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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: 8102)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “Directors”) of Li Bao Ge Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## 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 2016, together with the comparative figures for the previous financial year ended 31 December 2015 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 24 June 2016 (the “**Prospectus**”).

## FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$278.4 million for the year ended 31 December 2016, representing an increase of approximately 8.4% as compared with the year ended 31 December 2015.
- The profit attributable to owners of the Company amounted to approximately HK\$11.3 million for the year ended 31 December 2016, representing an increase of approximately 210.7% as compared with the year ended 31 December 2015.
- A final dividend for the year ended 31 December 2016 of HK0.85 cents per share has been proposed by the Board and is subject to the approval by the Shareholders in the forthcoming AGM.

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

	<i>Notes</i>	Year ended 31 December	
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Revenue</b>	6	<b>278,429</b>	256,881
Other income	6	<b>1,546</b>	1,162
Other gains and losses		<b>(179)</b>	(3,139)
Cost of materials consumed		<b>(81,846)</b>	(71,261)
Employee benefits expense		<b>(59,812)</b>	(54,265)
Depreciation		<b>(13,327)</b>	(11,221)
Other expenses	7	<b>(100,367)</b>	(98,136)
<b>Operating profit</b>		<b>24,444</b>	20,021
Listing expenses		<b>(7,507)</b>	(8,419)
Finance costs	8	<b>(789)</b>	(862)
<b>Profit before income tax</b>		<b>16,148</b>	10,740
Income tax expense	9	<b>(4,800)</b>	(4,119)
<b>Profit for the year</b>		<b>11,348</b>	6,621
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		<b>(1,865)</b>	(349)
<b>Total comprehensive income for the year</b>		<b>9,483</b>	6,272
<b>Profit attributable to:</b>			
Owners of the Company		<b>11,348</b>	3,652
Non-controlling interests		<b>–</b>	2,969
		<b>11,348</b>	6,621
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>9,483</b>	3,322
Non-controlling interests		<b>–</b>	2,950
		<b>9,483</b>	6,272
Basis earnings per share	11	<b>HK cent 1.62</b>	HK cent 0.61

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2016	2015
	Notes	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		30,536	41,733
Investment properties		–	–
Rental deposits		15,420	15,649
Deposits placed for life insurance policies		5,457	5,139
Deferred tax assets		5,179	4,888
		<u>56,592</u>	<u>67,409</u>
<b>Current assets</b>			
Inventories		9,494	6,611
Trade receivables	12	3,797	3,280
Deposits, prepayments and other receivables		5,373	8,390
Amounts due from related companies		–	310
Current tax recoverable		1,518	913
Pledged bank deposits		14,000	–
Cash and cash equivalents		83,587	28,060
		<u>117,769</u>	<u>47,564</u>
<b>Total assets</b>		<u><b>174,361</b></u>	<u><b>114,973</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	8,000	–
Reserves		110,791	38,474
<b>Total equity</b>		<u><b>118,791</b></u>	<u><b>38,474</b></u>

		<b>As at 31 December</b>	
		<b>2016</b>	2015
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deposits received		<b>180</b>	242
Obligations under finance leases	<i>16</i>	<b>454</b>	689
Provision for reinstatement costs	<i>17</i>	<b>3,011</b>	3,049
Deferred tax liabilities		–	48
		<hr/> <b>3,645</b>	<hr/> 4,028
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>8,648</b>	9,016
Accruals, provisions and deposits received		<b>21,285</b>	30,078
Amounts due to directors		–	4,520
Amounts due to related companies		–	3,539
Bank borrowings	<i>15</i>	<b>19,230</b>	24,305
Obligations under finance leases	<i>16</i>	<b>235</b>	224
Provision for reinstatement costs	<i>17</i>	–	93
Current tax payable		<b>2,527</b>	696
		<hr/> <b>51,925</b>	<hr/> 72,471
<b>Total liabilities</b>		<hr/> <b>55,570</b>	<hr/> 76,499
<b>Total equity and liabilities</b>		<hr/> <b>174,361</b>	<hr/> 114,973
<b>Net current assets/(liabilities)</b>		<hr/> <b>65,844</b>	<hr/> (24,907)
<b>Total assets less current liabilities</b>		<hr/> <b>122,436</b>	<hr/> 42,502

