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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 unaudited consolidated results of the Group for the six months ended 30 June 2021 (the "**Period**") together with the comparative figures for the corresponding period in 2020 as set out below. This interim results announcement has been reviewed by the audit committee under the Board (the "**Audit Committee**"). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company's announcement dated 28 August 2018 regarding the transfer of listing from GEM to Main Board and the Company's prospectus dated 24 June 2016 (the "**Prospectus**").

FINANCIAL HIGHLIGHTS

For the Period, the Group's operating results were as follows:

– revenue of the Group amounted to approximately HK$134.1 million, representing an increase of approximately 46.6% as compared with the corresponding period in 2020.

– loss attributable to owners of the Company amounted to approximately HK$25.4 million, representing an increase in loss by approximately HK$1.8 million as compared with a loss attributable to owners of the Company of approximately HK$23.6 million for the corresponding period in 2020.

– loss per share was approximately HK2.54 cents.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June **2021** ***HK$'000*** **(unaudited)**	 2020 *HK$'000* (unaudited)
Revenue	*4*	**134,118**	91,477
Other income	*4*	**6,357**	6,799
Cost of materials consumed		**(57,170)**	(34,148)
Employee benefits expense		**(40,382)**	(27,791)
Depreciation	*5*	**(29,932)**	(30,307)
Other expenses	*5*	**(33,217)**	(22,389)
Operating loss		**(20,226)**	(16,359)
Finance costs	*6*	**(6,026)**	(6,803)
Loss before income tax		**(26,252)**	(23,162)
Income tax expense	*7*	**(698)**	(480)
Loss for the period		**(26,950)**	(23,642)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		**815**	(1,269)
Total comprehensive expense for the period		**(26,135)**	(24,911)
Loss attributable to:			
Owners of the Company		**(25,396)**	(23,642)
Non-controlling interests		**(1,554)**	–
		(26,950)	(23,642)
Total comprehensive expense attributable to:			
Owners of the Company		**(24,597)**	(24,911)
Non-controlling interests		**(1,538)**	–
		(26,135)	(24,911)
		HK cent	HK cent
Basic loss per share	*9*	**(2.54)**	(2.36)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	30 June 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**56,173**	63,216
Right-of-use assets		**116,568**	131,654
Intangible assets		**29,809**	30,516
Rental deposits		**14,193**	14,871
Deposits placed for a life insurance policy		**2,215**	2,176
Deposit paid for property, plant and equipment		**–**	1,873
Deferred tax assets		**283**	852
		219,241	245,158
Current assets			
Inventories		**11,265**	12,375
Trade receivables	*10*	**4,841**	5,462
Deposits, prepayments and other receivables		**12,123**	18,006
Loan receivable		**10,000**	10,000
Current tax recoverable		**309**	855
Amount due from a non-controlling shareholder		**9,901**	9,825
Amounts due from related companies		**4**	70
Cash and cash equivalents		**19,322**	28,949
		67,765	85,542
Total assets		**287,006**	330,700
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**10,000**	10,000
Reserves		**21,352**	45,949
		31,352	55,949
Non-controlling interests		**2,567**	4,105
Total equity		**33,919**	60,054

	Notes	**30 June 2021** *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**118,919**	128,209
Provision for reinstatement costs		**4,388**	4,573
Deferred tax liabilities		**2,688**	2,902
		125,995	135,684
Current liabilities			
Trade payables	*13*	**14,030**	19,418
Accruals, provisions and deposits received		**30,390**	29,329
Amount due to a non-controlling shareholder		**4**	241
Amount due to a related company		**73**	–
Contract liabilities		**19,617**	21,823
Bank borrowings	*12*	**22,427**	22,408
Lease liabilities		**39,239**	40,431
Provision for reinstatement costs		**1,312**	1,312
		127,092	134,962
Total liabilities		**253,087**	270,646
Total equity and liabilities		**287,006**	330,700
Net current liabilities		**(59,327)**	(49,420)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 principal place of business in Hong Kong 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 is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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**").

