利·寶·閣

Li Bao Ge Group Limited
利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1869)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 (the "**Year**"), together with the comparative figures for the previous financial year ended 31 December 2021 as set out below. This annual results announcement has been reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK$135.6 million for the year ended 31 December 2022, representing a decrease of approximately 50.6% as compared with the year ended 31 December 2021.

- The loss attributable to owners of the Company amounted to approximately HK$41.4 million for the year ended 31 December 2022, representing a decrease in loss of approximately 55.3% as compared with a loss attributable to owners of the Company of approximately HK$92.4 million for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December **2022** ***HK$'000***	 2021 *HK$'000* (Restated)*
Revenue	6	**135,552**	274,566
Other income	7	**7,180**	6,656
Other gain		**–**	5
Cost of materials consumed		**(51,730)**	(106,399)
Employee benefits expense		**(50,801)**	(78,238)
Depreciation	8	**(40,115)**	(58,432)
Other expenses	8	**(44,355)**	(74,658)
Operating loss		**(44,269)**	(36,500)
Gain on early termination of leases, net		**24,879**	13
Impairment loss on amount due from a non-controlling shareholder		**–**	(9,858)
Impairment loss on property, plant and equipment, net		**(6,015)**	(406)
Impairment loss on right-of-use assets, net		**(10,947)**	(14,309)
Impairment loss on intangible assets		**–**	(28,695)
Finance costs	9	**(9,865)**	(11,533)
Loss before income tax		**(46,217)**	(101,288)
Income tax	10	**3,123**	1,150
Loss for the year		**(43,094)**	(100,138)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		**(199)**	982
Total comprehensive loss for the year		**(43,293)**	(99,156)
Loss attributable to:			
Owners of the Company		**(41,352)**	(92,430)
Non-controlling interests		**(1,742)**	(7,708)
		(43,094)	(100,138)
Total comprehensive loss attributable to:			
Owners of the Company		**(41,913)**	(91,369)
Non-controlling interests		**(1,380)**	(7,787)
		(43,293)	(99,156)
Basic loss per share	12	**HK cent (4.12)**	HK cent (9.24)

**Note:* Comparative figures for the year ended 31 December 2021 have been restated for the change in accounting policy. Details of the restatements are set out in note 3.3 to this results announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000 (Restated)*	As at 1 January 2021 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**18,794**	38,592	57,297
Right-of-use assets		**62,847**	85,769	131,654
Intangible assets		**–**	–	30,516
Rental deposits		**6,502**	12,773	14,871
Deposits placed for life insurance policies		**–**	2,247	2,176
Deposit paid for property, plant and equipment		**–**	–	1,873
Deferred tax assets		**3,244**	320	1,435
		91,387	139,701	239,822
Current assets				
Inventories		**9,412**	13,893	12,375
Trade receivables	13	**1,603**	2,302	5,462
Deposits, prepayments and other receivables		**13,745**	10,250	18,006
Loan receivable		**1,470**	3,706	10,000
Current tax recoverable		**6**	42	855
Amount due from a non-controlling shareholder		**–**	–	9,825
Amounts due from related companies		**7**	9	70
Financial asset at fair value through profit or loss		**791**	–	–
Pledged bank deposits		**–**	4,076	–
Cash and cash equivalents		**23,503**	26,817	28,949
		50,537	61,095	85,542
Total assets		**141,924**	200,796	325,364
EQUITY				
Equity attributable to owners of the Company				
Share capital	14	**11,051**	10,000	10,000
Reserves		**(72,651)**	(50,756)	40,613
		(61,600)	(40,756)	50,613
Non-controlling interests		**(5,062)**	(3,682)	4,105
Total (deficits)/equity		**(66,662)**	(44,438)	54,718

**Note:* Comparative figures for the year ended 31 December 2021 have been restated for the change in accounting policy. Details of the restatements are set out in note 3.3 to this result announcement.

