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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF SUBSIDIARIES**

Financial adviser to the Company

MESSIS  **大有融資**

DISPOSAL OF SUBSIDIARIES

The Board wishes to announce that on 29 October 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, an Independent Third Party, entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares at a consideration of HK\$200,000.

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

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios defined under Rule 14.07 of the Listing Rules of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 29 October 2019 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire equity interest in Elite Rainbow and Vast Rainbow at a consideration of HK\$200,000.

THE DISPOSAL

Set out below are the principal terms of the Disposal Agreement:

Date

29 October 2019 (after trading hours)

Parties

Vendor: Choi Fook Holdings Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: Mr. Chow Ka Chun Simon

Disposed Companies: Elite Rainbow
Vast Rainbow

As advised by the Purchaser and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser is an Independent Third Party.

The Vendor is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire equity interest in Elite Rainbow and Vast Rainbow, free from all encumbrances and together with all rights then or thereafter attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date.

Consideration

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

The consideration of the Disposal was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the fair value of the Sale Shares of HK\$186,000 based on an independent valuation report issued by the Valuer using the market approach; (ii) the prevailing market conditions; and (iii) the operational and financial performance of the Disposed Companies that they aggregately recorded loss after tax of approximately HK\$2.5 million, HK\$0.2 million and HK\$10.8 million for the financial year ended 31 December 2017 and 2018 and nine months ended 30 September 2019, respectively.

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

Payment of the Consideration

The consideration shall be payable by the Purchaser to the Vendor by way of bank transfer in the following manner:

- (a) a deposit of HK\$100,000 upon signing of the Disposal Agreement; and
- (b) the balance of HK\$100,000 upon Completion.

Conditions Precedent

Completion is conditional upon fulfilment of each of the following conditions:

- (a) all representations, warranties and undertakings as set out in the Disposal Agreement remaining true, valid, and effective up to and including the Completion Date;
- (b) the board of directors of the Vendor having passed the relevant resolutions approving the Disposal Agreement and the sale and purchase transaction contemplated under the Disposal Agreement;
- (c) the Vendor having obtained all necessary government or regulatory permits or licenses required for the operation of the businesses of the Disposed Companies (including but not limited to licences issued by the Food and Environmental Hygiene Department, the Liquor Licensing Board and the Environmental Protection Department);
- (d) the Vendor having obtained all necessary government or regulatory consent or approval to transfer the permits or licences set out in paragraph (c) above to the Purchaser; and
- (e) the Vendor having obtained all necessary consents and authorizations which may be required to implement the Disposal Agreement under any existing contractual arrangements or documentation.

If any of the above conditions have not been fulfilled or waived by the Purchaser in writing on or before the Completion Date, all rights and obligations of the parties under the Disposal Agreement shall cease and terminate. No party shall have any claim against the other save for any claim in respect of any antecedent breach thereof and the Vendor shall refund the deposit of HK\$100,000 to the Purchaser.

Completion

Completion shall take place on or before 30 November 2019 following the satisfaction of all the aforesaid conditions.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group

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

The Purchaser

As advised by the Purchaser and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party.

INFORMATION ON THE DISPOSED COMPANIES

Elite Rainbow

Elite Rainbow is a limited company incorporated in Hong Kong on 27 March 2009 and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is principally engaged in the operation of a Chinese restaurant located at 2nd Floor of Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

Set out below is the extract of the audited financial information of Elite Rainbow for the two years ended 31 December 2017 and 2018 and unaudited financial information for the nine months ended 30 September 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2017	For the year ended 31 December 2018	<u>For the nine months ended 30 September 2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<u>(audited)</u>	<u>(audited)</u>	<u>(unaudited)</u>
Revenue	38,242	52,548	<u>37,598</u>
<u>(Loss)/Profit</u> before income tax	(1,681)	513	<u>(201)</u>
<u>(Loss)/Profit</u> after income tax	(1,681)	513	<u>(201)</u>
Total assets	18,973	14,663	<u>35,926</u>
Total liabilities	<u>(19,819)</u>	<u>(14,996)</u>	<u>(36,460)</u>
<u>Net liabilities</u>	(846)	(333)	<u>(534)</u>

As at 30 September 2019, the unaudited net liabilities of Elite Rainbow was approximately HK\$[534,000]. Upon Completion, the Elite Rainbow will cease to be a subsidiary of the Vendor and its financial results will no longer be consolidated into the financial results of the Group.