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements do not include all the information required for annual financial statements and thereby should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020 ("**2020 Annual Report**") which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). The Group's policies on financial risk management were set out in the financial statements included in the Company's 2020 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2021.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

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

In preparing the unaudited condensed consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceed its current assets by approximately HK$59,327,000 at 30 June 2021. The ultimate impact of the coronavirus disease 2019 ("**COVID-19**") pandemic on the Group is uncertain at the date of which the unaudited consolidated financial statements were authorised for issue. The Directors are of the opinion that the Group will have sufficient funds to meet its financial obligations when they fall due in the foreseeable future taking into account the followings:

(i) the Group had interest-bearing bank borrowings of approximately HK$22,427,000 as at 30 June 2021, of which approximately HK$5,510,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK$16,917,000 were classified as current liabilities due to the existence of a repayment on demand clause in the loan agreements. The Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the Directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

(ii) the Group will continue to take active measures to control expenses through various channels including human resources optimisation and management remuneration adjustments; and

(iii) negotiating with the landlords for rent concessions due to the impact of the COVID-19.

After taking into consideration of the above factors and funds expected to be generated internally from operations based on the Directors' estimation on the future cash flows of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited condensed consolidated financial statements to be prepared on a going concern basis because there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

(A) New and amended standards adopted by the Group

The Hong Kong Institute of Certified Public Accountants has issued a number of new HKFRSs and amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2021. The Group has adopted the following new and revised standards for the first time for the current period's condensed consolidated financial statements.

Amendments to HKFRS 9, Hong Kong Accounting Standards ("**HKAS**") 39, HKFRS 7, HKFRS 4 and HKFRS16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions (early adopted)

The adoption of these amendments to standards does not have any significant effect on the results and financial position of the Group.

(B) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS Amendments	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These standards are mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2022. At this stage, the Group does not intend to adopt these standards before their effective date.

3 SEGMENT INFORMATION

The Chief Operating Decision Maker ("**CODM**") has been identified as the chief executive officer of the Company 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, as well as a non-Chinese cuisine restaurant. 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 six months ended 30 June 2020 and 2021, there are no single external customers contributed more than 10% revenue of the Group.

Geographical information

The following tables present revenue from external customers for the six months ended 30 June 2020 and 2021.

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from external customers		
Hong Kong	**27,114**	43,198
Mainland China	**107,004**	48,279
	134,118	91,477

4 REVENUE AND OTHER INCOME

Revenue and other income during the six months ended 30 June 2020 and 2021 are as follows:

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from customers and recognised at point in time		
Revenue from Chinese restaurant operations	**112,707**	83,969
Revenue from Thai Cuisine restaurant operations	**4,130**	5,096
Revenue from cooperation with Freshippo	**14,961**	2,412
Revenue from sale of food ingredients	**2,320**	–
	134,118	91,477
Other income		
Interest income on short-term bank deposits	**26**	29
Interest income from deposits placed for a life insurance policy	**61**	40
Loan interest income	**300**	–
Reversal of provision for reinstatement cost	**203**	–
Government grants	**2,214**	3,465
Government subsidies	**3,174**	2,896
Miscellaneous income	**379**	369
	6,357	6,799
Total revenue and other income	**140,475**	98,276
Total interest income on financial assets measured at amortised cost	**387**	69

Disaggregation of revenue from contracts with customers by geographic market is disclosed in Note 3.

