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利·寶·閣

**Li Bao Ge Group Limited**

**利寶閣集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1869)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

### **FINAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Li Bao Ge Group Limited (the “**Company**”, together with its subsidiaries, collectively known as the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the previous financial year ended 31 December 2019 as set out below. This annual results announcement has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

### **FINANCIAL HIGHLIGHTS**

- The revenue of the Group amounted to approximately HK\$236.4 million for the year ended 31 December 2020, representing a decrease of approximately 33.0% as compared with the year ended 31 December 2019.
- The loss attributable to owners of the Company amounted to approximately HK\$39.8 million for the year ended 31 December 2020, representing a decrease in loss of approximately 32.9% as compared with a loss attributable to owners of the Company of approximately HK\$59.3 million for the year ended 31 December 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
<b>Revenue</b>	6	<b>236,397</b>	352,861
Other income	7	<b>21,728</b>	1,813
Cost of materials consumed		<b>(99,108)</b>	(126,648)
Employee benefits expense		<b>(66,158)</b>	(94,956)
Depreciation	8	<b>(61,544)</b>	(60,655)
Other expenses	8	<b>(61,474)</b>	(89,381)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(30,159)</b>	(16,966)
Gain on early termination of leases, net		<b>21,059</b>	–
Impairment loss on property, plant and equipment		<b>(5,015)</b>	(3,579)
Impairment loss on right-of-use assets		<b>(13,534)</b>	(18,155)
Finance costs	9	<b>(13,201)</b>	(11,393)
		<hr/>	<hr/>
<b>Loss before income tax</b>		<b>(40,850)</b>	(50,093)
Income tax	10	<b>74</b>	(9,248)
		<hr/>	<hr/>
<b>Loss for the year</b>		<b>(40,776)</b>	(59,341)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		<b>3,214</b>	(300)
		<hr/>	<hr/>
<b>Total comprehensive loss for the year</b>		<b>(37,562)</b>	(59,641)
		<hr/> <hr/>	<hr/> <hr/>
Loss attributable to:			
Owners of the Company		<b>(39,817)</b>	(59,341)
Non-controlling interests		<b>(959)</b>	–
		<hr/>	<hr/>
		<b>(40,776)</b>	(59,341)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss attributable to:			
Owners of the Company		<b>(36,850)</b>	(59,641)
Non-controlling interests		<b>(712)</b>	–
		<hr/>	<hr/>
		<b>(37,562)</b>	(59,641)
		<hr/> <hr/>	<hr/> <hr/>
Basic loss per share	12	<b>HK cent (3.98)</b>	HK cent (7.29)
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		63,216	70,282
Right-of-use assets		131,654	167,961
Intangible assets		30,516	–
Rental deposits		14,871	14,948
Deposits placed for life insurance policies		2,176	2,115
Deposit paid for property, plant and equipment		1,873	–
Deferred tax assets		852	1,144
		<b>245,158</b>	256,450
<b>Current assets</b>			
Inventories		12,375	13,968
Trade receivables	13	5,462	3,844
Deposits, prepayments and other receivables		18,006	16,943
Loan receivable		10,000	–
Current tax recoverable		855	1,287
Amount due from a non-controlling shareholder		9,825	–
Amounts due from related companies		70	–
Pledged bank deposits		–	11,029
Cash and cash equivalents		28,949	71,151
		<b>85,542</b>	118,222
<b>Total assets</b>		<b>330,700</b>	374,672
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	10,000	10,000
Reserves		45,949	82,799
		<b>55,949</b>	92,799
Non-controlling interests		4,105	–
<b>Total equity</b>		<b>60,054</b>	92,799

		<b>As at 31 December</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>128,209</b>	141,598
Provision for reinstatement costs		<b>4,573</b>	4,743
Deferred tax liabilities		<b>2,902</b>	–
		<u><b>135,684</b></u>	<u>146,341</u>
<b>Current liabilities</b>			
Trade payables	15	<b>19,418</b>	16,350
Accruals, provisions and deposits received		<b>29,329</b>	26,026
Amount due to a non-controlling shareholder		<b>241</b>	–
Contract liabilities		<b>21,823</b>	16,590
Bank borrowings	16	<b>22,408</b>	7,444
Lease liabilities		<b>40,431</b>	67,267
Current tax payable		<b>–</b>	543
Provision for reinstatement costs		<b>1,312</b>	1,312
		<u><b>134,962</b></u>	<u>135,532</u>
<b>Total liabilities</b>		<u><b>270,646</b></u>	<u>281,873</u>
<b>Total equity and liabilities</b>		<u><b>330,700</b></u>	<u>374,672</u>
<b>Net current liabilities</b>		<u><b>(49,420)</b></u>	<u>(17,310)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

Li Bao Ge Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company’s registered office and principle place of business are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room B, 5/F, On Fat Industrial Building, 12–18 Kwai Wing Road, Kwai Chung, New Territories, Hong Kong, respectively. The Company’s shares (the “**Shares**”) were initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Listing**” and the “**Stock Exchange**” respectively) since 30 June 2016 (the “**Listing Date**”). The listing of the Shares was transferred to the Main Board of the Stock Exchange since 5 September 2018 (the “**Transfer of Listing**”).