Vast Rainbow

Vast Rainbow is a limited company incorporated in Hong Kong on 16 August 2007 and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the operation of a Chinese restaurant located at the whole of 5th Floor and 5th Mezzanine Floor, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong.

Set out below is the extract of the audited financial information of Vast Rainbow for the two years ended 31 December 2017 and 2018 and unaudited financial information for the nine months ended 30 September 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2017	For the year ended 31 December 2018	<u>For the nine months ended 30 September 2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<u>(audited)</u>	<u>(audited)</u>	<u>(unaudited)</u>
Revenue	39,783	35,972	<u>12,639</u>
<u>Loss</u> before income tax	(797)	(748)	<u>(10,569)</u>
<u>Loss</u> after income tax	(797)	(748)	<u>(10,569)</u>
Total assets	36,816	37,275	<u>60,289</u>
Total liabilities	<u>(29,798)</u>	<u>(31,005)</u>	<u>(64,588)</u>
<u>Net assets/(liabilities)</u>	7,018	6,270	<u>(4,299)</u>

As at 30 September 2019, the unaudited net liabilities of Vast Rainbow was approximately HK\$[4,299,000]. Upon Completion, Vast Rainbow will cease to be a subsidiary of the Vendor and its financial results will no longer be consolidated into the financial results of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on (i) the expected aggregate net liabilities of the Disposed Companies of not less than HK\$4.8 million immediately prior to the Completion; and (ii) the aggregate consideration for the Disposal of HK\$200,000, it is estimated that the Group will record an unaudited gain on disposal for approximately HK\$5.0 million (subject to Completion) before deducting the expenses associated with the Disposal.

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

USE OF PROCEEDS

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

REASONS FOR AND BENEFIT OF THE DISPOSAL

The Board considers that the financial performance of the Disposed Companies was unsatisfactory as a total net loss of approximately HK\$2.5 million, HK\$0.2 million and HK\$10.8 million were recorded for the year ended 31 December 2017 and 2018 and nine months ended 30 September 2019 respectively. Besides, the Disposed Companies also recorded aggregate net liabilities of HK\$4.8 million as at 30 September 2019. Taking into account the severe market competition and increasingly challenging operating environment for the two Chinese restaurants, the Board is of the view that the Disposal serves as a good opportunity for the Group to cut loss and realise the investment in the Disposed Companies. The Disposal also helps to streamline the business in order to improve the liquidity and overall financial position of the Group.

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios defined under Rule 14.07 of the Listing Rules of the Disposal exceed 5% or more but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“ <u>associate(s)</u> ”	<u>has the meaning ascribed to it in the Listing Rules</u>
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday or public holiday) in Hong Kong on which the licensed banks are generally open for business throughout the normal business hours
“Company”	U Banquet Group Holding Limited (譽宴集團控股有限公司), a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1483)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	<u>a date on or before 30 November 2019 (or such other date as may be agreed in writing between the Purchaser and the Vendor), on which Completion shall take place following the satisfaction of the conditions precedent to the Disposal Agreement</u>
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated <u>29 October 2019</u> in relation to the Disposal entered into between the Vendor and the Purchaser

“ <u>Disposed Companies</u> ”	<u>collectively, Elite Rainbow and Vast Rainbow and each a “Disposed Company”</u>
“Elite Rainbow”	Elite Rainbow Corporation Limited (韻彩有限公司) , a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, a lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its <u>connected persons</u> or its subsidiaries and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended from time to time)
“Purchaser”	Mr. Chow Ka Chun Simon
“Sale Shares”	5,000,000 shares in Vast Rainbow, representing its entire issued share capital, and 100 shares in Elite Rainbow, representing its entire issued share capital
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Valuer”	International Valuation Limited (國際評估有限公司), an independent valuer engaged by the Company
“Vast Rainbow”	Vast Rainbow Limited (偉彩有限公司), a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Vendor”	Choi Fook Holdings Limited (彩福控股有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 29 October 2019

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.