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Other reserves	Exchange	Retained profits	Total		
					translation reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance as at 1 January 2015</b>	–	–	47	–	49	20,745	20,841	(1,839)	19,002
Profit for the year	–	–	–	–	–	3,652	3,652	2,969	6,621
Currency translation differences	–	–	–	–	(330)	–	(330)	(19)	(349)
<b>Total comprehensive income/ (expense) for the year</b>	–	–	–	–	(330)	3,652	3,322	2,950	6,272
Arising from reorganisation	–	–	18	(18)	–	–	–	–	–
Arising from disposal of subsidiaries	–	–	–	29,350	–	–	29,350	1,556	30,906
Waiver of amount due to a non-controlling shareholder	–	–	–	6,720	–	–	6,720	–	6,720
Waiver of amount due to a related party connected with a then shareholder of subsidiaries	–	–	–	864	–	–	864	–	864
Dividend recognised as distribution	–	–	–	–	–	(20,338)	(20,338)	(4,952)	(25,290)
Acquisition/deemed acquisition of additional equity interests in subsidiaries	–	–	13	(2,298)	–	–	(2,285)	2,285	–
<b>Balance as at 31 December 2015</b>	–	–	78	34,618	(281)	4,059	38,474	–	38,474
<b>Balance as at 1 January 2016</b>	–	–	78	34,618	(281)	4,059	38,474	–	38,474
Profit for the year	–	–	–	–	–	11,348	11,348	–	11,348
Currency translation differences	–	–	–	–	(1,865)	–	(1,865)	–	(1,865)
<b>Total comprehensive income/ (expense) for the year</b>	–	–	–	–	(1,865)	11,348	9,483	–	9,483
Arising from reorganisation	–	–	(78)	78	–	–	–	–	–
Issue of new shares by placing	2,000	69,000	–	–	–	–	71,000	–	71,000
Capitalisation issue of shares	6,000	(6,000)	–	–	–	–	–	–	–
Expenses incurred in connection with issue of new shares	–	(7,866)	–	–	–	–	(7,866)	–	(7,866)
Waiver of amounts due to ultimate controlling shareholders	–	–	–	7,700	–	–	7,700	–	7,700
<b>Balance as at 31 December 2016</b>	<b>8,000</b>	<b>55,134</b>	<b>–</b>	<b>42,396</b>	<b>(2,146)</b>	<b>15,407</b>	<b>118,791</b>	<b>–</b>	<b>118,791</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND BASIS OF PRESENTATION

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 is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company’s shares are listed on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing”) since 30 June 2016 (the “Listing Date”).

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”).

Pursuant to a reorganisation scheme to rationalise the structure of the Group in the preparation for the Listing (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 16 June 2016.

Details of the Reorganisation are set out in the section headed “History, Reorganisation and Development” of the Prospectus.

Before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholder and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control. Before and after the Reorganisation, there is also no change in management of the Group and ultimate owners of the Group remain the same. Accordingly, the consolidated financial statements as set out in this announcement for the years ended 31 December 2015 and 2016 have been presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2015 and 2016 include the financial performance and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the period of 2015, or since their respective dates of acquisition or incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2015 and 2016 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation, whichever is the shorter period.

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

The consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM 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 to be sent to the Shareholders.

The HKICPA has issued certain new and revised HKFRS 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

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the accountants' report included in the Prospectus, except for the new standards, amendments and interpretations ("the New HKFRSs") issued by the HKICPA that are adopted for the first time for the current financial statements. The adoption of the New HKFRSs had no material impact on the Group's financial statements. The Group had not early adopted any new or revised standards or interpretations that have been issued but are not yet effective.