The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the People’s Republic of China (the “**PRC**”).

In the opinion of the directors of the Company (the “**Directors**”), the controlling shareholders (having the meaning ascribed to it in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)) of the Company, include Bright Creator Limited, Mr. Chan Chun Kit and his spouse Ms. Liu Siu Kuen, Sun Foo Sing Development Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam Kwok Leung Peter, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi.

### 2 STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules. A summary of significant accounting policies adopted by the Group is set out in note 3 in the Notes to the consolidated financial statements (the “**Notes**”) section of the annual report for the year ended 31 December 2020 to be sent to the shareholders of the Company (the “**Shareholders**”).

The HKICPA has issued certain new, revised HKFRSs and interpretation that are first effective or available for early adoption for the current accounting period of the Group. Note 4 of the Notes provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention.

### 3 PRINCIPAL ACCOUNTING POLICIES

In preparing the consolidated financial statements, the Directors have given due and careful consideration to the future liquidity of the Group in light of the Group’s net current liabilities position of approximately HK\$49,420,000 as at 31 December 2020. As at 31 December 2020, the Group obtained banking facilities of HK\$39,058,000 with an unutilised amount of HK\$16,650,000.

Having considered the above available undrawn banking facility and the estimated future cash flows generated from the Group's operations, the Directors are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. On this basis, the consolidated financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the accountants' report included in the Company's prospectus dated 24 June 2016 (the "Prospectus"), except for the new standards, amendments and interpretations issued by the HKICPA that are adopted for the first time for the current year's consolidated financial statements. The Group had changed its accounting policies for the adoption of Amendments to HKFRS 3 and Amendment to HKFRS 16 (early adopted). The other newly adopted standards or amendments did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period. The Group had not early adopted any new or revised standards or interpretations that have been issued but are not yet effective.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

#### 5 SEGMENT INFORMATION

The chief operating decision maker ("CODM") has been identified as the chief executive officer of the Company (the "CEO") who reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

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

The Group is principally engaged in the operation of food catering services through a chain of Chinese restaurants. Information reported to the CODM for the purpose of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Group has identified one operating segment – operation of restaurants and no operating segment information is presented.

For the years ended 31 December 2019 and 2020, there are no single external customers contributed more than 10% revenue of the Group.

#### Geographical information

The following table presents revenue from external customers for the years ended 31 December 2019 and 2020 by geographic area.

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
<b>Revenue from external customers</b>		
Hong Kong	79,479	187,227
Mainland China	156,918	165,634
	236,397	352,861
	236,397	352,861

The revenue information above is based on the locations of the customers.

## 6 REVENUE

An analysis of revenue during the years ended 31 December 2019 and 2020 are as follows:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue from customers and recognised at point in time</b>		
Revenue from Chinese restaurant operations	<b>208,972</b>	344,967
Revenue from Thai Cuisine restaurant operations	<b>7,553</b>	7,823
Revenue from cooperation with Freshippo	<b>19,646</b>	–
Revenue from sale of food ingredients	<b>226</b>	71
	<b>236,397</b>	<b>352,861</b>

## 7. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income on short-term bank deposits	<b>60</b>	588
Interest income from deposits placed for life insurance policies	<b>101</b>	105
Forfeiture of deposits received	–	49
Reversal of provision for reinstatement cost	<b>338</b>	–
Government subsidies and incentive	<b>9,207</b>	567
Government grants	<b>11,340</b>	–
Miscellaneous income	<b>682</b>	504
	<b>21,728</b>	<b>1,813</b>

## 8 DEPRECIATION AND OTHER EXPENSES

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Depreciation		
– Property, plant and equipment	17,739	13,424
– Right-of-use assets	43,805	47,231
	<u>61,544</u>	<u>60,655</u>

Other expenses include the following items:

Auditor's remuneration		
– Audit services	814	815
– Non audit services	90	206
Amortisation on intangible assets	729	–
Operating lease payments of premises		
– Contingent rent for premises*	817	3,879
– Coronavirus disease 2019 (“COVID-19”) rent concessions	(8,276)	–
– Variable lease payment	1,614	–
Lease payments not included in the measurement of lease liabilities	3,626	5,502
Impairment loss on trade receivables	209	14
Property, plant and equipment written-off	4,770	–

\* The contingent rent refers to the operating rentals based on pre-determined percentage to the restaurant revenue less minimum rentals of the respective leases.

