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)

(GEM Stock Code: 8102)
(Main Board Stock Code: 1869)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial Adviser to the Company

AmCap
Ample Capital Limited
豐盛融資有限公司

TRANSFER OF LISTING FROM GEM TO MAIN BOARD

On 14 February 2018, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board.

The Company has applied for the listing of, and permission to deal in (i) 800,000,000 Shares in issue; and (ii) the 80,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that all pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and its Shares and that the approval-in-principle has been granted by the Stock Exchange on 27 August 2018 for the Transfer of Listing.

The last day of dealings in the Shares on the GEM (Stock Code: 8102) will be 4 September 2018. Dealing in the Shares on the Main Board (Stock Code: 1869) will commence at 9:00 a.m. on 5 September 2018.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE PRICE VOLATILITY

The Board noted that the price of the Shares has been volatile. The Shares of the Company has been listed on GEM by way of placing since 30 June 2016. The placing price per Share was HK$0.355. The highest and lowest prices at which the Shares have traded on GEM of the Stock Exchange since 30 June 2016 up to the Latest Practicable Date were HK$8.200 (30 June 2017 and 3 July 2017) and HK$0.315 (16 August 2018), respectively. During the aforesaid period, the price per Share had risen for a maximum of approximately 2,209.86% (by comparing the placing price and the highest price) and fallen for a maximum of approximately 96.16% (by comparing the highest price and the lowest price).

Reference is also made to the announcement issued by the Company dated 9 November 2017 in relation to the unusual price and trading volume movements of the Shares. The Shares experienced a sudden price drop of approximately 85.05% (closing price on 8 November 2017: HK$6.020; closing price on 9 November 2017: HK$0.900) and a substantial increase in trading volume by approximately 219.27 times (trading volume on 8 November 2017: 2,055,000 Shares; trading volume on 9 November 2017: 450,592,600 Shares) on 9 November 2017. As disclosed in the announcement of the Company dated 9 November 2017, the Board having made all such enquiries reasonable in the circumstances, confirmed that it was not aware of any reasons for the price or trading volume movements or of any information that had to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board noted that the price of the Shares has been volatile and may continue to be volatile.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER IN 2017

Reference is made to the announcements of the Company dated 4 October 2017, 10 October 2017 and 16 November 2017 in relation to the disposals of Shares by a Controlling Shareholder of the Company.

The Company noted that due to the financial needs of the shareholders of Zhao Tian, Zhao Tian disposed of an aggregate of 40,000,000 Shares during the period from September 2017 to November 2017, in which 15,000,000 Shares were disposed of off-exchange at an average consideration of HK$4.8 per Share on 27 September 2017, 15,000,000 Shares were disposed of off-exchange at an average consideration of HK$4.8 per Share on 6 October 2017, and 10,000,000 Shares were disposed of on-exchange at an average consideration of HK$0.7164 per Share on 13 November 2017.

Upon completion of the aforesaid series of disposals, Zhao Tian held 469,200,000 Shares, which represent 58.65% of the issued share capital of the Company as at the date of this announcement.

To the best of the Company's knowledge, information and belief, having made all reasonable enquiries, all the counterparties of the aforesaid series of disposals are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

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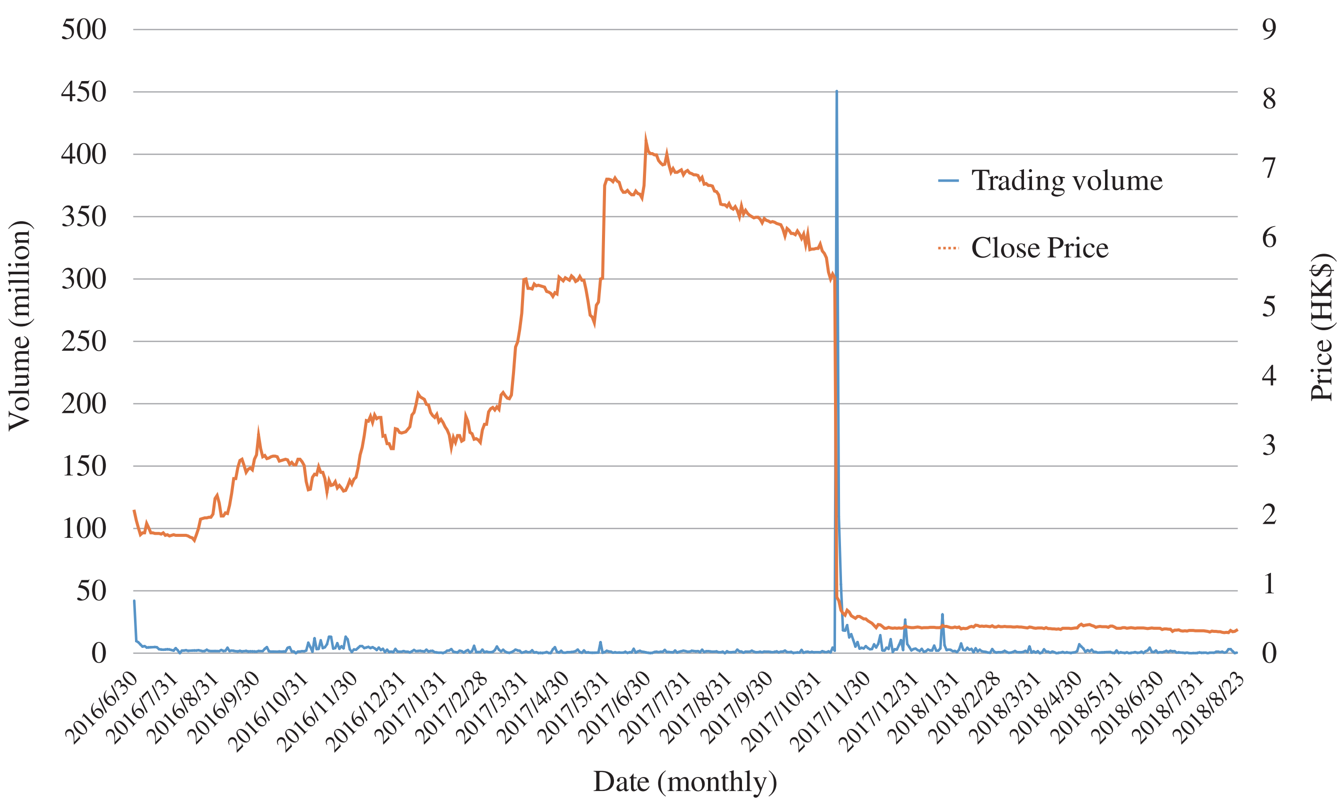
The following chart sets forth the volatility of the price and trading volume of the Share since the Company has listed on the GEM and up to the Latest Practicable Date.



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To the best of the Company's knowledge, information and belief, having made all reasonable enquiries, all the counterparties of the aforesaid series of disposals are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

Reference is made to the announcement issued by the Company dated 14 February 2018 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

On 14 February 2018, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board.

The Company has applied for the listing of, and permission to deal in (i) 800,000,000 Shares in issue; and (ii) the 80,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that all pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and its Shares and that the approval-in-principle has been granted by the Stock Exchange on 27 August 2018 for the Transfer of Listing.

REASONS FOR THE TRANSFER OF LISTING

The Shares of the Company has been listed on GEM since 30 June 2016. The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The Group currently operates four full-service restaurants in Hong Kong and two full-service restaurants in Shenzhen, the PRC to provide Cantonese cuisine under the brand name of "Star of Canton (利寶閣)". In addition, the Group also operates a Jingchuanhu cuisine restaurant in Hong Kong under the brand name of "Beijing House (京香閣)" and a Thai cuisine restaurant in Shenzhen, the PRC under the Group's own brand of "La Maison D' Elephant (象屋)".

The Board believes that the Transfer of Listing will enhance the profile of the Group, strengthen its recognition among customers and investors, and further improve the trading liquidity of the Shares. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

As of the date of this announcement, no change in the nature of business of the Group is contemplated by the Directors following the Transfer of Listing.

The Transfer of Listing will not involve any issue of new Shares by the Company.

DEALING IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 30 June 2016, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8102) will be 4 September 2018. Dealings in the Shares on the Main Board (Stock code: 1869) will commence at 9:00 a.m. on 5 September 2018.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in a board lot of 10,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was adopted by the Company on 16 June 2016. The Share Option Scheme will remain in force for a period of ten years from the aforesaid adoption date.

As of the date of this announcement, the Share Option Scheme fully complies with the requirements of Chapter 17 of the Main Board Listing Rules, and will remain effective upon the Transfer of Listing subject to certain immaterial amendments to the Share Option Scheme.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants entitling them to subscribe for up to 80,000,000 Shares, representing 10% of all the Shares in issue as of the date of this announcement, during the remaining term of the Share Option Scheme.

The listing of the Shares issued and to be issued upon exercise of options which may be granted pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

As of the date of this announcement, the Company has not issued any options under the Share Option Scheme, warrants or similar rights or convertible equity securities of which will be transferred to the Main Board.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 29 May 2018 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:–

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held; or

(c) the date on which the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the directors of the Company.

BUSINESS OF THE GROUP

The track record period of the Group comprises three years ended 31 December 2015, 2016 and 2017 and three months ended 31 March 2018. The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The Group currently operates four full-service restaurants in Hong Kong and two full-service restaurants in Shenzhen, the PRC to provide Cantonese cuisine under the brand name of "Star of Canton (利寶閣)". In addition, the Group also operates a Jingchuanhu cuisine restaurant in Hong Kong under the brand name of "Beijing House (京香閣)" and a Thai cuisine restaurant in Shenzhen, the PRC under the Group's own brand of "La Maison D' Elephant (象屋)".

All of the Group's restaurants were strategically situated in landmark shopping arcades or commercial complex at prime locations. The Group maintains a business philosophy of offering quality food and services at reasonable prices under elegant and comfortable dining environment. All of the Group's restaurants target at mid-to-high end spending customers.

FINANCIAL INFORMATION

Overall

The table below sets forth the selected information of the Group's audited consolidated statements of profit and loss and other comprehensive income for the three years ended 31 December 2017, as well as the unaudited consolidated financial information of the Group for the three months ended 31 March 2017 and 2018:

	For the year ended 31 December			For the three months ended 31 March	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000* (Unaudited)
Revenue	256,881	278,429	307,001	75,899	101,612
Gross profit	185,620	196,583	215,935	54,876	70,298
Gross profit margin	72.3%	70.6%	70.3%	72.3%	69.2%
Operating profit	20,021	24,444	30,675	10,352	10,229
Profit for the year/period	6,621	11,348	23,188	7,940	6,444
Profit attributable to owners of the Company	3,652	11,348	23,188	7,940	6,444

The table below sets forth the Group's net profit (profit for the year/period), net profit margin and profit attributable to owners of the Company for the three years ended 31 December 2017 and the three months ended 31 March 2017 and 2018, as adjusted to exclude the listing expenses incurred in connection with the Company's listing on the GEM or the Transfer of Listing:

	For the year ended 31 December			For the three months ended 31 March	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	(Unaudited)
Adjusted net profit (excluding listing expenses)	15,040	18,855	23,188	7,940	7,822
Adjusted net profit margin	5.9%	6.8%	7.6%	10.5%	7.7%
Adjusted profit attributable to owners of the Company (excluding listing expenses)	12,071	18,855	23,188	7,940	7,822

Closure of the I-Square Restaurant

The lease of the I-Square Restaurant expired on 24 November 2015. The Group did not renew the lease of I-Square Restaurant upon its expiry. The main reason for the closure is that the Directors had been considering opening up Beijing House Restaurant at a shop adjacent to that of a Star of Canton Restaurant for the sake of achieving economies of scales of operation by sharing the same kitchen area, however the Group was constrained by the size of its then existing restaurants. In particular, the total saleable area of the I-Square Restaurant was approximately 933 square meters which was the largest restaurant premises among the Group's then existing restaurants in Hong Kong but was considered inadequate for the aforesaid purpose. As such, before the expiry of the lease of the I-Square Restaurant, the Group identified a Sheung Wan site at the material time and the Directors considered the site with a total saleable area of approximately 1,532 square meters an ideal location to open up both the Sheung Wan Restaurant and Beijing House Restaurant. The area of the Sheung Wan site is almost twice that of the I-Square Restaurant and it targets to capture mid-to-high end spending customers and corporate customers in the Central or Sheung Wan areas. In addition, as the competition for leases in Tsim Sha Tsui among retailers was fierce at the material time, the Directors expected that such situation would also lead to considerable increase in rental cost for restaurant premises in Tsim Sha Tsui. Hence, the Group decided not to renew the I-Square Restaurant lease and the I-Square Restaurant was closed upon the expiry of the lease in November 2015.