### 4 ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimated.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended 31 December 2015.

### 5 SEGMENT INFORMATION

The Chief Operating Decision Maker ("CODM") has been identified as the CEO 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. 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 Chinese restaurants and no operating segment information is presented.

For the years ended 31 December 2015 and 2016, 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 years ended 31 December 2015 and 2016 and certain non-current assets information as at 31 December 2015 and 2016 by geographic area.

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Revenue from external customers</b>		
Hong Kong	188,826	183,083
Mainland China	89,603	73,798
	<u>278,429</u>	<u>256,881</u>

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



	<b>31 December 2016 HK\$'000</b>	31 December 2015 HK\$'000
<b>Non-current assets</b>		
Hong Kong	20,491	25,081
Mainland China	<u>10,045</u>	<u>16,652</u>
	<u><b>30,536</b></u>	<u><b>41,733</b></u>

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

## 6 REVENUE AND OTHER INCOME

Revenue from the operation of Chinese restaurants and other income during the years ended 31 December 2015 and 2016 are as follows:

	<b>Year ended 31 December</b>	
	<b>2016 HK\$'000</b>	2015 HK\$'000
<b>Revenue</b>		
Revenue from Chinese restaurant operations	<u>278,429</u>	<u>256,881</u>
<b>Other income</b>		
Rental income from investment properties	–	806
Interest income on short-term bank deposits	60	25
Dividend income	–	2
Interest income from deposits placed for life insurance policies	229	198
Forfeiture of deposits received	33	1
Miscellaneous income	<u>1,224</u>	<u>130</u>
	<u><b>1,546</b></u>	<u><b>1,162</b></u>
<b>Total revenue and other income</b>	<u><b>279,975</b></u>	<u><b>258,043</b></u>
Total interest income on financial assets not at fair value through profit or loss	<u><b>289</b></u>	<u><b>223</b></u>

## 7 OTHER EXPENSES

Other expenses include the following items:

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Auditor's remuneration		
– audit services	519	306
– non audit services	90	–
Operating lease expenses		
– Normal rent for premises	40,985	37,729
– Contingent rent for premises*	4,338	4,036
Underprovision of reinstatement costs	129	252
	<u>          </u>	<u>          </u>

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

## 8 FINANCE COSTS

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Interest expense on bank borrowings ( <i>note a</i> )	752	848
Interest expense on finance lease obligations	37	14
	<u>          </u>	<u>          </u>
Total interest expenses on financial liabilities not at fair value through profit or loss	789	862
	<u>          </u>	<u>          </u>

*Note a:* The above bank borrowings interest expenses related to bank borrowings which repayment terms contain a repayment on demand clause.

## 9 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Current tax</b>		
Current tax on profits for the year		
– Hong Kong	2,513	3,521
– The PRC	2,802	480
Overprovided in prior year	(40)	(18)
	<u>          </u>	<u>          </u>
	5,275	3,983
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(475)	134
Underprovided in prior year	–	2
	<u>          </u>	<u>          </u>
	(475)	136
Income tax expense	<u>          </u>	<u>          </u>
	4,800	4,119
	<u>          </u>	<u>          </u>

Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profits for the subsidiaries of the Group incorporated in Hong Kong during the years ended 31 December 2015 and 2016.

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2015 and 2016.

## 10 DIVIDENDS

No dividend has been declared or paid during the year ended 31 December 2016. Pursuant to the board of Directors' meeting on 27 March 2017, the Directors recommended to declare the final dividends for the year ended 31 December 2016 of HK0.85 cents per share totaling HK\$6,800,000. Such recommendation is to be approved by the Shareholders at the forthcoming annual general meeting of the Company. Dividends declared after the end of the reporting period are not recognised as a liability at the end of the reporting period.

