions precedent

Completion is conditional upon fulfilment of the following condition:

1. The Board of the Company approves relevant resolutions on the Investment Agreement and the transactions contemplated thereunder;
2. The Target Company approves the transaction under the agreements through decisions from corresponding shareholders, and agrees the signing and implementation of relevant legal documents by the company;
3. The Investor completes the filing procedures of the funds at the China Fund Industry Association, and the decision-making institution within the Investor that has the right to invest approves the resolution on the Investment;
4. The Current Shareholder completes the payment towards the registered capital of RMB60.0 million of the Target Company; and
5. The relevant registration of change in respect of the Capital Increase with the relevant government authority has been completed.

Arrangements of senior management

- i. After Completion, the Investor is entitled to nominate a vice general manager to the Target Company; and
- ii. The Target Company should maintain the stability of the senior management members of the Target Company after Completion. (Except that a senior management member ceases to be qualified to perform his/her functions due to a violation of the articles of association of the Target Company or resigns out of his/her own initiative).

Anti-dilutive

Following Completion of the Capital Increase, if the Target Company further increases its registered capital, the consideration applicable at the time of the Capital Increase shall not be lower than the Investor's valuation on the Target Company under such Capital Increase. If the new investor, by virtue of certain agreements or arrangements, eventually causes its investment price or cost to be lower than the investment price or cost of the Capital Increase, then the Current Shareholder shall transfer part of its equity interest in the Target Company to the Investor without compensation until the price of the Capital Increase equals the price of the new investor's investment.

INFORMATION ON THE COMPANY

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

INFORMATION ON THE CURRENT SHAREHOLDER

The Current Shareholder is a company incorporated in the PRC with limited liability and an indirectly non-wholly owned subsidiary of the Company which currently holds 100% equity interests in the Target Company. The Current Shareholder is an investment holding company and its subsidiaries are principally engaged in environmental maintenance business.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability with a registered capital of RMB60.0 million as at the date of this announcement. The Target Company is mainly engaged in environmental maintenance business, and 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. The environmental maintenance service business of the Target Company is based in Chengdu, the PRC, and is penetrating into other regions in the PRC such as Xinjiang Autonomous Region, Hebei Province and Inner Mongolia Autonomous Region.

Set out below is a summary of the audited consolidated financial information of the Target Company prepared in accordance with accounting principles generally accepted in the PRC:

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
Profit before taxation	26,689	41,407
Profit after taxation	22,080	31,074
Total assets	91,206	147,600
Net assets	55,927	89,001

INFORMATION ON THE INVESTOR

The Investor is a limited partnership incorporated in the PRC in June 2020. It is principally engaged in the entrusted management of equity investment enterprises, investment management and relevant consultancy services in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

EXPECTED FINANCIAL EFFECTS OF THE DEEMED DISPOSAL

As the Deemed Disposal will not result in the loss of control over the Target Company by the Group, the results, assets and liabilities of the Target Company will continue to be consolidated into the consolidated financial statements of the Group.

After Completion, the Target Company will continue to be a non-wholly owned subsidiary of the Group.

REASONS FOR THE DEEMED DISPOSAL

The Group was mainly engaged in (i) environmental maintenance business; (ii) property leasing business; and (iii) securities trading business. The Group commenced its' investment and operation of environmental maintenance business in 2018. As at the date of this announcement, the Group had a total of 23 environmental maintenance service contracts in progress (excluding the Neijiang Project) with the total contract amount for the remaining contract term of approximately RMB650 million. With the increasing number of environmental maintenance projects ongoing, the Group requires to replenish its working capital so as to free up liquidity for future investments and to fund the development of the Group's environmental maintenance businesses. Taking into account of the above, the Directors consider that the entering into of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Deemed Disposal is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement, but is exempt from the circular and Shareholders' approval requirements, under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Capital Increase” or “Capital Contribution”	the capital increase to the Target Company made by the Investor pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 7 September 2020 entered into among the Investor, the Current Shareholder and the Target Company in relation to the Investment
“Company”	U Banquet Group Holding Limited (譽宴集團控股有限公司), a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1483)
“Completion”	the completion of the Disposal, the settlement of the Investment Amount by the Investor
“Completion Date”	the date of the completion pursuant to the terms and conditions of the Investment Agreements
“Consideration” or “Investment Amount”	the aggregate consideration for the 20% enlarged equity interest in the Target Company amounting to RMB80.0 million (equivalent to approximately HK\$90.48 million)
“Current Shareholder”	Shenzhen BYL Ecological Technology Company Limited* (深圳寶潤來生態科技有限公司), a company incorporated in the PRC with limited liability, and an indirectly non-wholly owned subsidiary of the Company which currently holds 100% equity interests in the Target Company

“Deemed Disposal” or the “Investment”	the investment by the Investor pursuant to the Investment Agreement and the Profit Guarantee Agreement for 20% of the enlarged equity interest in the Target Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons (has the meaning ascribed thereto in the Listing Rules) of the Company and is not a connected person of the Company
“Investor”	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))
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	Shareholders of the Company
“Shares”	shares of the company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Aerospace Sanchuang Environmental Technology Chengdu Co., Ltd.* (航天三創環保科技(成都)有限公司), a company incorporated in the PRC with limited liability
“Working Day”	a day other than Saturday, Sunday, statutory holiday of the PRC
“%” or “per cent.”	percentage or per centum

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB amounts have been translated using the following rates: RMB1.00:HK\$1.131. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

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

Hong Kong, 7 September 2020

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

* *for identification purpose only*