Comparison for the years ended 31 December 2015 and 2016

Revenue

For the year ended 31 December 2016, the Group recorded a total revenue of approximately HK$278.4 million, representing an increase of approximately 8.4% as compared to approximately HK$256.9 million for the year ended 31 December 2015.

Excluding (i) the revenue of the I-Square Restaurant which has ceased operation in November 2015 and contributed a revenue of approximately HK$48.4 million to the Group for the year ended 31 December 2015 (nil for the year ended 31 December 2016); and (ii) the revenue of the Sheung Wan Restaurant and the Beijing House Restaurant which commenced operation since the end of October 2015 and contributed an aggregate revenue of approximately HK$62.9 million to the Group for the year ended 31 December 2016 (HK$9.9 million for the year ended 31 December 2015), the Group's revenue would be approximately HK$198.6 million and HK$215.5 million for the years ended 31 December 2015 and 2016, respectively, representing revenue contributed from those restaurants which were existed throughout both of the years ended 31 December 2015 and 2016, respectively. Such revenue amount comprised the aggregate revenue of the three restaurants in Hong Kong (i.e. the CWB Restaurant, The One Restaurant and the Olympian Restaurant) of approximately HK$125.9 million for the year ended 31 December 2016 (2015: approximately HK$124.8 million) and the revenue of the Shenzhen Restaurant of approximately HK$89.6 million for the year ended 31 December 2016 (2015: approximately HK$73.8 million).

The aggregate revenue of the CWB Restaurant, The One Restaurant and the Olympian Restaurant for the year ended 31 December 2016 increased by approximately 0.9% and was stable as compared to the year ended 31 December 2015. On the other hand, the increase in revenue of the Shenzhen Restaurant by approximately 21.4% over the years was mainly due to the continued growth of the Cantonese restaurant industry in Shenzhen, the PRC.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK$196.6 million for the year ended 31 December 2016, representing an increase of approximately 5.9% from approximately HK$185.6 million for the year ended 31 December 2015, which was in line with the increase in revenue during the year. However, the Group's overall gross profit margin decreased from approximately 72.3% for the year ended 31 December 2015 to approximately 70.6% for the year ended 31 December 2016, which was mainly due to the cost inflation of certain food ingredients purchased by the Shenzhen Restaurant in the PRC.

Net profit margin

On the basis of excluding the listing expenses, the Group's net profit margin increased from approximately 5.9% for the year ended 31 December 2015 to approximately 6.8% for the year ended 31 December 2016. Such increase was mainly due to that the Group incurred a loss on disposal of financial assets at fair value through profit or loss amounted to approximately HK$2.5 million for the year ended 31 December 2015 while there was no such loss recorded for the year ended 31 December 2016. If the loss on disposal of financial assets at fair value through profit or loss were not taken into account, the Group's net profit margin for the year ended 31 December 2015 would have been approximately 6.8% which was comparable to that of the year ended 31 December 2016.

Profit attributable to owners of the Company

For the year ended 31 December 2016, the Group's profit attributable to owners of the Company was approximately HK$11.3 million, representing an increase of approximately 210.7% from approximately HK$3.7 million for the year ended 31 December 2015. Such increase was mainly due to the combined net effects of (i) the I-Square Restaurant, which was closed in November 2015 and contributed an operating profit of approximately HK$9.4 million to the Group during the year ended 31 December 2015, did not have profit contribution to the Group for the year ended 31 December 2016; (ii) the Sheung Wan Restaurant and the Beijing House Restaurant, which were opened at the end of October 2015, incurred an operating loss of approximately HK$5.5 million for the year ended 31 December 2015 while the operating loss was substantially decreased to approximately HK$0.6 million for the year ended 31 December 2016 upon its operation was put on track during the year; (iii) the operating profit of the Shenzhen Restaurant significantly increased from approximately HK$5.3 million for the year ended 31 December 2015 to approximately HK$11.1 million for the year ended 31 December 2016 as a result of the increase in revenue and hence gross profit generated; (iv) the Group incurred a loss on disposal of financial assets at fair value through profit or loss amounted to approximately HK$2.5 million for the year ended 31 December 2015 while there was no such loss recorded for the year ended 31 December 2016; and (v) the Group's profit for the year ended 31 December 2015 was shared by non-controlling interests in the amount of approximately HK$3.0 million while the Group did not have non-controlling interests for the year ended 31 December 2016.

Comparison for the years ended 31 December 2016 and 2017

Revenue

For the year ended 31 December 2017, the Group recorded a total revenue of approximately HK$307.0 million, representing an increase of approximately 10.3% as compared to approximately HK$278.4 million for the year ended 31 December 2016.

The Group's total revenue for the year ended 31 December 2017 comprised the aggregate revenue of the five restaurants in Hong Kong of approximately HK$184.5 million (2016: approximately HK$188.8 million) and the revenue of the two restaurants in Shenzhen of approximately HK$121.0 million (2016: one restaurant of approximately HK$89.6 million); as well as revenue from sales of food ingredients of approximately HK$1.5 million (2016: nil).

The aggregate revenue of the Group's restaurants in Hong Kong for the year ended 31 December 2017 had moderately decreased by approximately 2.2% as compared to the year ended 31 December 2016, which was mainly due to the increased competition of the catering industry. On the other hand, the increase in revenue of the Group's restaurants in Shenzhen by approximately 35.0% over the year was mainly due to the continued growth of the Cantonese restaurant industry in Shenzhen, the PRC, which boosted the revenue of the Shenzhen Restaurant from approximately HK$89.6 million for the year ended 31 December 2016 to approximately HK$104.2 million for the year ended 31 December 2017, as well as the revenue contribution of approximately HK$16.8 million from the Shenzhen Uniwalk Restaurant which was newly opened in October 2017. The commencement of operation of the Shenzhen Uniwalk Restaurant also resulted in the record of trade receivables of approximately HK$4.3 million as at 31 December 2017, which mainly represented banquet and dinning revenue from corporate customers and attributed to the increase in the Group's trade receivables from approximately HK$3.8 million as at 31 December 2016 to approximately HK$9.5 million as at 31 December 2017. Nevertheless, as at the Latest Practicable Date, approximately 99.95% of the Group's trade receivables as at 31 December 2017 was subsequently settled.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$215.9 million for the year ended 31 December 2017, representing an increase of approximately 9.8% from approximately HK$196.6 million for the year ended 31 December 2016, which was in line with the increase in revenue during the year. Besides, the Group's overall gross profit margin slightly decreased from approximately 70.6% for the year ended 31 December 2016 to approximately 70.3% for the year ended 31 December 2017, which was mainly due to the general cost inflation of food ingredients purchased during the year as compared to 2016.

Net profit margin

On the basis of excluding the listing expenses, the Group's net profit margin increased from approximately 6.8% for the year ended 31 December 2016 to approximately 7.6% for the year ended 31 December 2017. Such increase was mainly due to the substantial increase in operating profit of the Shenzhen Restaurant and the improvement of its operating margin, though partially mitigated by the overall decrease in operating profit and shrink of operating margin of the Group's restaurant operations in Hong Kong for the year ended 31 December 2017.

Profit attributable to owners of the Company

For the year ended 31 December 2017, the Group's profit attributable to owners of the Company was approximately HK$23.2 million, representing an increase of approximately HK$11.8 million or 104.3% from approximately HK$11.3 million for the year ended 31 December 2016. Such increase was mainly due to the combined net effects of (i) the operating profit of the Shenzhen Restaurant significantly increased by approximately HK$10.3 million as compared with the last year, mainly as a result of the increase in revenue and hence the gross profit generated; (ii) the overall decrease in operating profit of the Group's restaurant operations in Hong Kong by approximately HK$4.1 million mainly due to the overall decline in revenue as well as rental increment; (iii) the Group incurred listing expenses of approximately HK$7.5 million for the year ended 31 December 2016 while there was no such expenses recorded for the year; and (iv) the increase in income tax expense by approximately HK$2.1 million as compared with the last year.

Comparison for the three months ended 31 March 2017 and 2018

Revenue

For the three months ended 31 March 2018, the Group recorded a total revenue of approximately HK$101.6 million, representing an increase of approximately 33.9% as compared to approximately HK$75.9 million for the three months ended 31 March 2017.

The Group's total revenue for the three months ended 31 March 2018 comprised the aggregate revenue of the five Chinese restaurants in Hong Kong of approximately HK$51.6 million (2017: approximately HK$51.7 million), the revenue of the two Chinese restaurants in Shenzhen of approximately HK$48.2 million (2017: one restaurant of approximately HK$24.2 million), and the revenue of the Thai Restaurant which was newly opened in January 2018, of approximately HK$1.8 million.

The aggregate revenue of the Group's restaurants in Hong Kong for the three months ended 31 March 2018 slightly decreased by approximately 0.2% and was relatively stable as compared to the three months ended 31 March 2017. Such stable aggregate revenue of the Group's restaurants in Hong Kong, being approximately HK$51.7 million and HK$51.6 million for the three months ended 31 March 2017 and 2018 respectively, was mainly due to the net effect of the decrease in revenue of The One Restaurant and the Beijing House Restaurant which was mitigated by the increase in revenue of the CWB Restaurant, the Olympian Restaurant and the Sheung Wan Restaurant for the three months ended 31 March 2018 as compared to the corresponding period in 2017. On the other hand, the increase in revenue of the Group's Chinese restaurants in Shenzhen by approximately 99.5% over the period was mainly due to the continued growth of the Cantonese restaurant industry in Shenzhen, the PRC, which boosted the revenue of the Shenzhen Restaurant from approximately HK$24.2 million for the three months ended 31 March 2017 to approximately HK$29.0 million for the three months ended 31 March 2018, as well as the revenue contribution of approximately HK$19.2 million from the Shenzhen Uniwalk Restaurant which was opened in October 2017.