A sum of HK\$25,290,000 dividends were declared by the Company's subsidiaries to its shareholders during the year ended 31 December 2015.

The rates of dividends and the number of shares ranking for dividends for the year ended 31 December 2015 are not presented as such information is not meaningful having regard to the purpose of this announcement for the year then ended.

## 11 EARNINGS PER SHARE

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

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit for the year attributable to the owners of the Company	<u>11,348</u>	<u>3,652</u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of calculating basis earnings per share	<u>701,639,000</u>	<u>600,000,000</u>

The number of shares used for the purpose of calculating basis earnings per share has been retrospectively adjusted for the issue of shares during the reorganisation and capitalisation issue as disclosed in note 25 of the Notes as if the shares had been in issue throughout the entire reporting periods.

The calculation of the weighted average number of shares outstanding has been adjusted for the effect of the placing of 200,000,000 new shares on 29 June 2016.

Diluted earnings per share was the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2015 and 2016.

## 12 TRADE RECEIVABLES

The Group's sales from its Chinese 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 is as follows:

	31 December	31 December
	2016	2015
	HK\$'000	HK\$'000
0 to 30 days	3,005	2,285
31 to 60 days	470	285
61 to 90 days	105	595
Over 90 days	<u>217</u>	<u>115</u>
	<u>3,797</u>	<u>3,280</u>

As at 31 December 2015 and 2016, no trade receivables were impaired. No allowance for impairment of trade receivables was made as at 31 December 2015 and 2016.

## 13 SHARE CAPITAL

	<i>Note</i>	Number of Ordinary shares	Nominal value of Ordinary share HK\$'000
<b>Authorised:</b>			
On incorporation		38,000,000	380
Increased on 16 June 2016		1,962,000,000	19,620
Ordinary shares of HK\$0.01 each as at 31 December 2016		<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>			
As at 1 September 2015 (date of incorporation)	<i>(a)</i>	1	*
Issue of shares during reorganisation	<i>(b)</i>	9,999	*
Issue of shares by capitalisation of share premium account	<i>(c)</i>	599,990,000	6,000
Issue of shares upon placing	<i>(d)</i>	200,000,000	2,000
As at 31 December 2016		<u>800,000,000</u>	<u>8,000</u>

\* Represents amount less than HK\$1,000

- (a) The Company was incorporated on 1 September 2015 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On the date of incorporation, 1 ordinary share was subscribed by a nominee company at nil consideration, which was then transferred to Zhao Tian Ventures Limited (“Zhao Tian”) on the same date.
- (b) On 16 June 2016, Zhao Tian, Sincere Expand Limited (“Sincere”) and Universal Palm Trading Limited (“Universal”) (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement pursuant to which the Company acquired 10,000 shares in Zhen Tong, representing its entire issued share capital and in consideration thereof, (i) one nil-paid Share held by Zhao Tian was credited as fully-paid; and (ii) 8,486 Shares, 1,062 Shares and 451 Shares were allotted to Zhao Tian, Sincere and Universal respectively.
- (c) On 16 June 2016, the Company capitalised HK\$5,999,900 by crediting the share premium account of the Company and applied such sum to pay up in full at par a total of 599,990,000 shares for allotment and issue to the then shareholders in proportion to their respectively shareholdings.
- (d) On 29 June 2016, the Company issued 200,000,000 new shares with nominal value of HK\$0.01 each for the placing at the offer price of HK\$0.355 each.

## 14 TRADE PAYABLES

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

	31 December 2016 HK\$'000	31 December 2015 HK\$'000
0 to 30 days	7,669	6,611
31 to 60 days	880	2,079
61 to 90 days	21	187
Over 90 days	78	139
	<u>8,648</u>	<u>9,016</u>

## 15 BANK BORROWINGS

	<b>31 December 2016 HK\$'000</b>	31 December 2015 HK\$'000
Bank borrowings due for repayment within one year – secured	<b>10,671</b>	10,233
Bank borrowings due for repayment after one year which contain a repayment on demand clause – secured	<b>8,559</b>	14,072
	<b>19,230</b>	24,305

As at 31 December 2016, the banking facilities of the Group were secured by bank deposits of HK\$14,000,000 of the Group and corporate guarantee of the Company.