	Notes	As at 31 December **2022** ***HK$'000***	 2021 *HK$'000* (Restated)*	As at 1 January 2021 *HK$'000* (Restated)
LIABILITIES				
Non-current liabilities				
Lease liabilities		**74,794**	102,999	128,209
Provision for reinstatement costs		**3,475**	3,833	4,573
Deferred tax liabilities		**–**	–	2,902
		78,269	106,832	135,684
Current liabilities				
Trade payables	15	**11,638**	16,646	19,418
Accruals and other payables		**50,640**	32,443	29,329
Amount due to a non-controlling shareholder		**1,262**	723	241
Amounts due to related companies		**1,117**	307	–
Contract liabilities		**16,903**	23,451	21,823
Bank borrowings	16	**20,776**	24,724	22,408
Lease liabilities		**26,031**	38,168	40,431
Current tax payable		**–**	28	–
Provision for reinstatement costs		**1,950**	1,912	1,312
		130,317	138,402	134,962
Total liabilities		**208,586**	245,234	270,646
Total (deficits)/equity and liabilities		**141,924**	200,796	325,364
Net current liabilities		**(79,780)**	(77,307)	(49,420)

**Note:* Comparative figures for the year ended 31 December 2021 have been restated for the change in accounting policy. Details of the restatements are set out in note 3.3 to this results announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Li Bao Ge Group Limited (the "**Company**") was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office and principal place of business are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room B, 5/F, On Fat Industrial Building, 12–18 Kwai Wing Road, Kwai Chung, New Territories, Hong Kong, respectively. The Company's shares (the "**Shares**") are 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 STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rule**s").

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

3 PRINCIPAL ACCOUNTING POLICIES

3.1 During the Year, the Group recorded a consolidated net loss of approximately HK$43,293,000 and, as of 31 December 2022, the Group had net liabilities of approximately HK$66,662,000 and its current liabilities exceeded its current assets by approximately HK$79,780,000.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

The Group has taken a number of measures to improve its liquidity position, including, but not limited to, the following:

(i) the Group had interest-bearing bank borrowings of approximately HK$20,776,000 as at 31 December 2022, of which approximately HK$3.192,000 is repayable within one year. The remaining interest-bearing bank borrowings, amounting to approximately HK$17,584,000 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 is actively negotiating with banks to obtain additional funds to finance the Group's working capital and improve the liquidity positions;

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

(iv) a substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations.

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 of the opinion that there will be sufficient financial resources available to the Group to enable it to meet its liabilities as and when they fall due and to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively.

The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3.2 The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's consolidated financial statement for the year ended 31 December 2021, except for the amendment issued by the HKICPA that are adopted for the first time for the current year's consolidated financial statement and the change of accounting policy on property, plant and equipment.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2022. The Group has adopted the following new and revised standards for the first time for the current year's consolidated financial statements:

Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these consolidated financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

The Group has not applied any other new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

3.3 The Group reassessed its accounting policy for property, plant and equipment with respect to the class of crockery, utensils and linens. The Group had previously capitalised the initial expenditure incurred for crockery, utensils and linens with no depreciation has provided thereon and recognised the cost of subsequent replacement for these items in profit or loss when incurred. In the current reporting period, the directors of the Group, to cope with the recent economic environment and prevailing industry practices, determined to recognise all expenditures for crockery, utensils and linens in profit or loss when incurred. The directors believe that the new accounting policy provides more consistent, reliable and relevant information to the users of the Group's financial statements to understand the financial performance and the financial position of the Group.

The change in accounting policy has been accounted for retrospectively and the comparative figures for the corresponding comparative prior periods have been restated.

The tables below illustrate the affected financial statements line items upon the application of the new accounting policy for the prior periods:

Consolidated statement of comprehensive income for the year ended 31 December 2021 (extract)

	As previously reported 2021	**Impact of restatements**	**As restated 2021**
	HK$'000	*HK$'000*	*HK$'000*
Other expenses	(74,678)	20	(74,658)
Operating loss	(36,520)	20	(36,500)
Loss before income tax	(101,308)	20	(101,288)
Loss for the year	(100,158)	20	(100,138)
Exchange difference arising from translation of financial statements of foreign operations	1,104	(122)	982
Total comprehensive loss for the year	(99,054)	(102)	(99,156)
Loss attributable to:			
Owners of the Company	(92,450)	20	(92,430)
Total comprehensive loss attributable to:			
Owners of the Company	(91,267)	(102)	(91,369)
	HK cent	*HK cent*	*HK cent*
Basic loss per share	(9.25)	0.01	(9.24)

Consolidated statement of financial position (extract)

	As previously reported 31 December 2021 *HK$'000*	Impact of restatements *HK$'000*	As restated 31 December 2021 *HK$'000*
Non-current assets			
Property, plant and equipment	44,629	(6,037)	38,592
Deferred tax assets	–	320	320
Total assets	206,513	(5,717)	200,796
Non current liabilities			
Deferred tax liabilities	279	(279)	–
Equity			
Reserves	(45,318)	(5,438)	(50,756)
Total deficits and liabilities	206,513	(5,717)	200,796

	As previously reported 1 January 2021 *HK$'000*	Impact of restatements *HK$'000*	As restated 1 January 2021 *HK$'000*
Non-current assets			
Property, plant and equipment	63,216	(5,919)	57,297
Deferred tax assets	852	583	1,435
Total assets	330,700	(5,336)	325,364
Equity			
Reserves	45,949	(5,336)	40,613
Total equity and liabilities	330,700	(5,336)	325,364

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5 SEGMENT INFORMATION

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

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

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

For the years ended 31 December 2021 and 2022, there are no single external customers contributed more than 10% revenue of the Group.