Gross profit and gross profit margin

The Group's gross profit amounted to approximately HK$70.3 million for the three months ended 31 March 2018, representing an increase of approximately 28.1% from approximately HK$54.9 million for the three months ended 31 March 2017, which was in line with the increase in revenue during the period. Nevertheless, the Group's overall gross profit margin gently decreased from approximately 72.3% for the three months ended 31 March 2017 to approximately 69.2% for the three months ended 31 March 2018. Such decrease was mainly due to (i) the general cost inflation of food ingredients in respect of the Group's restaurant operations in Hong Kong which resulted in the overall decline in gross profit margin of the Group's Hong Kong operation from approximately 76.4% for the three months ended 31 March 2017 to approximately 73.5% for the three months ended 31 March 2018; and (ii) the increase in contribution of the Group's restaurant operations in the PRC (which accounted for approximately 31.9% and 49.2% the Group's total revenue for the three months ended 31 March 2017 and 2018 respectively), which entailed a relatively lower gross profit margin as compared with the Group's operations in Hong Kong (being approximately 63.5% and 64.7% for the three months ended 31 March 2017 and 2018 respectively) and resulted in the average down of the Group's overall gross profit margin.

Net profit margin

On the basis of excluding the listing expenses, the Group's net profit margin decreased from approximately 10.5% for the three months ended 31 March 2017 to approximately 7.7% for three months ended 31 March 2018. Such decrease was mainly due to the overall decline in gross profit margin from approximately 72.3% for the three months ended 31 March 2017 to approximately 69.2% for the three months ended 31 March 2018, as well as the incurring of an operating loss of the Thai Restaurant during its initial stage of operation since its opening in January 2018. The relatively higher gross profit margin of the Group for the three months ended 31 March 2017 also contributed to the higher net profit margin for the period as compared to year ended 31 December 2017.

Profit attributable to owners of the Company

For the three months ended 31 March 2018, the Group's profit attributable to owners of the Company was approximately HK$6.4 million, representing a decrease of approximately 18.8% from approximately HK$7.9 million for the three months ended 31 March 2017. Such decrease was mainly due to the combined net effects of (i) the incurring of listing expenses of approximately HK$1.4 million for the period in connection with the Transfer of Listing; (ii) the increase in operating profit of the Shenzhen Restaurant by approximately HK$0.4 million over the period, mainly as a result of the increase in revenue and hence gross profit generated; (iii) the overall decrease in operating profit of the Group's restaurant operation in Hong Kong by approximately HK$2.4 million mainly due to the overall decline in gross profit margin as a result of general cost inflation of food ingredients; (iv) the operating profit of approximately HK$3.0 million generated by the Shenzhen Uniwalk Restaurant which was opened in October 2017; and (v) the operating loss of approximately HK$1.7 million incurred during the initial stage of operation by the Thai Restaurant which was opened in January 2018.

Major cost components

For the three years ended 31 December 2017 and the three months ended 31 March 2017 and 2018, the Group's major cost components were cost of materials consumed, staff costs and operating lease expenses. The following tables set forth the amounts of such costs and their respective percentages to revenue for the three years ended 31 December 2017 and the three months ended 31 March 2017 and 2018.

	For the year ended 31 December					
	2015		2016		2017	
	Amount *(HK$'000)*	**% of revenue**	**Amount** *(HK$'000)*	**% of revenue**	**Amount** *(HK$'000)*	**% of revenue**
Cost of materials consumed	71,261	27.7%	81,846	29.4%	91,066	29.7%
Staff costs *(Note)*	69,665	27.1%	75,550	27.1%	81,173	26.4%
Operating lease expenses	41,765	16.3%	45,323	16.3%	51,330	16.7%

	For the three months ended 31 March			
	2017		2018	
	Amount *(HK$'000)* (Unaudited)	**% of revenue**	**Amount** *(HK$'000)* (Unaudited)	**% of revenue**
Cost of materials consumed	21,023	27.7%	31,314	30.8%
Staff costs *(Note)*	19,940	26.3%	28,067	27.6%
Operating lease expenses	11,797	15.5%	14,756	14.5%

Note: The Group's staff costs include employee benefits expense, staff messing and welfare, and services fee to temporary workers.

The Group's respective major cost components as a percentage of revenue were relative stable over the three years ended 31 December 2017 and the three months ended 31 March 2017 and 2018. The gentle increase in the Group's cost of materials consumed as a percentage of revenue for the year ended 31 December 2016 as compared to the previous year was mainly due to the general cost inflation of food ingredients purchased by the Shenzhen Restaurant in the PRC. The Group's operating lease expenses as a percentage of revenue for three months ended 31 March 2018 was relatively lower as compared to the three years ended 31 December 2017, which was mainly contributed by the Shenzhen Uniwalk Restaurant where its operating lease was relatively lower for the first year of operation according to its lease agreement.

Comparison of gross profit margin of the Group's restaurants operating in Hong Kong and the PRC

For the three years ended 31 December 2017 and the three months ended 31 March 2018, the gross profit margin of the Group's Chinese restaurants operating in Hong Kong (excluding the I-Square Restaurant which ceased operation in November 2015) ranged from approximately 69.8% to 75.1%; whereas that of the Group's Chinese restaurants operating in the PRC ranged from approximately 62.9% to 67.2%. The Directors consider that the generally higher gross profit margin of the Group's Chinese restaurants operating in Hong Kong than those operating in the PRC was mainly due to (i) the Shenzhen Restaurant and the Shenzhen Uniwalk Restaurant are situated at high-end commercial complex which are occupied by many famous multinational enterprises and large domestic enterprises, and hence attracted many higher-spending corporate customers to have business dining there, where such business dining were usually served with more dishes with higher prices which entailed relatively lower gross profit margins than those of normal dishes; (ii) certain imported food ingredients, such as fresh seafood and expensive dried seafood used by the Group's restaurants in the PRC were relatively more expensive than those used by the Group's restaurants in Hong Kong; and (iii) the business dining habit in the PRC that are usually served with expensive wines which entailed lower gross profit margin as compared with foods in general, which resulted in the average-down of the overall gross profit margin of the Group's restaurants operating in the PRC.

Individual restaurant performance

Revenue and operating margin

The following tables set forth the revenue and operating margin of each of the Group's restaurants for the three years ended 31 December 2017 and the three months ended 31 March 2017 and 2018.

	For the year ended 31 December					
	2015		2016		2017	
	Revenue *(HK$'000)*	**Operating margin**	**Revenue** *(HK$'000)*	**Operating margin**	**Revenue** *(HK$'000)*	**Operating margin**
Hong Kong:						
CWB Restaurant	37,599	14.5%	34,265	1.3%	35,109	6.8%
Olympian Restaurant	52,537	6.1%	53,158	8.6%	48,889	2.7%
I-Square Restaurant *(ceased operation in November 2015)*	48,359	19.5%	N/A	N/A	N/A	N/A
The One Restaurant	34,657	15.6%	38,460	21.5%	41,751	19.1%
Sheung Wan Restaurant	6,853	(45.9)%	44,060	2.4%	42,124	0.2%
Beijing House Restaurant	3,078	(77.8)%	18,883	(9.1)%	16,708	(13.9)%
Sub-total	183,083		188,826		184,581	
Shenzhen, the PRC:						
Shenzhen Restaurant	73,798	7.1%	89,603	12.4%	104,153	20.6%
Shenzhen Uniwalk Restaurant	N/A	N/A	N/A	N/A	16,799	5.9%
Sub-total	73,798		89,603		120,952	
Total	256,881		278,429		305,533	

	For the three months ended 31 March			
	2017		2018	
	Revenue *(HK$'000)* (Unaudited)	**Operating margin**	**Revenue** *(HK$'000)* (Unaudited)	**Operating margin**
Hong Kong:				
CWB Restaurant	9,366	11.6%	10,028	11.8%
Olympian Restaurant	13,717	10.2%	14,032	8.1%
The One Restaurant	11,748	26.3%	10,791	19.3%
Sheung Wan Restaurant	11,909	11.5%	12,314	7.0%
Beijing House Restaurant	4,946	0.0%	4,434	(16.1)%
Sub-total	51,686		51,599	
Shenzhen, the PRC:				
Shenzhen Restaurant	24,185	16.2%	28,991	15.0%
Shenzhen Uniwalk Restaurant	N/A	N/A	19,264	15.7%
Thai Restaurant	N/A	N/A	1,758	(94.9)%
Sub-total	24,185		50,013	
Total	75,871		101,612	

CWB Restaurant

For the year ended 31 December 2016, the revenue of the CWB Restaurant decreased by approximately 8.9% as compared to the year ended 31 December 2015, mainly due to the decrease in average spending per customer during the year. Due to the decrease in revenue, the staff costs and operating lease expenses increased in terms of a percentage of revenue for the year ended 31 December 2016. Besides, the gross profit margin slightly decreased from approximately 74.0% for the year ended 31 December 2015 to approximately 72.3% for the year ended 31 December 2016. As such, the major cost components, i.e. cost of materials consumed, staff costs and operating lease expenses, in aggregate accounted for approximately 77.2% of the revenue for the year ended 31 December 2016 as compared to approximately 68.0% for the year ended 31 December 2015, which primarily attributed to the substantial decrease in operating margin from approximately 14.5% for the year ended 31 December 2015 to approximately 1.3% for the year ended 31 December 2016.

For the year ended 31 December 2017, the revenue of the CWB Restaurant gently increased by approximately 2.5% as compared to the year ended 31 December 2016, while the gross profit margin remained stable, being approximately 73.0%. Besides, due to the Group's enhanced staff cost control measures, the staff costs of the CWB Restaurant as a percentage of revenue decreased for the year ended 31 December 2017 as compared to the previous year, which primarily contributed to the increase in operating margin to approximately 6.8% for the year.

For the three months ended 31 March 2018, the revenue of the CWB Restaurant increased by approximately 7.1% as compared to the three months ended 31 March 2017, mainly due to the increase in average spending per customer during the period. The gross profit margin for the three months ended 31 March 2017 and 2018 remained stable at approximately 75.2% and 74.1% respectively. The operating margin for the three months ended 31 March 2017 and 2018 were also remained stable, being approximately 11.6% and 11.8% respectively.

Olympian Restaurant

For the year ended 31 December 2016, the revenue of the Olympian Restaurant slightly increased by approximately 1.2% as compared to the year ended 31 December 2015. The gross profit margin remained stable, being approximately 73.0% and 73.9% for the years ended 31 December 2015 and 2016 respectively. As certain major cost items such as cost of materials consumed, staff costs and depreciation charge gently decreased as a percentage of revenue during the year, the operating margin increased from approximately 6.1% for the year ended 31 December 2015 to approximately 8.6% for the year ended 31 December 2016.

For the year ended 31 December 2017, the revenue of the Olympian Restaurant decreased by approximately 8.0% as compared to the year ended 31 December 2016. The Directors consider such decrease was mainly attributable to the replanning and renovation of the nearby areas within the shopping arcade where the shop premises of the Olympian Restaurant situates, which affected the customer traffic. Besides, the gross profit margin gently decreased from approximately 73.9% for the year ended 31 December 2016 to approximately 71.9% for the year ended 31 December 2017 due to the increase in cost of materials consumed. As a result, the operating margin decreased to approximately 2.7% for the year ended 31 December 2017.

For the three months ended 31 March 2018, the revenue of the Olympian Restaurant gently increased by approximately 2.3% as compared to the three months ended 31 March 2017. However, the gross profit margin gently decreased from approximately 74.2% for the three months ended 31 March 2017 to approximately 72.4% for the three months ended 31 March 2018 due to the increase in cost of materials consumed. As a result, the operating margin decreased from approximately 10.2% for the three months ended 31 March 2017 to approximately 8.1% for the three months ended 31 March 2018.