## 16 OBLIGATIONS UNDER FINANCE LEASES

The rights to the leased assets are reverted to the lessor in the event of default of the lease liabilities by the Group.

	<b>31 December 2016 HK\$'000</b>	31 December 2015 HK\$'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	<b>260</b>	260
Later than 1 year and no later than 5 years	<b>478</b>	738
	<b>738</b>	998
Future finance charges on finance leases	<b>(49)</b>	(85)
	<b>689</b>	913
The present value of finance lease liabilities is as follows:		
No later than 1 year	<b>235</b>	224
Later than 1 year and no later than 5 years	<b>454</b>	689
	<b>689</b>	913

As at 31 December 2015 and 2016, finance lease liabilities were secured by motor vehicles.

## 17 PROVISION FOR REINSTATEMENT COSTS

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases. The Group expected that the present value of the costs approximates their undiscounted costs.

## 18 CAPITAL COMMITMENTS

As at 31 December 2015 and 2016, the Group did not have any material capital expenditure contracted for or authorised but not contracted for.

## 19 OPERATING LEASE COMMITMENTS

The Group leases various restaurant properties and equipment under non-cancellable and optional operating lease agreements. The lease agreements are between three and ten years, and majority of lease arrangements are renewable at the end of the lease period with either pre-set increment rate or market rate to be agreed with landlord.

The operating leases of certain restaurant properties also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and conditions as stipulated in the respective rental agreements. As the future revenue of these restaurants could not be accurately determined as at the reporting date, the relevant contingent rentals have not been included.

Minimum lease payments under non-cancellable operating leases in respect of properties are payable as a lessee as follows:

	<b>31 December 2016 HK\$'000</b>	31 December 2015 HK\$'000
No later than 1 year	<b>52,093</b>	39,247
Later than 1 year and no later than 5 years	<b>80,952</b>	106,910
Later than 5 years	<b>60,928</b>	56,454
	<b>193,973</b>	202,611

## 20 RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties during the current and prior years:

	<b>Year ended 31 December</b>	
	<b>2016 HK\$'000</b>	2015 HK\$'000
Purchases of goods from Ah Wong Frozen Meat (i)	–	9,389
Management fee paid to Bright Creator Limited (ii)	–	1,059
Rental expenses paid to Richfield Develop Limited (iii)	<b>71</b>	–

*Notes:*

- (i) Ah Wong Frozen Meat was an unincorporated business enterprise controlled by the sister of the Chairman. Purchases of goods from the related company were carried out at a rate mutually agreed between the parties involved in the transactions. The terms of these transactions are no more favourable than those dealt with third parties.
- (ii) Bright Creator Limited was a company controlled by the Chairman and his spouse. Management fee paid to the related company was charged at terms mutually agreed by both parties.
- (iii) Richfield Develop Limited was a company controlled by the Ultimate Controlling Shareholders. Rental expenses paid to a related company was charged at terms mutually agreed by both parties.

### (b) Other arrangements with related parties

Banking facilities available to the Group included guarantees provided by the Ultimate Controlling Shareholders and their related companies, and Mr. Cheung Yuen Chau and Mr. David Chu who are the controlling shareholders of a non-controlling shareholder as at 31 December 2015.

Banking facilities available to the Group were also secured by the properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders as at 31 December 2015.

At 31 December 2015, certain Company's subsidiaries and Harvest Express Development Limited had issued unlimited cross guarantee to a bank in respect of banking facilities granted to them.

All such guarantees and collaterals had been released as at 31 December 2016.