## 9 FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	252	513
Interest expenses on lease liabilities	12,897	10,880
Interest expenses on other borrowing	52	–
	<u>13,201</u>	<u>11,393</u>
Total interest expenses on financial liabilities not at fair value through profit or loss		



## 10 INCOME TAX

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<b>Current tax</b>		
Current tax on profits for the year		
– Hong Kong	–	31
– The PRC	84	1,729
(Overprovided)/underprovided in prior year	(129)	274
	<u>(45)</u>	<u>2,034</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(29)	7,214
	<u>(74)</u>	<u>9,248</u>

No provision for Hong Kong profits tax is made in the consolidated financial statements as the Group has no assessable profits derived in Hong Kong for the year ended 31 December 2020. For the year ended 31 December 2019, Hong Kong profit tax is calculated in accordance with the two-tiered profits tax rates regimes.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying subsidiary will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of subsidiaries not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. Except for certain preferential tax treatment available to one of its subsidiaries of the Group, the other PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2019 and 2020.

## 11 DIVIDEND

The Directors has resolved not to recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

## 12 LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
<b>Loss</b>		
Loss for the year attributable to the owners of the Company	<u>(39,817)</u>	<u>(59,341)</u>
	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>1,000,000</u>	<u>814,456</u>

Diluted loss per share was the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2019 and 2020.

## 13 TRADE RECEIVABLES

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
	Trade receivables	5,787
Less: Allowance for impairment losses	<u>(325)</u>	<u>(111)</u>
	<u>5,462</u>	<u>3,844</u>

The Group's sales from its restaurant operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers ranges from 0 to 30 days.

The ageing analysis of trade receivables based on invoice date (net of allowance for impairment losses) is as follows:

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
	0 to 30 days	4,635
31 to 60 days	184	209
61 to 90 days	174	155
Over 90 days	<u>469</u>	<u>128</u>
	<u>5,462</u>	<u>3,844</u>

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

## 14 SHARE CAPITAL

	Number of Ordinary shares	Nominal value of Ordinary share <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each as at 1 January 2019, 31 December 2019 and 2020	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
As at 1 January 2019	800,000,000	8,000
Issue of new shares pursuant to rights issue ( <i>Note</i> )	<u>200,000,000</u>	<u>2,000</u>
As at 31 December 2019 and 31 December 2020	<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

*Note:* On 17 December 2019, the Company completed its rights issue by issuing 200,000,000 rights shares on the basis of one rights share for every four then existing shares, at the subscription price of HK\$0.238 per rights share (the “rights issue”). The net cash proceeds of approximately HK\$45,750,000, after share issue expenses of approximately HK\$1,850,000 are used for the repayment of the Group’s indebtedness and interest expenses; payment of renovation and refurbishment costs incurred for recently opened restaurants and other existing restaurants; and for the general working capital for the Group. The rights issue has increased the share capital and share premium of the Company by HK\$2,000,000 and approximately HK\$43,750,000 respectively. Those rights shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date.

## 15 TRADE PAYABLES

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

	31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
0 to 30 days	8,708	10,996
31 to 60 days	7,334	3,427
61 to 90 days	906	1,747
Over 90 days	<u>2,470</u>	<u>180</u>
	<u><u>19,418</u></u>	<u><u>16,350</u></u>

## 16 BANK BORROWINGS

	31 December 2020 <i>HK\$'000</i>	31 December 2019 <i>HK\$'000</i>
Bank borrowings due for repayment within one year – secured	–	7,444
Bank borrowings due for repayment within one year – unsecured	3,099	–
Bank borrowings due for repayment after one year which contain a repayment on demand clause – unsecured	<u>19,309</u>	<u>–</u>
	<u><u>22,408</u></u>	<u><u>7,444</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONAL REVIEW

The Group is a Chinese restaurant group recognised for delivering Cantonese cuisine and Chinese banquet and dining services.

For the year ended 31 December 2020, the Group operated five full-service restaurants in Hong Kong under the brand name of “Star of Canton (利寶閣) (including the Sheung Wan Restaurant which was closed in February 2020), a Thai cuisine restaurant in Hong Kong, which was opened in June 2019, under the brand name of “La Maison D’ Elephant (象屋)” (the “**Thai (Mongkok) Restaurant**”) in a shopping mall in Mongkok district, three full-service restaurants in Shenzhen, the PRC under the brand name of “Star of Canton (利寶閣)”, and twenty-five food counters in Shenzhen and Shanghai, the PRC under the brand names of “Star of Canton (利寶閣)” and “Sun Kau Kee (新玖記)”. The Group also operated a Jingchuanhu cuisine restaurant in Hong Kong under the brand name of “Beijing House (京香閣)”. However, due to continued unsatisfactory customer visit, and the unfavourable market conditions, the Group ceased the operation of the Sheung Wan Restaurant and the Beijing House Restaurant in February 2020 to avoid further loss and make available the occupied working capital for other operation needs of the Group. For details, please refer to the Company’s announcement dated 3 March 2020. All of the Group’s restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations. The Group maintains a business philosophy of offering quality food and services at reasonable prices in an elegant and comfortable dining setting. All of the Group’s restaurants target at mid-to-high end spending customers.