The One Restaurant

For the year ended 31 December 2016, the revenue of The One Restaurant increased by approximately 11.0% as compared to the year ended 31 December 2015, mainly due to a gentle increase in customer visits coupled with the increase in average spending per customer during the year. The Directors consider the gentle increase in customer visits was partially due to the closure of the I-Square Restaurant which attracted certain of its regular customers to visit The One Restaurant which is also located in the same district as the I-Square Restaurant, and that the closure of the I-Square Restaurant also contributed to the increase in banquets for events such as wedding in The One Restaurant and resulted in the increase in average spending per customer. Besides, the gross profit margin gently increased from approximately 73.5% for the year ended 31 December 2015 to approximately 75.0% for the year ended 31 December 2016. As a result, the operating margin increased from approximately 15.6% for the year ended 31 December 2015 to approximately 21.5% for the year ended 31 December 2016.

For the year ended 31 December 2017, the revenue of The One Restaurant further increased by approximately 8.6% as compared to the year ended 31 December 2016. However, the gross profit margin gently decreased to approximately 72.5% for the year ended 31 December 2017 due to the increase in cost of materials consumed, which primarily attributed to the gentle decrease in operating margin to approximately 19.1% for the year ended 31 December 2017.

For the three months ended 31 March 2018, the revenue of The One Restaurant decreased by approximately 8.1% as compared to the three months ended 31 March 2017, mainly due to the decrease in corporate customers for banquet events during the period, which the Directors consider to be a result of intensified competition with other Chinese restaurant players within the same shopping mall. The gross profit margin gently decreased from approximately 76.3% for the three months ended 31 March 2017 to approximately 75.1% for the three months ended 31 March 2018, mainly due to cost inflation of food ingredients. Besides, the decrease in revenue and hence gross profit generated mainly attributed to the decrease in operating margin from approximately 26.3% for three months ended 31 March 2017 to approximately 19.3% for the three months ended 31 March 2018.

Sheung Wan Restaurant and Beijing House Restaurant

The Sheung Wan Restaurant and the Beijing House Restaurant are located at shops adjacent to each other in the same premises. Both restaurants are under the same lease and were opened at the end of October 2015. Therefore, the revenue of these two restaurants for the year ended 31 December 2015 represented only about two months' operation since their opening at the end of October 2015, and the gross profit margin of the Sheung Wan Restaurant and the Beijing Restaurant was approximately 70.6% and 70.9% respectively. As the restaurants were yet to generate adequate revenue and gross profit to cover certain major fixed costs such as depreciation charge and rental expenses during their initial stage of operation, the Sheung Wan Restaurant and the Beijing House Restaurant recorded a negative operating margin of approximately 45.9% and 77.8% respectively for the year ended 31 December 2015. Upon the gradual put on track on their operations in 2016, the Sheung Wan Restaurant recorded a slight improvement of gross profit margin to approximately 71.7% and a positive operating margin of approximately 2.4% for the year ended 31 December 2016, while the Beijing House Restaurant recorded a slight improvement of gross profit margin to approximately 71.7% and that its negative operating margin substantially decreased to approximately 9.1%.

For the year ended 31 December 2017, the revenue of the Sheung Wan Restaurant and the Beijing House Restaurant decreased by approximately 4.4% and 11.5% respectively as compared to the year ended 31 December 2016. The Directors consider the decrease in revenue was mainly due to the intensified competition with other catering players within the same commercial and shopping plaza as well as catering players in the prime commercial district where the restaurants situate, which resulted in the decrease in customer visits during the year ended 31 December 2017. In particular, the total number of customer visits of the Beijing House Restaurant for the year ended 31 December 2017 decreased by approximately 23.8% as compared to the year ended 31 December 2016, yet such downside effect was mitigated by the increase in average spending per customer by approximately 16.0%, resulting in the decrease in its revenue by approximately 11.5% for the year ended 31 December 2017 as compared with the previous year. The gross profit margin of the Sheung Wan Restaurant remained stable at approximately 70.8%; while the gross profit margin of the Beijing House Restaurant improved to approximately 75.1% which the Directors consider to be mainly due to the gradual recognition of the signature dishes of the new cuisine among customers over the years, which enabled the restaurant to earn a relatively higher gross profit margin in this regard. Nevertheless, due to the decrease in revenue, the operating margin of the Sheung Wan Restaurant decreased to approximately 0.2%, whereas the Beijing House Restaurant recorded an increase in negative operating margin to approximately 13.9%. As advised by the Directors, the thin operating margin of the Sheung Wan Restaurant and the continued recording of negative operating margin of the Beijing House Restaurant were also attributable to the relatively higher depreciation charge for these two restaurants as compared with other restaurants of the Group operating in Hong Kong for the year ended 31 December 2017, because these two restaurants were more recently opened in October 2015 and their fixed assets are yet to be substantially or fully depreciated. Moreover, although the operating expenses (including the major items such as staff costs, operating lease expenses and depreciation charge) of the Sheung Wan Restaurant and the Beijing House Restaurant were apportioned in the proportion of two-third and one-third (based on the approximate sharing of the total saleable area of the restaurant premises) of the total amounts for the purpose of preparing breakdown analysis by restaurant, the two restaurants are in fact being operated under the same operating company of the Group and the same lease for the restaurant premises. Accordingly, the Directors consider that the two restaurants which are located at shop premises adjacent to each other and shared a common kitchen, could be assessed as a whole so that any limitation of the aforesaid apportionment basis can be eliminated. As such, on the basis of using EBITDA (namely, earnings before interest, tax, depreciation and allowance) and assessing the two restaurants as a whole, the relevant operating company would record an EBITDA of approximately HK$3.7 million and HK$2.2 million for the years ended 31 December 2016 and 2017 respectively, and represented operating profit margin (based on EBITDA) of approximately 5.9% and 3.7% for the respective years.

For the three months ended 31 March 2018, the revenue of the Sheung Wan Restaurant increased by approximately 3.4% while that of the Beijing House Restaurant decreased by approximately 10.4% as compared to the three months ended 31 March 2017. Nevertheless, the aggregate revenue of these two restaurants were stable over the periods, being approximately HK$16.9 million and HK$16.7 million for the three months ended 31 March 2017 and 2018 respectively. The Directors consider the two restaurants, which together occupy the whole floor of the same shopping mall, have reciprocal effect with each other for customer visits. However, due to the cost inflation of food ingredients and increase in cost of materials consumed, the gross profit margin of the Sheung Wan Restaurant decreased from approximately 75.5% for the three months ended 31 March 2017 to approximately 69.8% for the three months ended 31 March 2018, while that of the Beijing House Restaurant decreased from approximately 77.0% to approximately 71.0% over the periods. As a result, the operating margin of the Sheung Wan Restaurant decreased from approximately 11.5% to approximately 7.0% over the periods, whereas the Beijing House Restaurant changed from an operating margin breakeven situation to the record of a negative operating margin of 16.1% over the periods. On the aforesaid basis of using EBITDA and assessing the two restaurants as a whole, the relevant operating company would record positive operating profit margin (based on EBITDA) of approximately 14.6% and 7.4% for the three months ended 31 March 2017 and 2018 respectively.

Although the aggregate EBITDA of the Sheung Wan Restaurant and the Beijing House Restaurant decreased for the year ended 31 December 2017 as compared to the year ended 31 December 2016 and for the three months ended 31 March 2018 as compared to the three months ended 31 March 2017, the restaurants recorded positive aggregate EBITDAs for such years/periods. Besides, given that the aggregate revenue of the two restaurants during the peak season of the first quarter of 2018 is comparable to the same period in 2017, the Directors consider it reasonable to expect similar financial performance in respect of the two restaurants for the year ending 31 December 2018. The Directors, to their best knowledge, are not aware of any factors that would contribute to a more intense competition environment in respect of the two restaurants. Going forward, the two restaurants will offer more new dishes (including the offering of more fusion dishes in the Beijing House Restaurant to cater for various demands of customers) and promotional measures to enhance customer visits, and hire chefs with more experience to manage the two restaurants so as to enhance food quality. As such, the Directors are optimistic that the performance of the two restaurants will not deteriorate in the years to come.

Shenzhen Restaurant

For the year ended 31 December 2016, the revenue of the Shenzhen Restaurant increased by approximately 21.4% as compared to the year ended 31 December 2015, mainly due to the increase in customer visits. The Directors consider development of the Cantonese restaurant industry in Shenzhen in recent years and the increase in brand recognition of the Shenzhen Restaurant over the years have contributed to the considerable increase in revenue for the year ended 31 December 2016. On the other hand, the gross profit margin of the Shenzhen Restaurant decreased from approximately 67.2% for the year ended 31 December 2015 to approximately 62.9% for the year ended 31 December 2016, mainly due to the cost inflation of certain food ingredients purchased by the Shenzhen Restaurant in the PRC. Nevertheless, the operating margin of the Shenzhen Restaurant increased from approximately 7.1% for the year ended 31 December 2015 to approximately 12.4% for the year ended 31 December 2016, mainly due to the increase in revenue coupled with enhanced staff cost control measures which decreased the staff costs and that the depreciation charge decreased as a percentage of revenue for the year ended 31 December 2016. With regard to the enhanced staff cost control measures, in 2016, the Shenzhen Restaurant hired a batch of its front-line service staff who were interns of a PRC vocational institute (comprised an average of approximately 28 staff), which replaced the relevant vacancies of the restaurant and accounted for approximately 15.6% of the average number of approximately 180 staff of the restaurant in 2016. As advised by the Directors, such measures resulted in the saving of staff costs of the Shenzhen Restaurant by approximately HK$0.7 million for the year ended 31 December 2016 and partially contributed to the lowering of its overall staff costs from approximately HK$18.5 million for the year ended 31 December 2015 to approximately HK$17.0 million for the year ended 31 December 2016, which, together with the effect of increase in revenue, mainly resulted in the decrease in staff costs as a percentage of revenue from approximately 25.1% for the year ended 31 December 2015 to approximately 19.0% for the year ended 31 December 2016. As advised by the Directors, given the interns receive formal training of the catering industry and are coached by tutors of vocational institutes during their on-the-job training in restaurants and supervised by restaurant managers, it is common for mid-to-high end restaurants in the PRC to engage interns from vocational institutes which provide an additional source of manpower and allow the saving of staff costs. As the Group was satisfied with the performance of the interns provided by the vocational institute in 2016, it continued the engaging of interns from the vocational institute in 2017 and plans to continue such practice in the foreseeable future. With regard to the depreciation charge which mainly related to renovation expenditures of the Shenzhen Restaurant, it was approximately HK$6.5 million and HK$6.4 million for the years ended 31 December 2015 and 2016 respectively, and accounted for approximately 8.9% and 7.1% of its revenue for the respective years.

For the year ended 31 December 2017, the revenue of Shenzhen Restaurant further increased by approximately 16.2%, as contributed by the continuous development of the Cantonese restaurant industry in Shenzhen. The operating margin of the Shenzhen Restaurant further increased to approximately 20.6% for the year ended 31 December 2017, mainly due to the improvement of gross profit margin to approximately 66.3% and that the depreciation charge further decreased as a percentage of revenue for the year ended 31 December 2017. In particular, as certain fixed assets with total cost of approximately HK$6.6 million had useful lives of three years and had been fully depreciated in 2016 since the commencement of restaurant operation in 2013, the depreciation charge of the Shenzhen Restaurant for the year ended 31 December 2017 decreased to approximately HK$4.4 million which only accounted for approximately 4.2% of its revenue for the year.