## **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.

#### **Restaurants Operation**

For the year ended 31 December 2016, the Group operated four full-service restaurants in Hong Kong and a full-service restaurant in Shenzhen, the PRC to provide Cantonese cuisine under the brand name of “Star of Canton (利寶閣)”. The Group also operated a Jingchuanhu cuisine restaurant in Hong Kong which was opened at the end of October 2015 under a new brand name of “Beijing House (京香閣)”. 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 under an elegant and comfortable dining environment. All of the Group’s restaurants target at mid-to-high end spending customers.

As at 31 December 2016, the Group had five restaurants in Hong Kong, two of which were located in Sheung Wan (i.e. the Sheung Wan Restaurant and the Beijing House Restaurant) and the remaining three were located in Tsim Sha Tsui (i.e. The One Restaurant), Causeway Bay (i.e. the CWB Restaurant) and Olympian City (i.e. the Olympian Restaurant), respectively. The Group’s restaurant in Shenzhen, the PRC is located in Futian District (i.e. the Shenzhen Restaurant).

### **FINANCIAL REVIEW**

#### **Revenue**

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

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

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

### **Gross profit and gross profit margin**

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

### **Employee benefits expenses**

Employee benefit expenses was approximately HK\$59.8 million for the year ended 31 December 2016 (2015: approximately HK\$54.3 million), representing an increase of approximately 10.2% as compared to the corresponding period in 2015. Such increase was mainly due to the larger aggregate floor area of the Sheung Wan Restaurant and the Beijing House Restaurant (which was relevant since their opening at the end of October 2015 and for the year ended 31 December 2016) as compared with that of the I-Square Restaurant (which was relevant for the year ended 31 December 2015), as a result of which, the Group was required to hire relatively more operational staff during the year ended 31 December 2016 as compared to that of the year ended 31 December 2015 in order to maintain comparable service standard. Going forward, the Group will 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.

### **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 paid to temporary workers, advertising and promotion. For the year ended 31 December 2016, other expenses amounted to approximately HK\$100.4 million (2015: approximately HK\$98.1 million), representing an increase of approximately 2.3% as compared to the corresponding period in 2015, which was mainly due to the increase in rental cost of restaurant premises.



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

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

## **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. Except for the use of the proceeds from the Listing for specific purposes, the Group generally finances its operations with internally generated cash flows and bank facilities for its other capital requirements.

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 2016, was to maintain the gearing ratio at an acceptable level.

As at 31 December 2016, the Group's cash and cash equivalents were approximately HK\$83.6 million, representing an increase of approximately HK\$55.5 million as compared with approximately HK\$28.1 million as at 31 December 2015. The increase was mainly due to net proceeds raised from the Placing upon the Listing.

As at 31 December 2016, cash and cash equivalents and restricted bank deposits amounted to approximately HK\$97.6 million, of which approximately HK\$66.2 million and HK\$31.4 million were denominated in Hong Kong dollars and Renminbi, respectively.

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

As at 31 December 2016, the Group had bank borrowings of approximately HK\$19.2 million, which were all denominated in Hong Kong dollars, bore interest rates ranging from Hong Kong Interbank Offer Rate ("HIBOR") plus 2.0% to HIBOR plus 3.5% per annum and were secured by pledged bank deposits of approximately HK\$14.0 million.

As at 31 December 2016, the Group's gearing ratio was approximately 16.8%, which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 December 2016 and multiplied by 100%. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December 2016 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. Even HK\$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the year under review. 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 year ended 31 December 2016, the Group had not used any financial instruments for hedging purposes.

### **Securities in Issue**

As at 31 December 2016, there were 800,000,000 ordinary shares in issue. Save for the issue of shares during the Reorganisation and capitalisation of shares and upon the Placing as detailed in the Prospectus, there was no other movement in the issued share capital of the Company during the year ended 31 December 2016.