As at 31 December 2020, the Group had:

*In Hong Kong:*

- (i) four Chinese restaurants, which were located in Tsim Sha Tsui (i.e. The One Restaurant), Causeway Bay (i.e. the CWB Restaurant), Olympian City (i.e. the Olympian Restaurant) and Kwun Tong (i.e. the Kwun Tong Restaurant), respectively;
- (ii) one Thai cuisine restaurant (i.e. the Thai (Mongkok) Restaurant) located in Mongkok;

*In Shenzhen, the PRC:*

- (iii) three Chinese restaurants, which were located in Futian District (i.e. the Shenzhen Restaurant and the Shenzhen One Avenue Restaurant) and Baoan District (i.e. the Shenzhen Uniwalk Restaurant), respectively;
- (iv) one small-scale Cantonese dim sum tea houses, which was located in Luohu District (i.e. the Star of Canton Tea House);
- (v) three food counters inside Shenzhen Freshippo stores; and

*In Shanghai, the PRC:*

(vi) twenty-two food counters inside Shanghai Freshippo stores.

In December 2019, the Group entered into a cooperation agreement with Shenzhen Freshippo Network Technology Co., Ltd. (“**Shenzhen Freshippo**”), a member of Alibaba Group, which provides the Group to have access to the PRC’s growing food delivery and takeaway market through the implementation of the online and offline innovative retail model that integrates physical stores and e-commerce platforms. Under the cooperation agreement with Shenzhen Freshippo, the Company undertook to set up not less than 10 counters at Shenzhen Freshippo\* (盒馬鮮生) stores on or before 15 December 2020. In January 2020, the Group extended its cooperation with Alibaba Group by entering into a cooperation agreement with Shanghai Freshippo Network Technology Co., Ltd. (“**Shanghai Freshippo**”), pursuant to which the Group undertook to set up not less than 10 counters at Shanghai Freshippo stores on or before 31 December 2020. However, due to the impact of COVID-19, the expansion plan has been delayed and three new counters were opened during the year ended 31 December 2020. The Group will continue to strengthen its cooperation with Shenzhen Freshippo and Shanghai Freshippo and is expected to open more food counters at Freshippo stores in 2021.

Furthermore, on 9 January 2020, the Group entered into an equity transfer agreement to acquire 70% equity interest in a target company which operates food counters selling roasted meat and delicatessen under the brand names of “Sun Kau Kee\* (新玖記)” and “Chaojiangjun\* (潮將軍)” through online and offline stores at Freshippo in Shanghai, the PRC. Please refer to the Company’s announcement dated 9 January 2020 for further details. The acquisition was completed in July 2020.

The acquisition and cooperation with Freshippo together further expand the Group’s presence in China. The Group targets to evolve as one of the leading players in offering quality roast meat and Cantonese delicacies in China online and offline food catering market.

The Company will leverage Freshippo brand awareness and high traffic to attract more young people, develop multi-channel sales and penetrate the Chinese takeaway and food delivery market efficiently. The cooperation enables the Company to capture the huge opportunity in next generation of online and offline retail catering market in China through commodification of its highly regarded Cantonese dim sum dishes and delicacies under the brand of “Star of Canton”. For details, please refer to the Company’s announcements titled “Voluntary Announcement - Business Update” dated 16 December 2019 and titled “Discloseable Transaction in relation to Acquisition of 70% Equity Interests in the Target Company” and “Voluntary Announcement - Business Update”) dated 9 January 2020.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2020, the Group recorded a total revenue of approximately HK\$236.4 million, representing a decrease of approximately 33.0% as compared to approximately HK\$352.9 million for the year ended 31 December 2019.

The Group's total revenue for the year ended 31 December 2020 mainly comprised the aggregate revenue of the six Chinese restaurants in Hong Kong of approximately HK\$71.7 million (2019: approximately HK\$180.9 million), revenue from the sales of food ingredients of approximately HK\$0.2 million (2019: approximately HK\$0.1 million), the revenue of the Thai (Mongkok) Restaurant of approximately HK\$7.6 million (2019: approximately HK\$6.3 million), the revenue of the three Chinese restaurants in Shenzhen, the PRC of approximately HK\$136.6 million (2019: approximately HK\$159.2 million), the revenue of the small scale dim sum tea houses in Shenzhen, the PRC of approximately HK\$0.7 million (2019: approximately HK\$4.8 million), and the revenue from Freshippo operation inside Shenzhen and Shanghai Freshippo stores of approximately HK\$19.6 million (newly opened or acquired in 2020).