5 DEPRECIATION AND OTHER EXPENSES

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation		
– property, plant and equipment	**9,787**	8,393
– right-of-use assets	**20,145**	21,914
	29,932	30,307
Other expenses include the following items:		
Auditors' remuneration		
– audit services	**274**	341
– non audit services	**90**	90
Amortisation on intangible assets	**933**	–
Operating lease payments of premises		
– Contingent rent for premises*	**555**	846
– COVID-19 rent concessions	**(997)**	(4,989)
– Variable lease payment	**713**	–
Lease payment not included in the measurement of lease liabilities	**1,826**	2,683
Impairment loss on trade receivables, net	**1**	120
Property, plant and equipment written-off	**2,936**	–

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

6 FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**280**	171
Interest expense on lease liabilities	**5,746**	6,632
Total interest expenses on financial liabilities not at fair value through profit or loss	**6,026**	6,803

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Current tax on profits for the period		
– The PRC	**362**	10
Deferred tax		
Origination and reversal of temporary differences	**336**	470
Income tax expense	**698**	480

No provision for Hong Kong profits tax is made in the unaudited condensed consolidated financial statements as the Group has no assessable profits derived in Hong Kong for the six months ended 30 June 2020 and 2021.

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 the subsidiaries of the Group, the other PRC subsidiaries are subject to income tax at the rate of 25% for the six months ended 30 June 2020 and 2021.

8 DIVIDEND

The Board has resolved not to declare the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9 LOSS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to the owners of the Company	**(25,396)**	(23,642)

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	**1,000,000**	1,000,000

The diluted loss per share is equal to basic loss per share as there was no potential dilutive ordinary shares outstanding during the six months ended 30 June 2020 and 2021.

10 TRADE RECEIVABLES

	30 June 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
Trade receivables	**5,189**	5,787
Less: allowance for impairment losses	**(348)**	(325)
	4,841	5,462

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:

	30 June 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
0 to 30 days	**3,785**	4,635
31 to 60 days	**266**	184
61 to 90 days	**275**	174
Over 90 days	**515**	469
	4,841	5,462

11 SHARE CAPITAL

	Number of Ordinary shares	Nominal value of Ordinary share HK$'000
Authorised:		
Ordinary shares of HK$0.01 each as at 31 December 2020 (audited) and 30 June 2021 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,000,000,000	10,000

12 BANK BORROWINGS

	30 June 2021 *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
Bank borrowings due for repayment within one year (unsecured)	**5,510**	3,099
Bank borrowings due for repayment after one year which contain a repayment on demand clause (unsecured)	**16,917**	19,309
	22,427	22,408

13 TRADE PAYABLES

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

	30 June 2021 *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
0 to 30 days	**6,892**	8,708
31 to 60 days	**2,296**	7,334
61 to 90 days	**981**	906
Over 90 days	**3,861**	2,470
	14,030	19,418

BUSINESS AND OPERATIONAL REVIEW

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

For the six months ended 30 June 2021, the Group operated four full-service restaurants in Hong Kong under the brand name of “Star of Canton (利寶閣), a Thai cuisine restaurant in Hong Kong, 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 eighteen food counters in Shanghai, the PRC under the brand names of “Sun Kau Kee (新玖記)”. However, due to the unfavourable market conditions, the Group ceased the operation of a Cantonese dim sum tea house located in Luohu District in June 2021 to avoid further loss and make available the occupied working capital for other operation needs of the Group. 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 30 June 2021, 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 One Avenue Restaurant) and Baoan District (i.e. the Shenzhen Uniwalk Restaurant), respectively; and

In Shanghai, the PRC:

(iv) eighteen food counters inside Shanghai Freshippo stores.

Due to the impact of COVID-19 pandemic (the “**Pandemic**”), the expansion plan has been delayed.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded a total revenue of approximately HK$134.1 million, representing an increase of approximately 46.6% as compared to approximately HK$91.5 million for the six months ended 30 June 2020.

The Group's total revenue for the six months ended 30 June 2021 mainly comprised the aggregate revenue of the seven Chinese restaurants in Hong Kong and Shenzhen of approximately HK$112.7 million (2020: approximately HK$84.0 million), the revenue of the Thai (Mongkok) Restaurant of approximately HK$4.1 million (2020: approximately HK$5.1 million), the revenue from cooperation with Freshippo of approximately HK$15.0 million (2020: approximately HK$2.4 million); and revenue form the sales of food ingredients of approximately HK$2.3 million (2020: nil).

