

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



利·寶·閣

Li Bao Ge Group Limited

利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8102)

**FURTHER ANNOUNCEMENT IN RELATION TO THE
ACQUISITION OF 60% OF THE ISSUED SHARES OF
PROFIT SHINER INVESTMENT LIMITED
PURSUANT TO RULES 19.60A AND 19.62 OF THE GEM LISTING RULES**

Reference is made to the announcement (the “**Announcement**”) of Li Bao Ge Group Limited (the “**Company**”) dated 13 February 2017 in relation to the acquisition of 60% of the issued shares of Profit Shiner Investment Limited. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

The Board wishes to further inform its shareholders and potential investors that the Consideration of HK\$1,800,000 and the shareholder’s loans of HK\$7,500,000 shall be satisfied by internal resources of the Group in the form of cash, which will not involve any listing proceeds of the Company. The Directors are not aware of any material change to the planned use of the listing proceeds as stated in the Prospectus as at the date of this announcement.

In addition, the Board would like to provide its shareholders and potential investors with further information in relation to the principal assumptions, including commercial assumptions, upon which the forecast in the Valuation Report was based as set out below.

SPECIFIC ASSUMPTIONS

- (1) The forecast revenue for the five years ending 31 December 2021 (the “**Forecast Period**”) is projected based on the estimated number of seats occupied by the Thai cuisine restaurant (i.e. approximately 120 seats), seat turnover rates (i.e. 1.0 times to 2.2 times, depending on lunch, tea or dinner hours and weekdays, weekend or holidays) and average spending per customer (i.e. HK\$150 to HK\$300 per head, depending on lunch, tea or dinner consumption).
- (2) As the Thai cuisine restaurant is a new restaurant which is planned to be opened by the end of February 2017, discount factors against normal revenue (when the restaurant operation is expected to put on track) in the range of 50% to 90% were applied to the first seven months of operation. As such, the overall forecast revenue for the year ending 31 December 2018 represented a forecast growth of approximately 32% as compared to the first year of operation in 2017. On the other hand, the forecast revenue for 2019 to 2021 remained at the same level as that of 2018.

- (3) The forecast gross profit margin of the Target Company is approximately 71% and remains constant throughout the Forecast Period.
- (4) The operating expenses mainly comprise staff and rental costs which in aggregate accounted for approximately 45% to 50% of the forecast revenue or 73% to 75% of the total estimated operating expenses of the Target Company.
- (5) Discount rate (weighted-average cost of capital) of 17% was adopted in the valuation of the Target Company, based on comparable companies engaged in catering business in Hong Kong.
- (6) The applicable corporate tax rate is 16.5%.

On the other hand, as the Thai cuisine restaurant was yet to be opened as at 31 December 2016, being the date to which the unaudited finance information of the Target Company as disclosed in the Announcement was made up, the Target Company was yet to record any revenue, and the record of loss for the period from the date of its incorporation to 31 December 2016 mainly represented pre-operating rental cost and property agency fee for leasing of the restaurant premises. Based on the forecast, the Target Company will achieve operating breakeven (i.e. the period needed for a restaurant to record a positive monthly operating profit before interest, taxation, depreciation and allowance for the first time following the month of commencement of business of the restaurant) in the fourth month upon opening of the Thai cuisine restaurant. As such, the historical operating loss of the Target Company prior to the opening of the Thai cuisine restaurant is of no material relevance to the major assumptions adopted in the valuation of the Target Company.

In respect of the aforesaid major commercial assumptions and parameters adopted in the valuation, the Board considers, among others, that (i) the location of the Thai cuisine restaurant as situated in a prime shopping mall in Tsim Sha Tsui, Hong Kong and the mid-to-high end positioning of the restaurant as supported by a management team under a franchised operation mode would justify the forecasted seat turnover rate and average spending per customer; (ii) the discount factors against normal revenue before the restaurant is gradually put on track for an initial period of about half a year and an operating breakeven period of four months are reasonable for a catering business and comparable to that of the Group; (iii) the forecast gross profit margin is reasonable, being within the general range of approximately 65% to 75% for similar catering business in Hong Kong; and (iv) the major operating expenses items, i.e. staff and rental costs, based on the signed tenancy agreement of the restaurant premises and the number and experience of management and restaurant staff to be hired are comparable with the prevailing market prices. Hence, the Board is of the view that the commercial assumptions mentioned above and the underlying forecast on which the Valuation Report is based are fair and reasonable.

By the order of the Board
Li Bao Ge Group Limited
Chan Chun Kit
Chairman

Hong Kong, 17 February 2017

As at the date of this announcement, the executive Directors are Mr. Chan Chun Kit, Mr. Lam Kwok Leung Peter, Mr. Wong Ka Wai and Mr. Chow Yiu Pong David; and the independent non-executive Directors are Mr. Liu Chi Keung, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond.

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

This announcement will remain on the “Latest Company Announcements” page on the Growth Enterprise Market website at www.hkgem.com for at least 7 days from the date of its posting and will also be published on the Company’s website at www.starofcanton.com.hk.