Excluding the revenue contributed by the Sheung Wan Restaurant and the Beijing House Restaurant which were ceased operation in February 2020, the aggregate revenue of the Group's four Chinese restaurants in Hong Kong for the year ended 31 December 2020 decreased by approximately 49.2% as compared to the year ended 31 December 2019. On the other hand, the aggregate revenue of the Group's two Chinese restaurants in Shenzhen (excluding the Shenzhen One Avenue Restaurant which was newly opened in December 2019) decreased by approximately 29.1% over the same period. The Directors consider such decrease in revenue for both Hong Kong and Shenzhen regions was mainly due to the outbreak of COVID-19 and suspension of business in accordance with the anti-infection measures implemented by the government. Furthermore, the social unrest in Hong Kong which occurred in June 2019 and lasted over year 2020 seriously affected the retail and catering sectors in Hong Kong.

### Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK\$137.3 million for the year ended 31 December 2020, representing a decrease of approximately 39.3% from approximately HK\$226.2 million for the year ended 31 December 2019, which was in line with the decrease in revenue during the year. Nevertheless, the Group's overall gross profit margin decreased from approximately 64.1% for the year ended 31 December 2019 to approximately 58.1% for the year ended 31 December 2020. Such decrease was mainly due to (i) the Group offered more concessions to attract customers in view of the sluggish economy and the negatively affected catering sector as described above; and (ii) increase in specific food cost, in particular, the further increase in price of food ingredients upon the outbreak of COVID-19, impacting the global food production and logistics of ingredients, which resulted in an overall decline in the Group's gross profit margin for the year ended 31 December 2020.

## **Employee benefits expense**

Employee benefits expense was approximately HK\$66.2 million for the year ended 31 December 2020 (2019: approximately HK\$95.0 million), representing a decrease of approximately 30.3% as compared to 2019 which was mainly due to the cessation of operations of two Chinese restaurants in Hong Kong and one tea houses in Shenzhen during the year ended 31 December 2020.

## **Depreciation**

Depreciation for the year ended 31 December 2020 included approximately HK\$43.8 million (2019: HK\$47.2 million) in respect of right-of-use assets in relation to the Group's leased properties.

## **Other expenses**

Other expenses mainly include but not limited to expenses incurred for the Group's restaurant operation, consisting of operating lease expenses, building management fee and air conditioning charges, cleaning and laundry expenses, utility expenses, service fees to temporary workers, advertising and promotion. For the year ended 31 December 2020, other expenses amounted to approximately HK\$61.5 million (2019: HK\$89.4 million), representing a decrease of approximately HK\$27.9 million or 31.2% which was mainly due to the combined effects of (i) the decrease of temporary workers expenses by appropriately HK\$11.4 million compare to 31 December 2019; (ii) the decrease of operating lease payments by appropriately HK\$11.6 million compare to 31 December 2019, which including the COVID-19 rent concession and contingent rent for premises.

## **Impairment losses on property, plant and equipment and right-of-use assets**

The Sheung Wan Restaurant and the Beijing House Restaurant, which were managed by the same operating subsidiary of the Group, continued to record unsatisfactory financial performance since their commencement of operation in 2015. In particular, the two restaurants recorded aggregate operating losses for each of the years ended 31 December 2015 to 2019. As such, the Sheung Wan Restaurant and the Beijing House Restaurant were provided impairment loss on right-of-use assets amounting to approximately HK\$3.6 million and HK\$18.2 million respectively in 2019. During the year ended 31 December 2020, the Sheung Wan Restaurant and the Beijing House Restaurant terminated the remaining leases earlier and the remaining lease liabilities were recognized as gain on early termination of lease, net of HK\$21.1 million.

## **Finance costs**

Finance costs for the year ended 31 December 2020 included approximately HK\$12.9 million (2019: HK\$10.9 million) in respect of interest expense on lease liabilities in relation to the Group's leased property, plant and equipment.

## **Loss attributable to owners of the Company**

For the year ended 31 December 2020, the Group recorded a loss attributable to owners of the Company of approximately HK\$39.8 million, whereas the Group recorded a loss attributable to owners of the Company of approximately HK\$59.3 million for the year ended 31 December 2019. Such loss-making position for the year ended 31 December 2020, representing an improvement of financial performance by approximately HK\$19.5 million as compared to the last year, was mainly due to the combined effects of (i) the decrease in aggregate operating losses of the Group's restaurant operations in Hong Kong by approximately HK\$25.5 million; (ii) the increase in aggregate operating loss of the Group's restaurant operations in Shenzhen, the PRC by appropriately HK\$16.3 million; and (iii) the record of gain on early termination of lease, net of approximately HK\$21.1 million in respect of the Sheung Wan Restaurant and the Beijing House Restaurant; (iv) the record of impairment losses on equipment and right-of-use assets of approximately HK\$5.0 million and HK\$13.5 million respectively in respect of the Group; (v) the decrease of employee benefits expenses of approximately HK\$28.8 million for the two Chinese restaurants and one tea house which ceased operation during the year; and (vi) the increase of other income of approximately HK\$19.9 million which mainly due to government subsidy related to COVID-19.