Aggregate revenue of the Group's restaurants in Hong Kong was approximately HK$27.1 million for the six months ended 30 June 2021, decreasing by approximately 37.2% as compared to the corresponding period in 2020. Besides, the aggregate revenue of the Group's restaurants in Shenzhen and Shanghai increased by approximately 121.6% over the same period. The Directors consider such decrease in revenue for Hong Kong was mainly due to, among others, the accelerated downtrend of the Hong Kong economy and the compulsory social distancing measures complemented by the authorities since the outbreak of the Pandemic. The Directors consider such increase in revenue for Mainland China was mainly due to the Mainland China economy began to recover and social restrictions eased compared to the corresponding period in 2020.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK$76.9 million for the six months ended 30 June 2021, representing an increase of approximately 34.2% from approximately HK$57.3 million for the six months ended 30 June 2020, which was in line with the increase in revenue during the Period. Nevertheless, the Group's overall gross profit margin decreased from approximately 62.7% for the six months ended 30 June 2020 to approximately 57.4% for the six months ended 30 June 2021. Such decrease was mainly due to (i) the Group offered more concessions to attract customers in view of the sluggish economy and the catering sector, and (ii) the general food cost inflation, which resulted in an overall decline in the Group's gross profit margin for the Period.

Employee benefits expense

Employee benefits expense was approximately HK$40.4 million for the six months ended 30 June 2021 (2020: approximately HK$27.8 million), representing an increase of approximately 45.3% as compared to the corresponding period in 2020, which was in line with the increase in revenue during the Period. Thanks to the Group's staff cost control measures, the employee benefits expense of its restaurant staff maintained at a stable level in terms of percentage of revenue as compared to the corresponding period of the last year. Going forward, the Group will continue to closely monitor the cost control in respect of staff salaries, and at the same time regularly review the work allocation of the staff in order to improve the work efficiency and maintain a quality standard of service.

Depreciation

Depreciation for the six months ended 30 June 2021 was approximately HK$20.1 million (2020: HK$21.9 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 building management fee and air conditioning charges, cleaning and laundry expenses, utility expenses, service fees paid to temporary workers, advertising and promotion. For the six months ended 30 June 2021, other expenses amounted to approximately HK$33.2 million (2020: approximately 22.4 million), representing an increase of approximately HK$10.8 million or 48.4% which was mainly due to the combined effects of cost control and increase in revenue.

Finance costs

Finance costs for the six months ended 30 June 2021 included approximately HK$5.7 million (2020: HK$6.6 million) in respect of interest expense on lease liabilities in relation to the Group's leased properties.

Loss attributable to owners of the Company

For the six months ended 30 June 2021, the Group recorded a loss attributable to owners of the Company of approximately HK$25.4 million, whereas the Group recorded a loss attributable to owners of the Company of approximately HK$23.6 million for the six months ended 30 June 2020. Such loss-making position for the six months ended 30 June 2021, representing increase in net loss by approximately HK$1.8 million as compared to the corresponding period in 2020, was mainly due to the effect of significant negative impact on Group's business by the Pandemic.

Liquidity, financial resources and capital structure

Capital Structure

The Group's objectives when 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 gearing ratio increased during the six months ended 30 June 2021, because of the total equity attributable to owners of the Company decreased by operating loss during the six months period. The Group will closely monitor the gearing ratio and will adjust its business strategies to improve it to reasonable level.

As at 30 June 2021, the Group's cash and bank balances were approximately HK$19.3 million, representing a decrease of approximately HK$9.6 million as compared with approximately HK$28.9 million as at 31 December 2020. The decrease was mainly due to increase in cash flow used in operation during the period.

As at 30 June 2021, cash and bank balances of approximately HK$19.3 million included HK$6.9 million and HK$12.4 million which were denominated in Hong Kong dollars and Renminbi, respectively.