For the three months ended 31 March 2018, the revenue of the Shenzhen Restaurant increased by approximately 19.9% as compared to the three months ended 31 March 2017, mainly due to the continued growth of the Cantonese restaurant industry in Shenzhen and the further enhancement of brand recognition of the restaurant among customers. The gross profit margin gently increased from approximately 63.5% for the three months ended 31 March 2017 to approximately 64.2% for the three months ended 31 March 2018. However, the operating margin gently decreased from approximately 16.2% to approximately 15.0% over the periods, which was mainly due to the increase in staff costs arising from the increased bonus payment and salary increment during the three months ended 31 March 2018 in recognition of the remarkable growth of revenue in 2017.

The Directors consider that a Chinese restaurant would normally experience a relatively higher revenue growth in its second to third years of operation after its opening when the reputation and brand awareness of the restaurant have been adequately developed among customers and more repeated customers have been gained. As the Shenzhen Restaurant was opened in the fourth quarter of 2013, years 2015 to 2017 were its respective second to fourth full-year operation. In particular, the Shenzhen Restaurant recorded a growth in number of customer visits of approximately 12.0%, 18.0% and 10.9% for the three years ended 31 December 2017 respectively as compared with the respective previous years, which evidenced a higher growth rate of number of customer visits in the second and third years while such growth rate was slowed down in the fourth year. On the other hand, the Shenzhen Restaurant recorded a growth in average spending per customer of approximately 8.7%, 2.9% and 4.8% for the three years ended 31 December 2017 respectively as compared with the respective previous years. As such, the Directors consider it reasonable that the Shenzhen Restaurant enjoyed a high revenue growth in the past few years since its opening in the fourth quarter of 2013, as mainly contributed by the increase in customer visits coupled with the milder increase in average spending per customer. The Directors consider that, notwithstanding the Cantonese restaurant industry in Shenzhen is well-developed, the market size has been growing in recent years, mainly due to, among others, (i) the increasing disposable income of Shenzhen residents over the years, which facilitated the habit of dining out and push to the growth of the catering industry; (ii) the increasing number of tourists visiting Shenzhen over the years; (iii) that post 80s and 90s generations have gradually grown to become a major consumption group in the catering industry supporting the growth of casual dining and restaurants serving Cantonese cuisine, including Cantonese full-service restaurants; and (iv) the setting up of the Qianhai-Shekou free trade zone in Shenzhen by the Chinese government in 2015 led to the increasing business cooperation in the region, which in turn created a demand for the catering industry in Shenzhen and facilitated the continuous growth of the Cantonese restaurant industry over the years. The Directors also expect the above factors, together with the development of the Guangdong-Hong Kong-Macau Greater Bay Area, will continue to drive the growth of the market size of the catering industry in Shenzhen and thereby provide a favourable environment for the Cantonese restaurant industry to grow in the years to come. Moreover, there is no comparable full-service Cantonese restaurant within the same commercial complex where the Shenzhen Restaurant situates and direct competition with other Cantonese restaurants in the nearby area is not intense, which the Directors consider to be the additional attributes to the continuous high revenue growth of the Shenzhen Restaurant over the past few years.

Shenzhen Uniwalk Restaurant

The Shenzhen Uniwalk Restaurant was opened in October 2017. For the three months ended 31 March 2018, the Shenzhen Uniwalk Restaurant recorded a gross profit margin of approximately 65.4% and an operating margin of approximately 15.7%, which were comparable to those of the Shenzhen Restaurant for the same period.

Thai Restaurant

The Thai Restaurant was opened in January 2018. For the three months ended 31 March 2018, the Thai Restaurant recorded a gross profit margin of approximately 65.8%. However, as the Thai Restaurant was at its initial stage of operation, it was yet to reach operating breakeven and recorded a negative operating margin of approximately 94.9% for the period.

Saleable area, seating capacity and other operating data

The following table sets forth the saleable area, seating capacity and other operating data of each of the Group's restaurants for the three years ended 31 December 2017.

			For the year ended 31 December								
			2015			2016			2017		
	Approximate total saleable area (sq.m.)	Estimated seating capacity (seats)	Approximate number of customer visits	Number of operation days	Average daily revenue *(HK$)*	Approximate number of customer visits	Number of operation days	Average daily revenue *(HK$)*	Approximate number of customer visits	Number of operation days	Average daily revenue *(HK$)*
Hong Kong:											
CWB Restaurant	757	250	168,162	365	103,011	168,526	366	93,620	157,875	365	96,189
Olympian Restaurant	865	320	412,760	365	143,937	387,065	366	145,240	335,090	365	133,942
I-Square Restaurant *(ceased operation in November 2015)*	933	300	185,592	321	150,650	N/A	N/A	N/A	N/A	N/A	N/A
The One Restaurant	598	200	111,855	365	94,953	116,258	366	105,082	119,445	365	114,386
Sheung Wan Restaurant	1,532	320	35,882	63	108,773	241,288	366	120,383	222,522	365	115,408
Beijing House Restaurant	*(note)*	200	15,591	63	48,858	80,731	366	51,593	61,554	365	45,775
Shenzhen, the PRC:											
Shenzhen Restaurant	2,980	522	309,679	365	202,186	365,307	366	244,817	405,270	365	285,351
Shenzhen Uniwalk Restaurant	2,926	580	N/A	N/A	N/A	N/A	N/A	N/A	68,238	92	182,598
Thai Restaurant	594	135	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Sheung Wan Restaurant and Beijing House Restaurant are located at shops adjacent to each other in the same premises and use the same address for business purpose. The two restaurants are under the same lease and the approximate total saleable area of 1,532 sq.m. is shared between the two restaurants.

Seat turnover rate and average spending per customer

The following table sets forth the estimated seat turnover rate and average spending per customer of each of the Group's restaurants for the three years ended 31 December 2017. The same information for the three months ended 31 March 2018 is not presented, because the restaurant business is subject to seasonality effect and hence the relevant information for such period is not representative of full-year situations.

	For the year ended 31 December					
	2015		2016		2017	
	Seat turnover rate *(times)*	Average spending per customer *(HK$)*	Seat turnover rate *(times)*	Average spending per customer *(HK$)*	Seat turnover rate *(times)*	Average spending per customer *(HK$)*
Hong Kong:						
CWB Restaurant	1.8	224	1.8	203	1.7	222
Olympian Restaurant	3.5	127	3.3	137	2.9	146
I-Square Restaurant *(ceased operation in November 2015)*	1.9	261	N/A	N/A	N/A	N/A
The One Restaurant	1.5	310	1.6	331	1.6	350
Sheung Wan Restaurant	1.8	191	2.1	183	1.9	189
Beijing House Restaurant	1.2	197	1.1	234	0.8	271
Shenzhen, the PRC:						
Shenzhen Restaurant	1.6	238	1.9	245	2.1	257
Shenzhen Uniwalk Restaurant	N/A	N/A	N/A	N/A	1.3	246

CWB Restaurant

The seat turnover rate and average spending per customer were relatively stable over the three years ended 31 December 2017.

Olympian Restaurant

The decrease in seat turnover rate for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly due to the replanning and renovation of the nearby areas of the shopping arcade which affected the customer traffic. The gentle increase in average spending per customer over the three years ended 31 December 2017 was mainly due to price adjustment.

The One Restaurant

The seat turnover rate was relatively stable over the three years ended 31 December 2017. The increase in average spending per customer over the three years ended 31 December 2017 was mainly due to that the closure of the I-Square Restaurant contributed to the increase in banquets for events such as wedding in The One Restaurant and resulted in the increase in average spending per customer.

Sheung Wan Restaurant

The decrease in seat turnover rate for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly due to the intensified competition with other catering players within the same commercial and shopping plaza and in the prime commercial district, which resulted in the decrease in customer visits during the year. The average spending per customer were relatively stable over the three years ended 31 December 2017.

Beijing House Restaurant

Being located at shop premises adjacent to that of the Sheung Wan Restaurant, the decrease in seat turnover rate for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was also mainly due to the intensified competition situation as that of the Sheung Wan Restaurant. The Directors consider the increase in average spending per customer over the three years ended 31 December 2017 was mainly due to the gradual recognition of signature dishes of the new cuisine among customers over the years.

Shenzhen Restaurant

The increase in seat turnover rate and average spending per customer over the three years ended 31 December 2017 was mainly contributed by the continuous development of the Cantonese restaurant industry in Shenzhen in recent years and the increase in brand recognition of the Shenzhen Restaurant among customers over the years.

Operating breakeven period and investment payback period

The following sets forth the approximate historical operating breakeven period and investment payback period of the Group's restaurants, based on the unaudited management accounts of the relevant operating subsidiaries, as well as the expiry of the respective current leases:

	Year of commencement of operation	**Operating breakeven period** *(Note 1)*	**Investment payback period** *(Note 2)*	**Expiry of lease**
Hong Kong:				
CWB Restaurant	1998	*(Note 3)*	*(Note 3)*	August 2020
Olympian Restaurant	2001	*(Note 3)*	*(Note 3)*	March 2019
I-Square Restaurant *(ceased operation in November 2015)*	2010	4 months	24 months	N/A
The One Restaurant	2010	2 months	24 months	August 2019 (with option for renewal for further 2 years)
Sheung Wan Restaurant	2015	1 month	N/A *(note 4)*	August 2021
Beijing House Restaurant	2015	3 months	N/A *(note 4)*	August 2021
Shenzhen, the PRC:				
Shenzhen Restaurant	2013	3 months	45 months	July 2019 (with option for renewal for further 3 years)
Shenzhen Uniwalk Restaurant	2017	1 month	N/A *(note 4)*	October 2027 (renewable with first right of refusal)
Thai Restaurant	2018	N/A *(note 5)*	N/A *(note 5)*	December 2023 (with option for renewal for further 2 years)

Notes:

1. Operating breakeven period is regarded as the period needed for a restaurant to record a positive monthly operating profit before interest, taxation, depreciation and allowance ("EBITDA") for the first time following the month of commencement of business of the restaurant.

2. Investment payback period is regarded as the period needed for the investment cost in a restaurant's fixed assets to be fully covered by its accumulated EBITDA since the commencement of business of the restaurant.

3. As the CWB Restaurant and the Olympian Restaurant commenced business in 1998 and 2001 respectively, which were about 19 years and 16 years ago from now, the Group did not keep the outdated financial records of the relevant operating subsidiaries. Therefore, the operating breakeven periods and investment payback periods of the CWB Restaurant and the Olympian Restaurant cannot be ascertained. Moreover, the operating experience of the management gained in running the first two restaurants of the Group in the initial few years of the Group's history was probably different from the approximately 20 years of management experience accumulated since 1998 until now. In this regard, the Directors consider the information of historical operating breakeven periods and investment payback periods of the Group's other restaurants which commenced operations relatively more recently, i.e. since 2010 or within 8 years before 31 December 2017, being the end of the most recent fiscal year of the Group, is more relevant for comparison among the Group's restaurants.

4. The Sheung Wan Restaurant and the Beijing House Restaurant commenced operations since the end of October 2015 while the Shenzhen Uniwalk Restaurant commenced operation since October 2017, and they are yet to reach investment payback point.

5. The Thai Restaurant commenced operation since January 2018 and is yet to reach operating breakeven and investment payback point.