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

Apart from the Reorganisation as disclosed in the Prospectus, there were no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2016.

Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 31 December 2016. Yet, subsequently on 13 February 2017, the Group entered into an agreement in relation to the proposed acquisition of 60% interest in a company which engages in the operation of a Thai cuisine restaurant in Hong Kong (the "Proposed Acquisition"). The Proposed Acquisition was not completed as at the date of this announcement. Please refer to the Company's announcement dated 13 February 2017 for further details.

### **Capital Commitments**

As at 31 December 2016, the Group had no significant outstanding contracted capital commitments.

### **Charge on Assets**

As at 31 December 2016, the Group pledged its bank deposits of approximately HK\$14.0 million as securities for the Group's bank borrowings of approximately HK\$19.2 million. Save as disclosed above, the Group did not have any charge over assets.

### **Contingent Liabilities**

As at 31 December 2016, the Group did not have any material contingent liabilities.

## **Employees and Remuneration Policies**

The Group had approximately 350 employees as at 31 December 2016. The staff costs, including Directors' emoluments, of the Group were approximately HK\$59.8 million for the year ended 31 December 2016 (2015: HK\$54.3 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 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 (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 2016, no share option was granted to the relevant participants pursuant to such scheme.

## **Dividend**

The Directors recommend the payment of a final dividend of HK0.85 cents per Share for the year ended 31 December 2016, to the Shareholders whose names appear on the register of members of the Company on Wednesday, 7 June 2017, subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to be held on Wednesday, 24 May 2017 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

## **Prospects**

The successful listing of the Group on the GEM of the Stock Exchange marks a major milestone as well as a new chapter of the Company. Nevertheless, due to the uncertainties of the Hong Kong economy, 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 strain on the Group's managerial and financial resources;
- (ii) the Group's financial performance may be adversely affected upon the closure of the I-Square Restaurant;
- (iii) the Group may fail to obtain leases for desirable locations for new restaurants or failure to renew existing leases on commercially acceptable terms would have a material adverse effect on the Group's business and future development;
- (iv) 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; and

- (v) there may be labour shortages in the future and competition for qualified individuals in the food and beverage industry may be intense.

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

Nonetheless, the management is confident that the Group can succeed and enhance the shareholders’ value, based on the years of experience of the Senior Management in managing Chinese restaurant business in Hong Kong and its business strategies as detailed below.

The operations of Group’s restaurants opened at the end of October 2015 are expected to be gradually put on track since their opening. Although these restaurants still incurred a mild operating loss during the year ended 31 December 2016, the Directors consider that the financial performance would be further improved in the coming year.

Going forward, the Group’s objective is to become a reputable multi-brand restaurant group with a diverse customer base in Hong Kong and the PRC to provide Cantonese and Jingchuanhu cuisines, Chinese banquet and dining services for large-scale events. The Group will continue to utilise its available resources to implement its business strategies, namely, expansion in Hong Kong with multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers. The Group will also consider the expansion of its catering business into other types of cuisines when opportunities arise, taking into account of the Group’s available resources, with the aim to optimize the return to its Shareholders.

### Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group’s business objectives as set out in the Prospectus with actual business progress up to 31 December 2016:

	<b>Business objectives up to 31 December 2016 as stated in the Prospectus</b>	<b>Actual business progress up to 31 December 2016</b>
1.	Progressive expansion in the PRC market	Capital expenditure for the Group’s new restaurants to be opened in Shenzhen, the PRC.
		(i) Pending the handover of the restaurant premises by the landlords upon completion of construction of the shopping malls regarding two new restaurants, of which the restaurant premises of the Shenzhen Uniwalk Restaurant is expected to be handed over by the end of March 2017.
		(ii) Hired a designer firm for renovation proposal of the Shenzhen Uniwalk Restaurant.
2.	Enhancement of existing restaurant facilities	Refurbishment and acquisition, upgrading or replacement of existing equipment and facilities
		Completed the refurbishment, upgrading and replacement of existing equipment facilities for The One Restaurant.
3.	Enhancement of marketing and promotions	Launch of marketing activities for promoting brand image
		Promoting wedding banquet service through participation in wedding exhibition and other marketing activities including meal sets promotion through media, website’s cash coupons and bank credit card promotion.