## **Liquidity, financial resources and capital structure**

### ***Capital Structure***

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to its Shareholders, return capital to its Shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2020, was to maintain the gearing ratio at an acceptable level.



As at 31 December 2020, the Group's cash and cash equivalents were approximately HK\$28.9 million, representing a decrease of approximately HK\$42.3 million as compared with approximately HK\$71.2 million as at 31 December 2019. The decrease was mainly due to acquisition of two subsidiaries, namely Shanghai Zhijie Food Co., Ltd.\* (上海志捷食品有限公司) and Yaoliang (Shanghai) Food Co., Ltd.\* (耀良(上海)食品有限公司), in the PRC during the year.

As at 31 December 2020, cash and cash equivalents and restricted bank deposits amounted to approximately HK\$28.9 million, of which approximately HK\$12.1 million and HK\$16.8 million were denominated in Hong Kong dollars (“HK\$”) and Renminbi (“RMB”), respectively.

### ***Indebtedness and Banking Facilities***

As at 31 December 2020, the Group had bank borrowings of approximately HK\$20.0 million and HK\$2.4 million, which were all denominated in HK\$ and RMB respectively, bearing interest rates range from 2.75% to 3.65% per annum and were secured by The Hong Kong Special Administrative Region (the “HKSAR”), one of non-controlling shareholders and third parties.

As at 31 December 2020, the Group's gearing ratio was approximately 40.0%, which is calculated based on the interest-bearing debts (excluding lease liabilities) divided by total equity attributable to owners of the Company as at 31 December 2020 and multiplied by 100%. The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December 2020 was reasonable.

### ***Foreign Exchange Exposure***

Most of the income and expenditures of the Group are denominated in HK\$ and RMB, which are the functional currencies of the respective group entities. Although HK\$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the year under review. Thus, no significant exposure is expected on RMB transactions and balances. Accordingly, the Group does not have any material foreign exchange exposure. During the year ended 31 December 2020, the Group had not used any financial instruments for hedging purposes.

### ***Securities in Issue***

As at 31 December 2020, there were 1,000,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the year ended 31 December 2020.

## **Significant Investment Held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies and Plans for Material Investment or Capital Assets**

On 9 January 2020, the Group entered into an equity transfer agreement to acquire 70% equity interest in Yaoliang (Shanghai) Food Co., Ltd.\* (耀良(上海)食品有限公司) which operated food counters selling roasted meat and delicatessen under the brand names of “Sun Kau Kee\* (新玖記)” and “Chaojiangjun\* (潮將軍)” through online and offline stores at Freshippo in Shanghai, the PRC.

For details, please refer to the announcements titled “Discloseable Transaction in relation to Acquisition of 70% Equity Interests in the Target Company” and “Voluntary Announcement – Business Update” dated 9 January 2020. The acquisition was completed on 22 July 2020.

During the year ended 31 December 2020, the Company acquired a 70% equity interest in Shanghai Zhijie Food Co., Ltd.\* 上海志捷食品有限公司. The acquisition was completed on 12 August 2020.

Saved as disclosed above, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2020. Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 31 December 2020.

### **Charge on Assets**

As at 31 December 2019, the Group pledged its bank deposits of approximately HK\$11.0 million as securities for the Group’s bank borrowings of approximately HK\$7.4 million.

As at 31 December 2020, the Group did not have any charge over its assets.

### **Contingent Liabilities**

On 31 December 2019, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company received a Writ of Summons together with an indorsement of claim dated 31 December 2019 issued in the High Court of the HKSAR (the “**Court Action**”) by Foxhill Investments Limited as plaintiff against Excel Linker (Hong Kong) Limited as defendant. For details, please refer to the announcement titled “Inside Information – Litigation” dated 6 January 2020. A provision of HK\$3.5 million has been made in the consolidated financial statements for the year ended 31 December 2020. The Company is currently seeking legal advice in respect of the foregoing. The Company is of the view that the Court Action did not and will not have any material adverse impact on the ordinary operation and financial positions of the Group. To the best knowledge of the Directors, no trial in relation to the Court Action has been scheduled yet.

Saved as disclosed above, as at 31 December 2020, the Group did not have any contingent liabilities.