In respect of those leases of the Group's restaurant premises which will be expired within one year from the Latest Practicable Date, i.e. the leases of the Olympian Restaurant, The One Restaurant and the Shenzhen Restaurant, the Group intends to renew all these leases upon expiry and will negotiate with the respective landlords for the terms of renewal in due course.

As regard the Shenzhen One Avenue Restaurant which is currently expected to commence operation around the second quarter of 2019, the lease term is 9 years from the earlier of the expiry of renovation period or the restaurant opening day, and is renewable with first right of refusal.

RECENT DEVELOPMENT AND PROSPECT

The Group opened a new full-service restaurant under the brand of "Star of Canton" in a new shopping mall "Uniwalk" in Shenzhen, namely the Shenzhen Uniwalk Restaurant, in October 2017. The Group believes that, upon the gradual put on track of this new Star of Canton restaurant, it can bring synergy for the Group's business in Shenzhen through the branding effect. The Group believes that there is huge room for its business in Shenzhen to grow and holds positive view towards the profitability of its PRC business.

As part of the Group's strategic move, it established a new restaurant, namely the Thai Restaurant, which is located at Ping An International Finance Centre, a landmark building in Futian District, Shenzhen in January 2018. The Group, through establishing this new restaurant which specialises in serving Thai cuisine, wishes to diversify its restaurant business and customer base as well as to expand its market share in the PRC.

The operations of the Shenzhen Uniwalk Restaurant and the Thai Restaurant which were opened in October 2017 and January 2018 respectively, are expected to be gradually put on track since their opening. Although the Shenzhen Uniwalk Restaurant recorded certain operating profit while the Thai Restaurant incurred an operating loss for the first quarter of 2018, the Directors consider that their financial performance would be improved in the rest of the year.

Based on the unaudited financial information of the Group, its total revenue for the three months ended 31 March 2018 recorded a considerable increase as compared to the same period in 2017, which was mainly due to the continued revenue growth of the Shenzhen Restaurant and the revenue contribution from the Shenzhen Uniwalk Restaurant since its opening in October 2017. In respect of the Group's five restaurants in Hong Kong which operated throughout 2017, their overall revenue for the three months ended 31 March 2018 maintained at a stable level as compared to the same period in 2017. The Directors consider that, although the overall revenue of the Group's restaurants in Hong Kong for the year ended 31 December 2017 moderately decreased by approximately 2.2% as compared to the year ended 31 December 2016 mainly due to the intensifying competition of the catering industry, by leveraging on the years of experience of the Group's senior management in managing Chinese restaurant business in Hong Kong, the Group overcame such situation and was able to maintain a stable overall revenue for the first quarter of 2018 as compared to the same period in 2017. The Directors are confident that the Group's restaurant operations in Hong Kong would be further improved in the rest of 2018.

On the other hand, the restaurant premises of the Group's another new Chinese restaurant, namely the Shenzhen One Avenue Restaurant was initially expected to be handover for renovation in mid-2017 and the restaurant was expected to commence operation around the end of 2017. However, the Group was given to understand from the relevant landlord that the completion of construction of the relevant shopping mall would be delayed due to the extra time needed to amend and complete various construction works to the satisfaction of the relevant government departments, and to achieve overall construction completion thereafter. As such, the Directors, based on their current understanding from the landlord, the restaurant premises would be delayed for handover to the Group for commencing renovation until around the fourth quarter of 2018. Consequently, the Directors currently expect that the Shenzhen One Avenue Restaurant would commence operation around the second quarter of 2019. Albeit the substantial delay of the opening of the Shenzhen One Avenue Restaurant from the original plan, the Directors consider such delay would not have material adverse impact on the Group's expansion plan in the PRC, as it has always been the Group's strategy to adopt a cautious and progressive approach in respect of its business development in the PRC. In respect of the portion of the net proceeds raised from the Placing, i.e. approximately HK$20.5 million (based on the final placing price) for the purpose of funding the renovation expenditure of the Shenzhen One Avenue Restaurant, the relevant proceeds has been set aside and deposited in banks pending for such usage.

Going forward, the Group's objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and the PRC to provide Cantonese and Jingchuanhu cuisines, Chinese banquet and dining services for large-scale events, as well as other non-Chinese cuisines. Although the Group currently does not have specific plan for opening other non-Chinese cuisine restaurants, given that it is the Group's business philosophy to offer quality food and services at reasonable prices under an elegant and comfortable dining environment, the Group would target to capture the mid-to-high end spending customers when considering the opening of any new non-Chinese cuisine restaurants in the future, in order to maintain the Group's positioning in the mid-to-high end catering market. The Group will continue to utilise its available resources to implement its business strategies, namely, expansion in Hong Kong with its multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers. The Group will also consider the expansion of its catering business into other types of cuisines when opportunities arise, taking into account the Group's available resources, with the aim to optimize the return to its Shareholders.

The Company has published the interim report dated 10 August 2018 for the six months ended 30 June 2018 on 13 August 2018. For the six months ended 30 June 2018, (i) the revenue of the Group amounted to approximately HK$183.3 million; (ii) the gross profit of the Group amounted to approximately HK$124.9 million; (iii) the profit attributable to owners of the Company amounted to approximately HK$5.7 million; and (iv) there has been no material change in the business of the Group, being a Chinese restaurant group recognised for delivering Cantonese cuisine and Chinese banquet and dining services. The Directors confirm that subsequent to 10 August 2018 and up to the date of this announcement, there has been no material adverse change in the business, the financial or trading position or prospects of the Group. For details, please refer to the interim report dated 10 August 2018 published by the Company on 13 August 2018.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Chan Chun Kit (陳振傑), aged 62, is the chairman of the Board, the chief executive officer of the Company, an executive Director and one of the Controlling Shareholders. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Chan was appointed as a Director on 1 September 2015 and re-designated as an executive Director on 23 September 2015. Mr. Chan is responsible for the Group's overall management, strategic development, financial management and major decision-making of the Group. He is also a director of various subsidiaries of the Group.

From December 2012 to May 2014, Mr. Chan completed 13 courses including construction and operation management of catering corporations of chain-store franchise system* (餐飲企業連鎖體系建設與運營管理) held by the Graduate School at Shenzhen, Tsinghua University in order to enhance the brand management of the Group.

Mr. Chan is the founder of our Group and has over 20 years of experience in the restaurant business. He had been the sales director of Maxim's Group (美心集團) from 1980 till 1989, and the manager of House of Canton (翰騰閣) from 1989 to 1995. He is currently the vice chairman of the Association of Restaurant Managers. Mr. Chan is also the committee member of the training committee of Chinese Cuisine Training Institute.

Save as disclosed above, Mr. Chan has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Mr. Lam Kwok Leung Peter (林國良), aged 58, was appointed as an executive Director and the compliance officer of the Company on 23 September 2015 and 16 June 2016, respectively, and he is one of the Controlling Shareholders. He is also a member of the Legal Compliance Committee. Mr. Lam is mainly responsible for the management of leases and administrative matters of the Group.

Mr. Lam has over 10 years of experience in retail and commercial leasing as well as property development in Hong Kong. He has been the executive director of Bright Lamp Industries Limited (光亮實業有限公司) since 1989. He had held various senior roles in renowned property developers including Hang Lung (Real Estate Agencies) Limited from December 1984 to March 1988, Lai Sun Group from July 1988 to January 1998 and Henderson Real Estate Agency Limited from February 1998 to October 1998. Mr. Lam joined the Group in 2004.

Mr. Lam obtained a diploma in housing management from the University of Hong Kong in August 1998. He further obtained a master's degree of arts in public policy and management from the City University of Hong Kong in November 2007.

He is a member of Hong Kong Institute of Housing since 1998, a corporate member of Chartered Institute of Housing since December 1998, and a member of Hong Kong Institute of Marketing since April 1999. Mr. Lam is also a certified professional marketer of the Hong Kong Institute of Marketing since 2001, a fellow member of Hong Kong Institute of Real Estate Administration since March 2002, and a fellow member of Hong Kong Institute of Shopping Centre Management since 2006. Mr. Lam was appointed as Justice of Peace in 2014, and is currently the President of Hong Kong General Chamber of Small and Medium Business. Mr. Lam was elected as a member of Royal Institution of Chartered Surveyors (英國皇家測量師學會) in September 2015.

Save as disclosed above, Mr. Lam has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Mr. Wong Ka Wai (王家惠), aged 55, was appointed as an executive Director on 23 September 2015 and is one of the Controlling Shareholders. He is mainly responsible for the management of control of food quality and administrative matters of the Group.

Mr. Wong has over 20 years of management experience. He has been the managing director of Wise Generation International Limited (鉅深國際有限公司) from 1998 till present, and the managing director of Shao Xing Company Limited (韶興綉花有限公司) from 1990 to 1998.

From September 2002 to January 2003, Mr. Wong completed the PRC Tsinghua Advanced Research Selected Course for Master of Business Administration (中國清華MBA精選課程高級研修) held by the Research Institute of the Tsinghua University in Shenzhen.

Mr. Wong was the head of the Hopeh and Shantung Natives (Hong Kong) Association in 2012, and is currently a committee member of the Shandong Committee of the Chinese People's Political Consultative Conference.

Save as disclosed above, Mr. Wong has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Mr. Chow Yiu Pong David (周耀邦), aged 32, was appointed as an executive Director on 23 September 2015 and is one of the Controlling Shareholders. He is mainly responsible for the marketing and promotions of the Group's operations. Mr. David Chow is the nephew of Mr. Anthony Chow, one of the Controlling Shareholders.

Mr. David Chow obtained a Higher Diploma in Web-based Technology for Business from Hong Kong Institute of Vocational Education (Sha Tin) in July 2005. He further holds a degree of Bachelor of Science (Information Technology) from the Swinburne University of Technology in Melbourne, Australia by way of distance learning in March 2007.

From July 2005 to March 2012, Mr. David Chow worked at Compass Business Solutions Limited as a programmer, and was subsequently promoted to a technical consultant since October 2008. Since July 2012, Mr. David Chow has been working at Tectura Hong Kong Limited. His current position at Tectura Hong Kong Limited is client services consultant.

Independent Non-Executive Directors

Mr. Liu Chi Keung (廖志強) ("Mr. Liu"), aged 66, was appointed as an independent non-executive Director on 16 June 2016, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Legal Compliance Committee.

Mr. Liu obtained a certificate in Recreation Management from the University of Hong Kong in 1980, one-year diploma in Training Management Programme from the Chinese University of Hong Kong in 1989, and an Advanced Research Course for Master of Business Administration for Managers* (在職經理工商管理碩士(MBA)精要課程研修班) held by the Zhongshan University in 2007.

Mr. Liu has extensive experience in administration, training and management. Since June 1973, Mr. Liu joined the Civil Aid Service as an Assistant Training Officer, and was subsequently promoted to the Chief Staff Officer since April 2007. Mr. Liu has been serving the Hong Kong St. John Ambulance Association in his volunteer capacity as the chairman of assessment committee since 2017.

Save as disclosed above, Mr. Liu has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Prof. Wong Lung Tak Patrick (黃龍德) ("Prof. Wong"), aged 70, was appointed as an independent non-executive Director on 16 June 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of each of the Audit Committee and the Legal Compliance Committee.

Prof. Wong obtained a higher diploma in accountancy and management studies from the Hong Kong Technical College in 1970.