Indebtedness and Banking Facilities

As at 30 June 2021, 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 guaranteed by The Hong Kong Special Administrative Region (the "**HKSAR**"), certain of the existing and former controlling shareholders, one of non-controlling shareholders and third parties.

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. Even HK$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the Period. Thus there is no significant exposure expected on RMB transactions and balances. Hence, the Group does not have any material foreign exchange exposure. During the Period, the Group had not used any financial instruments for hedging purposes.

Securities in issue

As at 30 June 2021, there were 1,000,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the six months ended 30 June 2021.

Commitments

As at 30 June 2021, the Group had no significant outstanding contracted capital commitments.

Charge on Assets

As at 30 June 2021, 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 tilted "Inside Information – Litigation" dated 6 January 2020. A provision of HK$4.7 million has been made in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021. 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 30 June 2021, the Group did not have any contingent liabilities.

Employees and Remuneration Policies

The Group had approximately 609 employees as at 30 June 2021. The staff head count decreased as compared to 2020 which was mainly due to cessation of operation of a Cantonese dim sum tea house located in Luohu District during the Period. The employee benefits expense, including Directors' emoluments, of the Group was approximately HK$40.4 million and HK$27.8 million for the six months ended 30 June 2021 and 2020, respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

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 by 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 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 six months ended 30 June 2021, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors has resolved not to declare any payment of dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

Prospects

The successful Listing and the Transfer of Listing marked major milestones as well as a new chapter of the Company. However, due to the uncertainties of the Hong Kong and Mainland China economies, 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 of surveying and researching customer trends and preferences and developing and marketing new menu items, banquet and dining services may be required, this may place substantial strain on the Group's managerial and financial resources;

(ii) the Group may fail to obtain leases for desirable locations for new restaurants or fail to renew existing leases on commercially acceptable terms, which 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 floating of the foreign currencies;

(iv) there may be labour shortages in the future and competition for qualified individuals in the food and beverage industry may be intense;

(v) the worsening of the Hong Kong and Mainland China economies as a result of the intensifying and increasingly gloominess of the situation of the China-US trade war which negatively affected the consumption sentiments of the general public and consequently affected the retail and catering sectors; and

(vi) the outbreak of the Pandemic in Hong Kong and Mainland China since January 2020, which may continue to adversely affect the Group's restaurant business in second half of the year.

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

Nonetheless, the management of the Company 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 Mainland China and its business strategies.

Since the end of last year, the Group has established a strategic cooperation with Freshippo, a member of Alibaba Group, to accelerate the development of the light meal takeaway market in Mainland China through Freshippo's enormous network and technology platform. The Group has adopted a light-asset business model, both physical and online (O2O) operation mode, to penetrate into high consumption power markets such as the Greater Bay Area and Eastern China, laying a solid foundation for cross-regional development and corporate transformation.

The Group believes that with the recovery trends in Mainland China, coupled with the strong O2O technology and online and offline customer flow provided by Freshippo, the Group's pace of recovery will be accelerated. The Group will continue to deepen its cooperation with Freshippo, and seek to open shop-in-shops in promising locations to capture the O2O catering opportunities in the Mainland China. Meanwhile, the Group will introduce new products with pure Hong Kong flavors and develop new dishes to enhance the competitiveness of its products. The Group is planning to retail its products, including the introduction of special soups and take-away light meal, in order to explore more sources of revenue.

As for the Hong Kong business, the Group will continue to pay close attention to the development of the local market and continue to work with landlords to seek rent remission and streamline operating costs in various aspects to enhance efficiency.

In spite of the challenging industry outlook, the Group will continue to work hard to meet the challenges, strengthen its capabilities with a flexible and courageous mindset, and enhance its business performance to meet the future.

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 30 June 2021, the net proceeds from the Rights Issue were applied as follows:

	Planned use of net proceeds as stated in the listing documents dated 22 November 2019 *HK$'000*	**Actual use of net proceeds up to 30 June 2021** ***HK$'000***
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	**20,500**
General working capital	17,800	**17,800**

As at 30 June 2021, all of HK$45.8 million, being the total net proceeds from the Rights Issue, had been used in accordance with the planned usage as detailed above.