### **Employees and Remuneration Policies**

The Group had approximately 683 employees as at 31 December 2020. The employee benefits expense, including Directors' emoluments, of the Group were approximately HK\$66.2 million for the year ended 31 December 2020 (2019: HK\$95.0 million).

The Directors and the senior management of the Company (the "**Senior Management**") receive compensation in the form of salaries and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Directors and the Senior Management with reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the Senior Management and the performance of the Group.

The remuneration committee of the Board (the "**Remuneration Committee**") reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 16 June 2016. During the year ended 31 December 2020, no share option was granted to the relevant participants pursuant to such scheme.

### **Dividend**

The Directors has resolved not to recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

### **Prospects**

The successful Listing and the Transfer of Listing marked major milestones as well as new chapters of the Company. Nevertheless, due to the uncertainties of the Hong Kong and China economies and the outbreak of COVID-19 in Hong Kong and China since January 2020 which seriously affected the catering industry and is expected to continue throughout 2021, the Directors anticipate that the Group's business will face various challenges in the foreseeable future. The Group's key risk exposures and uncertainties are summarised as follows:

- (i) the Group's future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group's target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial burden on the Group's managerial and financial resources;

- (ii) the Group may fail to obtain leases of desirable locations for new restaurants or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;
- (iii) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate;
- (iv) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense;
- (v) the Hong Kong and China economies may be further worsened as a result of the unfavourable development of the China-US trade war which would negatively affect the consumption sentiments of the general public and consequently the retail and catering sectors; and
- (vi) the outbreak of COVID-19 in Hong Kong and China since January 2020, which may become serious and adversely affect the Group's restaurant operations in the year to come.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

Nonetheless, the management is optimistic that the Group can succeed and enhance the Shareholders' value in the medium to long run, based on the years of experience of the Senior Management in managing Chinese restaurant business in Hong Kong and China and its business strategies as detailed below.

The operations of the Group's food counters inside Freshippo stores which were newly opened in 2020, are expected to be gradually put on track. These new food counters incurred operating loss during the year ended 31 December 2020, the Directors expect their financial performance would improve in the near future.

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 Chinese 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.

Apart from traditional restaurant operations, the Group entered into cooperation agreements with Shenzhen Freshippo and Shanghai Freshippo of Alibaba Group in December 2019 and January 2020 respectively, to set up not less than 10 counters at Freshippo stores in the respective regions, which provide the Group to access the PRC's growing food delivery and takeaway market through the implementation of the online and offline innovative retail model that integrates physical stores and e-commerce platforms. Please refer to the subsection headed "Business and operational review" above for further details.

The Group will also consider the expansion of its catering business into other types of cuisines and operation modes when opportunities arise, taking into account the Group's available resources, with the aim to maximize the return to its Shareholders.

### **Effect of COVID-19**

In view of the outbreak of COVID-19 in China and Hong Kong since January 2020, the Group has been paying close attention to the development of the COVID-19 and making efforts to prevent and control the spread of the virus. As part of the Group's efforts to facilitate better prevention and control of the virus and ensure the health and safety of its employees and customers, the Group has been shortening the operation hours of its restaurants in Hong Kong. Besides, the Hong Kong Government order for restaurants to increase spacing between tables and limit the number of customers further hit consumer sentiment and escalated business pressure on the Group. The Group's restaurants in Hong Kong have resumed limited operation in evening hours because of the partial relaxation of the Hong Kong Government order since late February 2021. As regard the Group's restaurants and tea houses located in Shenzhen, China, operation was suspended in light of temporary anti-infection measures implemented by local government since the commencement of Chinese New Year in late January 2020, and have resumed limited operation in late March 2020.

Based on the above, the Group currently expects its financial performance in 2021 will improve as compared to the same period in 2020, which is due to the expected resumption of full operation of the Group's restaurants and the gradual reopening of economy in Hong Kong and China.

The Group will closely monitor the market situation and the development of the COVID-19, and will adjust its business strategies to cater for the market trend and customer demand in order to improve its financial performance going forward.

## Use of proceeds from the Listing

The shares of the Company (the “**Shares**”) were listed on the GEM of the Stock Exchange on 30 June 2016 with net proceeds received by the Company from the placing in the amount of approximately HK\$59.1 million after deducting underwriting commissions and all related expenses.

As at 31 December 2020, the net proceeds from the placing were applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus from the Listing Date up to 31 December 2018 HK\$'000</b>	<b>Actual use of proceeds from the Listing Date up to 31 December 2020 HK\$'000</b>
Progressive expansion in the PRC market	48,000	48,000
Enhancement of existing restaurant facilities	1,500	1,500
Enhancement of marketing and promotions	3,000	3,000
	<u>52,500</u>	<u>52,500</u>

The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 31 December 2020, all of HK\$59.1 million out of the net proceeds from the Listing had been fully utilised in accordance with the planned usage as detailed above while approximately HK\$6.6 million was used for the Group’s working capital and general corporate purposes.