Prof. Wong is a Practising Certified Public Accountant. He has been the managing practising director of Patrick Wong C.P.A Limited (and Patrick LT Wong & Co. CPA, the business name of the practice prior to the incorporation of Patrick Wong C.P.A. Limited in 2010) since 1975 and has over 40 years of experience in the accountancy profession. Prof. Wong was awarded a Badge of Honour in January 1993 by the Queen of England. He has been appointed as a Justice of the Peace since July 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) in July 2010 by the Government of Hong Kong.

He has been a Fellow Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants since 1975, a Fellow of the Institute of Chartered Secretaries and Administrators since 1974, a Fellow Chartered and Certified Accountant of the Association of Chartered Certified Accountants since 1975, a Fellow of the Taxation Institute of Hong Kong since 1976, a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales since 2004 and a Certified Tax Adviser of The Taxation Institute of Hong Kong since 2010.

Prof. Wong is currently an independent non-executive director of C C Land Holdings Limited (Stock Code: 1224), Galaxy Entertainment Group Limited (Stock Code: 27), Sino Oil and Gas Holdings Limited (Stock Code: 702), National Arts Entertainment and Culture Group Limited (formerly known as National Arts Holdings Limited) (Stock Code: 8228), Winox Holdings Limited (Stock Code: 6838), Water Oasis Group Limited (Stock Code: 1161) and BAIC Motor Corporation Limited (Stock Code: 1958).

Prof. Wong was an independent non-executive director of Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) (Stock Code: 1372) from November 2013 to August 2015, Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) (Stock Code: 1194) from October 2004 to October 2016, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited) (Stock Code: 874) from June 2010 to May 2017, and Real Nutriceutical Group Limited (Stock Code: 2010) from March 2008 to October 2017.

Save as disclosed above, Prof. Wong has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Mr. Tam Tak Kei Raymond (譚德機) ("Mr. Raymond Tam"), aged 54, was appointed as an independent non-executive Director on 16 June 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Legal Compliance Committee.

Mr. Raymond Tam obtained a bachelor's degree of arts in accounting with computing from the University of Kent at Canterbury in the United Kingdom in July 1985. He is an associate member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Raymond Tam has over 20 years of professional accounting experience.

Mr. Raymond Tam worked at Moore Sloane & Co. during the period 1985 to 1992 with his last position as accountant. He subsequently worked at ASO Property Services (UK) Ltd. as an accountant during the period 1992 to 1993. From 1993 to 1995, Mr. Raymond Tam worked at World-Wide Shipping Agency Limited as a senior accountant with his last position as manager. Thereafter, Mr. Raymond Tam had been the financial controller of various entities, namely, Asia-Pac Infrastructure Development Limited from January 1997 to December 2002, the Hong Kong office of Barlow Lyde & Gilbert from December 2002 to May 2010, and Blank Rome Solicitors from June 2010 to September 2011. Since December 2011, Mr. Raymond Tam has been the finance director of Tiancheng International Auctioneer Limited.

Mr. Raymond Tam is currently an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 1315), CNQC International Holdings Limited (Stock Code: 1240) and MEIGU Technology Holding Group Limited (Stock Code: 8349).

Mr. Raymond Tam was an independent non-executive director of Digital Domain Holdings Limited (Stock Code: 547) during the period from September 2009 to August 2013; Zebra Strategic Holdings Limited (Stock Code: 8260) during the period from June 2012 to September 2014; Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265) during the period from February 2011 to June 2015; Ngai Shun Holdings Limited (Stock Code: 1246) during the period from September 2013 to July 2015; and Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (Stock Code: 1250) during the period from July 2013 to July 2016. He was also the chief financial officer of King Force Security Holdings Limited (Stock Code: 8315) during the period from May 2014 to December 2014.

Save as disclosed above, Mr. Raymond Tam has not held any directorship in any listed company in the past three years and has not held any other position within the Group.

Senior Management

Mr. Yim Fung (嚴峰) ("Mr. Yim"), aged 45, is the executive chef of the Group. He joined in Group in February 2017, and is responsible for overseeing the kitchen operations and food quality control. Prior to joining the Group, Mr. Yim was the chef at Lei Garden Restaurant Group from 1994 to 2005. He was an executive chef in Sportful Garden Restaurant from 2005 to 2012. From 2012 to 2014, he was the executive chef of Hai Yue Hui (海悦會) in Fuzhou, the PRC. From 2015 to 2016, he was the head chef of Restaurant Birsay (柏瑞思) in Shenzhen, the PRC.

Mr. Yim has not held any directorship in any public listed company in the past three years.

Ms. Lai Chi Kong (黎志剛) ("Ms. Lai"), aged 46, is the banquet sales deputy manager of the Group and is responsible for the management of banquet service and food products marketing. Ms. Lai joined the Group as public relations manager in June 2000.

Ms. Lai has 20 years of experience in catering service field. She had been the public relations manager at Maxim's Group (美心集團) from 1991 till 1993, and the manager of House of Canton (翰騰閣) from 1994 till 1997.

In December 2013, Ms. Lai obtained a certificate after attending the seminar on the Hygiene Supervisor Training Courses from the Food and Environmental Hygiene Department.

Ms. Lai has not held any directorship in any public listed company in the past three years.

Ms. Hui Wai Shu Jessica (許蔚舒) ("Ms. Hui"), aged 48, is the financial controller and company secretary of the Group and is responsible for overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. She joined the Group as the financial controller in July 2015. She is also a member of the Legal Compliance Committee.

Ms. Hui obtained a certificate for Accounting Technicians at Sha Tin Technical Institute in July 1998. She obtained a Bachelor's degree in Science (Honours) in accounting from the University of Hull in the United Kingdom by way of distance learning in July 2010. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Ms. Hui has over 25 years working experience in accounting and audit field. Prior to joining the Group, she worked at Ting Ho Kwan & Chan as an audit senior from July 1990 to March 1993. From April 1993 to September 1993, she worked as an accountant in San Yip Development Limited. From March 1994 to April 1995, Ms. Hui worked at Lawrence S.Y. Chan & Co. as an audit senior. From May 1995 to October 2010, Ms. Hui worked at Qing Yuan Investment Limited with her last position as an accounting supervisor. From October 2010 to June 2014, Ms. Hui worked at Paramount Catering Group Limited as the group's financial controller, and was subsequently promoted as a financial consultant in May 2014.

Ms. Hui has not held any directorship in any public listed company in the past three years.

Ms. Zhu Xueqin (朱雪琴) ("Ms. Zhu"), aged 40, is the general manager of the Shenzhen Restaurant, and is responsible for the management and administrative of the Shenzhen Restaurant. She joined the Group in May 2013.

Prior to joining the Group, Ms. Zhu worked at 深圳市王子廚房餐飲有限公司 (Shenzhen Prince Kitchen Catering Company Limited) from 2003 to 2009 with her last position as deputy manager. From 2009 to 2012, she worked at 江蘇王子飯店有限公司 (Jiangsu Prince Catering and Management Limited) with her last position as general manager.

Ms. Zhu has not held any directorship in any public listed company in the past three years.

COMPETING INTERESTS

Set out below are details of certain catering businesses of the Controlling Shareholders which were not included into the Group as at the Latest Practicable Date. As disclosed in the Prospectus, the Controlling Shareholders were engaged in such businesses as at the date of the listing of the Shares on GEM on 30 June 2016. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Catering Businesses" in the Prospectus.

Excluded Catering Businesses

Li Jia Cha Chaan Teng (麗嘉茶餐廳)

As at the Latest Practicable Date, Mr. Chan, one of the Controlling Shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company, held 100% of the interest in a cha chaan teng named Li Jia Cha Chaan Teng (麗嘉茶餐廳) located at the same building where the Shenzhen Restaurant is located (the "**Li Jia Cha Chaan Teng**"). The Li Jia Cha Chaan Teng is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment which commenced business in November 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Li Jia Cha Chaan Teng and the Group's business and any competition between the two businesses is remote due to difference in terms of (i) operation model, (ii) target customers, (iii) management, and (iv) staff, and that there is neither direct nor keen competition between the Shenzhen Restaurant and Li Jia Cha Chaan Teng due to the variety of selection of restaurants for customers in the same shopping mall.

Taking into account the above and the fact that: (i) the Group's restaurants aim at providing exquisite cuisine to customers with medium to high average spending and has no intention to step in the business of cha chaan teng in near future; and (ii) the Group intends to utilise its funding to expand its current business, the Directors confirm that the Group has no present intention to acquire the Li Jia Cha Chaan Teng. Mr. Chan has undertaken to the Group that (i) in case of disposal of any interest in the Li Jia Cha Chaan Teng, he shall promptly notify the Group in writing and the Group shall have the first right of refusal to acquire the interest in the Li Jia Cha Chaan Teng to be disposed of by Mr. Chan within 30 days (or such longer period the Group is required to complete the approval procedures required under the GEM Listing Rules from time to time) after receipt of the notice from Mr. Chan; and (ii) that so long as he holds any beneficially interest in the Li Jia Cha Chaan Teng, he will procure that the Li Jia Cha Chaan Teng will not engage in any business that will or will likely compete with the Group's business.

The Group shall only exercise the right of first refusal upon approval of all the independent non-executive Directors (who do not have any interest in such transaction). Mr. Chan and the other conflicting Director (if any) shall abstain from participating in and voting at and shall not be counted as quorum at the meeting of the Directors for considering whether the Group will exercise the first right of refusal.

Hong Wo Kok Restaurant (康和閣酒家)

As at the Latest Practicable Date, Mr. Ho, one of the Controlling Shareholders, held 80% of the interest in the company which has been operating a Chinese Restaurant under the name of "Hong Wo Kok Restaurant" (the "**Old Hong Wo Kok Restaurant**"). The Old Hong Wo Kok Restaurant commenced business in November 2014 and serves Chinese cuisine.

Mr. Ho intends to open another Chinese Restaurant under the name of "Hong Wo Kok Restaurant" in around September 2018 (the "**New Hong Wo Kok Restaurant**", together with the Old Hong Wo Kok Restaurant, the "**Hong Wo Kok Restaurants**"). The New Hong Wo Kok Restaurant will have dining rooms with mahjong facilities serving Chinese cuisine.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Hong Wo Kok Restaurants and the Group's business and that any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

In terms of target customers, the Directors noted that all of the Group's restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations, and that the Group's restaurants target at mid-to-high end spending customers from the local neighborhood, office and tourists with the average spending of over HK$200 per head. On the other hand, the Hong Wo Kok Restaurants are located at Whampoa Garden, a large private housing estate in Hung Hom District which is a major residential area. To the best knowledge of the Directors upon due inquiry, the Hong Wo Kok Restaurants target residents from the local neighborhood with the average spending of around HK$100 per head.

Save as disclosed in the above, the Directors were not aware of any other plan for business expansion by the Hong Wo Kok Restaurants. Taking into account of the aforesaid factors, the Directors confirm that the Group has no present intention to acquire the Hong Wo Kok Restaurants in near future.

Mr. Ho has undertaken to the Group that as long as he retains any equity interest in the Hong Wo Kok Restaurants, he will not agree to be appointed as any director or management of any member of the Group.

Prince Café (太子茶餐廳)

As at the Latest Practicable Date, Ms. Tsui Y. Y., one of the Controlling Shareholders, has been operating a cha chaan teng named Prince Café (太子茶餐廳) (the "**Prince Café**") located in Lei Yue Mun, Kowloon, Hong Kong as a sole proprietor. The Prince Café is a Hong Kong-style café that serves Asian and Western foods in a casual environment which commenced business in April 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Prince Café and the Group's restaurant business and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Prince Café in near future.