## Use of proceeds from the Listing

The shares of the Company 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.

During the year ended 31 December 2016, the net proceeds from the Placing were applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus up to 31 December 2016 HK\$'000</b>	<b>Actual use of proceeds up to 31 December 2016 HK\$'000</b>
Progressive expansion in the PRC market	3,000	520
Enhancement of existing restaurant facilities	1,500	1,500
Enhancement of marketing and promotions	2,250	1,586
	<u>          </u>	<u>          </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 2016, approximately HK\$3.6 million out of the net proceeds from the Listing had been used. The unused net proceeds were deposited in licensed banks in Hong Kong.

The Company intends to apply the net proceeds in the manner as stated in the Prospectus. However, the Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

## EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2016

On 13 February 2017, the Group entered into a conditional acquisition agreement with an individual to acquire 60% of the issued share capital of Profit Shiner Investment Limited ("Profit Shiner") at a consideration of HK\$1,800,000. Profit Shiner is principally engaged in the operation of a Thai Cuisine restaurant in Hong Kong under the franchise name of "THAI BRASSERIE by BLUE ELEPHANT".

The Proposed Acquisition was not completed at the date of this announcement.

Save as disclosed in this announcement, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2016 and up to the date of this announcement.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus, for the year ended 31 December 2016, none of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any business or interest in any company that competes or may compete 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 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 has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules from the Listing Date to 31 December 2016. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code from the Listing Date to 31 December 2016, except for certain deviations as specified with considered reasons for such deviations as 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.

From the Listing Date to 31 December 2016, the Company has not separated 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 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 chief executive officer 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 chief executive officer, 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 chief executive officer 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 of the Company 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 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 Rules 5.48 to 5.67 of the GEM 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 period from 30 June 2016, being the Listing Date, to 31 December 2016.

## **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 2016. The Company did not redeem any of its listed securities during the year ended 31 December 2016.

## **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 year ended 31 December 2016 and there were no outstanding share options under the Share Option Scheme as at 31 December 2016.

## **INTERESTS OF THE COMPLIANCE ADVISOR**

As at 31 December 2016, as notified by the Company’s compliance adviser, Ample Capital Limited (the “**Compliance Advisor**”), except for the compliance adviser agreement entered into between the Company and the Compliance Advisor dated 20 June 2016, neither the Compliance Advisor nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming AGM is scheduled to be held at Beijing House, which is located at 2/F, Infinitus Plaza, 199 Des Voeux Road Central, Central, Hong Kong on Wednesday, 24 May 2017 at 10:30 a.m. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 19 May 2017 to Wednesday, 24 May 2017, both days inclusive, during which period no transfer of shares of the Company 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 Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 18 May 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the forthcoming AGM. The record date for entitlement to the proposed final dividend is Wednesday, 7 June 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 5 June 2017 to Wednesday, 7 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Friday, 2 June 2017. The payment of final dividend will be made on or about Wednesday, 21 June 2017.

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

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM 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. Tam Tak Kei Raymond and Mr. Liu Chi Keung.

The audited consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

## **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, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary 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 the preliminary 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.hkgem.com](http://www.hkgem.com)) and the Company ([www.starofcanton.com.hk](http://www.starofcanton.com.hk)). The annual report of the Company for the year ended 31 December 2016 containing all the information required by the GEM Listing Rules will be dispatched to the Company's 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, 27 March 2017

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

*This announcement will remain on the "Latest Company Announcements" page on the Growth Enterprise Market website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and will also be published on the Company's website at <http://www.starofcanton.com.hk>.*