The Company applied the net proceeds in the manner as stated in the Prospectus.

## Use of proceeds from the Rights Issue

The Company's rights issue (the "**Rights Issue**") was completed on 17 December 2019 with net proceeds received by the Company in the amount of approximately HK\$45.8 million after deducting underwriting commissions and related expenses. For details, please refer to the announcement titled "Results of the Rights Issue on the Basis of One Rights Share for Every Four Existing Shares Held on the Record Date" dated 16 December 2019.

As at 31 December 2020, the net proceeds from the Rights Issue were applied as follows:

	<b>Planned use of net proceeds as stated in the listing documents dated 22 November 2019 HK\$'000</b>	<b>Actual use of net proceeds up to 31 December 2020 HK\$'000</b>
Repayment of the Group's indebtedness and interest expenses	7,500	7,500
Payment of renovation and refurbishment costs of the Group's restaurants	20,500	18,447
General working capital	17,800	17,800

As at 31 December 2020, approximately HK\$43.7 million out of the net proceeds from the Rights Issue had been used in accordance with the planned usage as detailed above. The portion of net proceeds yet to be used was deposited in licensed banks in the PRC, and is expected to be progressively utilised in the first half 2021.

## EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2020

The Board is pleased to announce that with effect from 4 May 2021, the Hong Kong branch share registrar and transfer office of the Company (the "**Share Registrar**") will be changed to Boardroom Share Registrars (HK) Limited. For details, please refer to the announcement titled "Change of Hong Kong Branch Share Registrar and Transfer Office" dated 30 March 2021.

Save as disclosed above and elsewhere in this announcement, the Board is not aware of any important event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

## CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the Shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code for the year ended 31 December 2020, except for certain deviations as specified with considered reasons for such deviations which are explained below.

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

For the year ended 31 December 2020, the Company has not separated the roles of chairman and the CEO. Mr. Chan Chun Kit was the chairman and also the CEO and is responsible for overseeing the operations of the Group during such period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believes that it is in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Mr. Chan performs both roles of chairman and CEO, the division of responsibilities between the two roles is clearly established. While the chairman is responsible for supervising the functions and performance of the Board, the CEO is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the Senior Management for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Details of the continuing evolution of our corporate governance practices for the year ended 31 December 2020 are set out in the annual report for the year ended 31 December 2020. The Board will periodically review on the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.



## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings set out in the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the “**Code of Conduct**”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company during the year ended 31 December 2020. The Company did not redeem any of its listed securities during the year ended 31 December 2020.

## **SHARE OPTION SCHEME**

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted pursuant to a resolution passed by the Shareholders on 16 June 2016 for the primary purpose of providing eligible participants an opportunity to have a personal stake in the Company and to motivate, attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of the Company or any of its subsidiaries.

The Share Option Scheme became effective on the Listing Date and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the Listing Date, the principal terms of which were summarised in the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2020 and there were no outstanding share options under the Share Option Scheme as at 31 December 2020.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting (the “**AGM**”) is scheduled to be held at the Causeway Bay Star of Canton Restaurant, which is located at 21/F, Lee Theatre Plaza, 99 Percival Street, Causeway Bay, Hong Kong on Thursday, 24 June 2021 at 10:00 a.m. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021, both days inclusive, during which period no transfer of the Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 18 June 2021.

## **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee reviews, amongst others, the financial information of the Group, the relationship with and terms of appointment of the external auditors, and the Company's financial reporting system, internal control system and risk management system.

The Audit Committee consists of three independent non-executive Directors, chaired by Prof. Wong Lung Tak Patrick and the other two members are Mr. Yuen Ching Bor Stephen and Mr. Kan Sze King Kenneth.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee in accordance with Listing Rule 13.49(3)(c).

## **SCOPE OF WORK OF TING HO KWAN & CHAN CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this results announcement have been agreed by the Group's auditor, Ting Ho Kwan & Chan CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ting Ho Kwan & Chan CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ting Ho Kwan & Chan CPA Limited on this results announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.starofcanton.com.hk](http://www.starofcanton.com.hk)). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and posted on the above websites in due course.

By Order of the Board  
**Li Bao Ge Group Limited**  
**Chan Chun Kit**  
*Chairman and Executive Director*

Hong Kong, 30 March 2021

*As at the date of this announcement, the executive Directors are Mr. Chan Chun Kit, Ms. Chan Josephine Wai Sze and Ms. Zhu Xueqin; the non-executive Director is Mr. Chow Yiu Pong David; and the independent non-executive Directors are Prof. Wong Lung Tak Patrick, Mr. Yuen Ching Bor Stephen and Mr. Kan Sze King Kenneth.*

\* *For identification purposes only*