Ms. Tsui Y. Y. has undertaken to the Group that as long as she retains any interest in the Prince Café, she will not agree to be appointed as any director or management of any member of the Group.

Prince Roasted Meat Restaurant (太子燒味餐廳)

As at the Latest Practicable Date, Mr. Tsui K. F., Mr. Lam, Ms. Tsui Y. Y. and Mr. Tsui C. K., each of them being a Controlling Shareholder and Mr. Lam being an executive Director and the compliance officer of the Company, held, in aggregate, 75% shareholding in a company which operates a cha chaan teng named Prince Roasted Meat Restaurant (太子燒味餐廳) (the "**Roasted Meat Cha Chaan Teng**") located in Shatin, New Territories, Hong Kong. The Roasted Meat Cha Chaan Teng is a Hong Kong-style café that serves Asian food, in particular roasted meat with rice, in a casual environment which commenced business in June 2016.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the businesses of the Roasted Meat Cha Chaan Teng and the Group's restaurants and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Roasted Meat Cha Chaan Teng in near future.

Each of Mr. Tsui K. F., Ms. Tsui Y. Y. and Mr. Tsui C. K. has undertaken to the Group that as long as he/she retains any interest in the Roasted Meat Cha Chaan Teng, he/she will not agree to be appointed as any director or management of any member of the Group.

On 16 June 2016, Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui K. F., Mr. David Chow, Mr. Anthony Chow, Mr. Lam, Ms. Tsui Y. Y., Mr. Tsui C. K. and Mr. Tam (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of the Company and its subsidiaries. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in the Prospectus, during the period that the Deed of Non-competition remains effective, she/he/it shall not, and shall procure that her/his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/his/its close associates).

The Directors confirmed that the undertakings contained in the Deed of Non-competition have been fully complied with by the Group and the Covenantors since the Company's listing on GEM up to the date of this announcement.

On 23 August 2018, the Covenantors and the Company entered into a supplemental deed confirming that the Deed of Non-Competition shall remain in full force and effect notwithstanding the transfer of listing of Shares from GEM to Main Board (the "**Supplemental Deed**").

Save as disclosed above and as of the date of this announcement, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10(1) and (2) of the Main Board Listing Rules.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within 2 months and 3 months from the end of the relevant periods or financial years end respectively.

SHAREHOLDING DISTRIBUTION

The Company has made an enquiry into its shareholding. Based on the information received up to the Latest Practicable Date and to the best knowledge of the Directors upon due inquiry, as at 14 August 2018, (i) the Controlling Shareholders held an aggregate of 469,500,000 Shares, representing approximately 58.69% of the then entire issued share capital of the Company; (ii) other non-public Shareholders (excluding the Controlling Shareholders) held an aggregate of 54,880,000 Shares, representing approximately 6.86% of the then entire issued share capital of the Company; and (iii) public Shareholders held an aggregate of 275,620,000 Shares, representing approximately 34.45% of the then entire issued share capital of the Company. Among the public Shareholders, (i) top 3 public Shareholders held an aggregate of 41,800,000 Shares, representing approximately 5.23% of the then entire issued share capital of the Company and approximately 15.17% of the then number of Shares held in public hands; and (ii) top 25 public Shareholders held an aggregate of 91,635,000 Shares, representing approximately 11.45% of the then entire issued share capital of the Company and approximately 33.25% of the then number of Shares held in public hands.

PUBLIC FLOAT

The Directors confirm that not less than 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

COMPLIANCE WITH GEM LISTING RULES

To the best knowledge of the Directors, there has not been any serious or potentially serious breach of GEM Listing Rules by the Company and/or material non-compliance of other applicable laws and regulations since its listing on GEM and up to the Latest Practicable Date.

NO MATERIAL CHANGES SINCE LISTING

The Board confirms that there are no material changes in respect of the Company's business model, regulatory environment, and industry landscape since the listing of its Shares on GEM.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at http://www.starofcanton.com.hk and of the Stock Exchange at http://www.hkexnews.hk:

(a) the published directors' report and annual accounts of the Company for the year ended 31 December 2017;

(b) the first quarterly report of the Company for the three months ended 31 March 2018;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the Articles of Association;

(e) the circular of the Company dated 23 March 2018 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors;

(f) the circular of the Company dated 31 March 2017 in relation to, among other things, renewal of general mandates to issue and repurchase shares and re-election of directors; and

(g) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the Main Board Listing Rules and the GEM Listing Rules.

DEFINITIONS

"Articles" or "Articles of Association"	the amended and restated memorandum and articles of association of the Company adopted on 16 June 2016 and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Beijing House"	Beijing House (京香閣), the brand name used by the Group to operate the Beijing House Restaurant
"Beijing House Restaurant"	the restaurant located at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Central, Hong Kong under the brand name Beijing House
"Board"	the board of Directors
"Bright Creator"	Bright Creator Limited (暉緯有限公司), a company incorporated in Hong Kong on 9 June 2000 with limited liability which is owned as to 50% and 50% by Mr. Chan and Mrs. Chan respectively, and one of the Controlling Shareholders
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"close associate(s)"	has the meaning ascribed to it in the GEM Listing Rules

"Company"	Li Bao Ge Group Limited (利寶閣集團有限公司), a company incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability and the Shares of which are listed on GEM
"Controlling Shareholders"	the controlling shareholders (having the meaning ascribed to it in the Main Board Listing Rules) of the Company, namely Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui K. F., Mr. David Chow, Mr. Anthony Chow, Mr. Lam, Ms. Tsui Y. Y., Mr. Tsui C. K. and Mr. Tam
"CWB Restaurant"	the restaurant located at 21/F, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong under the business name "Causeway Bay Star of Canton (銅鑼灣利寶閣)"
"Director(s)"	director(s) of the Company
"GEM"	GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Cui"	Hong Cui Developments Limited (弘翠發展有限公司), a company incorporated in the BVI on 8 July 2015 with limited liability and wholly-owned by Bright Creator and one of the Controlling Shareholders
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"I-Square Restaurant"	the restaurant located at 24/F, iSQUARE, 35-79 Nathan Road, Tsim Sha Tsui, Hong Kong under the business name "iSquare Star of Canton (尖沙咀iSquare利寶閣海景宴會廳)", which ceased operations in November 2015
"Latest Practicable Date"	23 August 2018, being the latest practicable date for ascertaining certain information prior to the printing of this announcement
"Legal Compliance Committee"	the legal compliance committee established by the Board

"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Anthony Chow"	Mr. Chow Chor Ting Anthony (周佐庭), one of the Controlling Shareholders and the uncle of Mr. David Chow
"Mr. Chan"	Mr. Chan Chun Kit (陳振傑), an executive Director, the chairman of the Board, the chief executive officer of the Company and one of the Controlling Shareholders
"Mr. David Chow"	Mr. Chow Yiu Pong David (周耀邦), an executive Director, one of the Controlling Shareholders and the nephew of Mr. Anthony Chow
"Mr. Ho"	Mr. Ho Wood Yam (何活欽), one of the Controlling Shareholders
"Mr. Lam"	Mr. Lam Kwok Leung Peter (林國良), an executive Director, the compliance officer of the Company and one of the Controlling Shareholders
"Mr. Tam"	Mr. Tam Chie Sang (譚次生), one of the Controlling Shareholders
"Mr. Tsui C. K."	Mr. Tsui Chi Kit (徐志傑), one of the Controlling Shareholders and the son of Mr. Tsui K. F.
"Mr. Tsui K. F."	Mr. Tsui King Foo (徐競富), one of the Controlling Shareholders and the father of Ms. Tsui Y. Y. and Mr. Tsui C. K.
"Mr. Wong"	Mr. Wong Ka Wai (王家惠), an executive Director and one of the Controlling Shareholders
"Mrs. Chan"	Ms. Liu Siu Kuen (廖少娟), one of the Controlling Shareholders and the spouse of Mr. Chan
"Ms. Tsui Y. Y."	Ms. Tsui Yuk Yi (徐玉儀), one of the Controlling Shareholders and the daughter of Mr. Tsui K. F.
"Nomination Committee"	the nomination committee of the Board

"Olympian Restaurant"	the restaurant located at Shop UG01, Olympian City Two, 18 Hoi Ting Road, West Kowloon, Kowloon, Hong Kong under the business name "Olympian Star of Canton (奧海城利寶閣)"
"Placing"	the Placing of 200,000,000 Shares for the listing of shares of GEM as set out in the Prospectus
"PRC"	the People's Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	The prospectus of the Company dated 24 June 2016 in connection with the Placing and the listing of the Shares on GEM
"Remuneration Committee"	the remuneration committee of the Board
"Share(s)"	ordinary share(s) of HK$0.01 each of the Company
"Share Option Scheme"	the share option scheme adopted pursuant to the written resolution passed by the Shareholders on 16 June 2016
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen One Avenue Restaurant"	the restaurant planned to be opened at Futian District, Shenzhen, the PRC
"Shenzhen Restaurant"	the restaurant located at 2/F, Tower 3, Kerry Plaza, 1 Zhong Xin Si Road Futian District, Shenzhen, the PRC and operated by Star China under the business name "Shenzhen Star of Canton (深圳利寶閣)"
"Shenzhen Uniwalk Restaurant"	the restaurant located at 4/F, Uniwalk Shopping Mall, 99 Xin Hu Road, Qianhai, Baoan District, Shenzhen, the PRC under the business name "Uniwalk Star of Canton (壹方城利寶閣)"
"Sheung Wan Restaurant"	the restaurant located at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Central, Hong Kong under the business name "Sheung Wan Star of Canton (上環利寶閣)"
"Sky Gain"	Sky Gain Investments Limited (天盈投資有限公司), a company incorporated in Hong Kong on 21 October 2005 with limited liability which is owned as to 37.5%, 37.5% and 25% by Mr. David Chow, Mr. Anthony Chow and Mr. Tam respectively, and one of the Controlling Shareholders

"Star of Canton"	Star of Canton (利寶閣), the brand name used by the Group to operate a series of Cantonese restaurants
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Foo Sing"	Sun Foo Sing Development Limited (新富星發展有限公司), a company incorporated in Hong Kong on 24 August 2001 with limited liability which is owned as to 50%, 25%, 10%, 7.5% and 7.5% by Mr. Ho, Mr. Tsui K.F., Mr. Lam, Mr. Tsui C.K. and Ms. Tsui Y.Y. respectively, and one of the Controlling Shareholders
"Thai Restaurant"	the restaurant located at 8/F, Ping An International Finance Centre, 5033 Yi Tian Road, Futian District, Shenzhen, the PRC under the business name "La Maison D' Elephant (象屋)"
"The One Restaurant"	the restaurant located at 17/F, The ONE, 100 Nathan Road, Tsim Sha Tsui, Hong Kong under the business name "The One Star of Canton (尖沙咀The One利寶閣海景宴會廳)"
"Transfer of Listing"	the transfer of listing of the Shares from GEM to the Main Board
"Zhao Tian"	Zhao Tian Ventures Limited (兆添創投有限公司), a company incorporated in the BVI on 8 July 2015 with limited liability which is owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui, Mr. Wong, Sun Foo Sing and Sky Gain respectively, and one of the Controlling Shareholders

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

Hong Kong, 27 August 2018

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 Main Board Listing Rules and 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 website of GEM at www.hkgem.com for at least 7 days from the date of its posting, the Stock Exchange at www.hkexnews.hk and will also be published on the Company's website at http://www.starofcanton.com.hk.