OTHER INFORMATION

Director's Interests in Competing Business

Set out below are details of certain catering business of the controlling shareholder (having the meaning ascribed to it in the Listing Rules) of the Company (the "**Controlling Shareholder**") which was not included into the Group as at the date of this announcement. As disclosed in the Prospectus, the Controlling Shareholder was engaged in such business at the date of listing. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Catering Businesses" in the Prospectus. Unless otherwise specified, terms used herein shall have the same meanings as these defined in the Prospectus.

EXCLUDED CATERING BUSINESS

Li Jia Cha Chaan Teng (麗嘉茶餐廳)

As at the date of this announcement, 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, (iv) staff and (v) location and variety of selections for customers.

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 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.

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**").

Reference is made to the announcement tilted "Amendment of Concert Party Deed and Change in Controlling Shareholders" dated 9 April 2021 (the "**Announcement**") in relation to the amendment of concert party deed. Unless otherwise specified, terms used herein shall have the same meanings as these defined in the Announcement.

The supplemental amendment of concert party deed entered into by the Concert Parties on 9 April 2021, pursuant to which (i) only Bright Creator, Mr. Chan and Mrs. Chan remain as the Remaining Concert Parties, and (ii) the Outgoing Parties, namely Sun Foo Sing, Mr. Ho, Mr. Tsui K. F., Mr. Lam, Ms. Tsui, and Mr. Tsui C. K. ceased to be members of the Concert Parties.

Since the Outgoing Parties ceased to be the Controlling Shareholders of the Company, each of them will no longer be bounded by the Deed of Non-competition. The Remaining Concert Parties, on the other hand, will continue to be bounded by the Deed of Non-competition. For details, please refer to Announcement.

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, nor any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

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 "**Code**") in Appendix 14 of the Listing Rules. For the six months ended 30 June 2021, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code, except for certain deviations as specified with considered reasons for such deviations as explained below.

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

During the six months ended 30 June 2021, the Company did not separate the roles of chairman and chief executive officer of the Company. Mr. Chan Chun Kit was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during the Period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believed that it was in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believed that vesting the roles of both chairman and chief executive officer in the same person had 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 performed both roles of chairman and chief executive officer, the division of responsibilities between the two roles was clearly established. While the chairman was responsible for supervising the functions and performance of the Board, the chief executive officer was responsible for the management of the Group's business. The Board considered that the balance of power and authority for the present arrangement would 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 individual had unfettered power of decisions. This structure would 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 chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

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 of the Company (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 six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 June 2021.

The Company did not redeem any of its listed securities during the six months ended 30 June 2021.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted pursuant to a resolution passed by the Company's 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 30 June 2016 (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 six months ended 30 June 2021 and there were no outstanding share options under the Share Option Scheme as at 30 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 the Corporate Governance Code set out in Appendix 14 to the Listing Rules. 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 unaudited interim financial results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director subsequent to the date of the 2020 annual report of the Company is set out below:

Mr. Yuen Ching Bor Stephen is currently an independent non-executive Director of Janco Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8035) since 7 May 2021 and remains as an independent non-executive Director of Winson Holdings Hong Kong Limited (Stock Code: 6812), a company that was previously listed on the GEM of the Stock Exchange and successfully transferred the listing of its shares to the Main Board of the Stock Exchange on 11 June 2020. Mr. Yuen ceased to be the independent non-executive Director of Real Nutriceutical Group Limited (the "**Real Nutriceutical**"), a company listed on the Main Board of the Stock Exchange (Stock Code: 2010) on 25 January 2021 as the listing of the Real Nutriceutical's shares was cancelled on 25 January 2021 which was the last day of listing of its shares on the Stock Exchange.

By Order of the Board
LI BAO GE GROUP LIMITED
Chan Chun Kit
Chairman and Executive Director

Hong Kong, 27 August 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.