Geographical information

The following table presents revenue from external customers for the years ended 31 December 2021 and 2022 by geographic area.

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Revenue from external customers		
Hong Kong	**26,595**	76,944
Mainland China	**108,957**	197,622
	135,552	274,566

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

	31 December 2022	31 December 2021	1 January 2021
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Non-current assets			
Hong Kong	**2,926**	11,939	44,552
Mainland China	**78,715**	112,422	174,915
	81,641	124,361	219,467

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

6 REVENUE

An analysis of revenue during the years ended 31 December 2021 and 2022 are as follows:

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Revenue from customers and recognised at point in time		
Revenue from Chinese restaurant operations	**131,197**	244,934
Revenue from Thai cuisine restaurant operations	**4,338**	10,210
Revenue from cooperation with Freshippo	**17**	18,826
Revenue from sale of food ingredients	**–**	596
	135,552	274,566

7 OTHER INCOME

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Interest income on short-term bank deposits	**164**	54
Interest income on loan receivable	**88**	300
Interest income from deposits placed for life insurance policies	**–**	113
Reversal of provision for reinstatement cost, net	**361**	204
Reversal of impairment loss on trade receivables	**–**	98
Government subsidies and incentive	**757**	3,569
Government grants	**3,947**	2,214
Miscellaneous income	**377**	104
Forfeiture of deposits received	**1,486**	–
	7,180	6,656

8 DEPRECIATION AND OTHER EXPENSES

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
		(Restated)
Depreciation		
– Property, plant and equipment	**14,482**	19,119
– Right-of-use assets	**25,633**	39,313
	40,115	58,432
Other expenses include the following items:		
Auditor's remuneration		
– Audit services	**1,020**	1,000
– Non audit services	**192**	282
Amortisation on intangible assets	**–**	1,874
Operating lease payments of premises		
– Contingent rent for premises (i)	**27**	1,743
– Coronavirus disease 2019 ("**COVID-19**") rent concessions	**(1,664)**	(3,224)
– Variable lease payment	**–**	687
Lease payments not included in the measurement of lease liabilities	**2,592**	4,026
Impairment loss on trade receivables	**51**	–
Impairment loss on loan receivable	**1,983**	–
Property, plant and equipment written-off	**15**	5,811
Bad debt written-off	**53**	2,072
Value-added tax ("**VAT**") recoverable written-off (ii)	**–**	2,511

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

(ii) The VAT recoverable written-off was mainly derived from the dormant subsidiaries. These dormant subsidiaries are still entitled to the VAT recoverable. Given that these dormant subsidiaries ceased their business, the management of the Company considered the probability of utilising such VAT recoverable to be remote.

9 FINANCE COSTS

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**631**	634
Interest expenses on lease liabilities	**9,205**	10,899
Interest expenses on loan from a director	**29**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**9,865**	11,533

10 INCOME TAX

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Current tax		
Current tax on profits for the year		
– the PRC	**–**	556
(Overprovided)/underprovided in prior year	**(83)**	75
	(83)	631
Deferred tax		
Origination and reversal of temporary differences	**(3,040)**	(1,781)
Income tax credit	**(3,123)**	(1,150)

No provision for Hong Kong profits tax is made in the consolidated financial statements as the Group has no assessable profits derived in Hong Kong for the year ended 31 December 2021 and 2022.

No provision for the PRC profits tax is made in the consolidated financial statement as the Group has no assessable profits derived in the PRC for the year ended 31 December 2022.

According to the PRC Enterprise Corporate Tax Law promulgated by the PRC government, the PRC's statutory income tax rate is 25%. Except for certain preferential tax treatment available to one of its subsidiaries of the Group, the other PRC subsidiaries are subject to income tax at the rate of 25% for the years ended 31 December 2021 and 2022.

11 DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

12 LOSS PER SHARE

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

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the year attributable to the owners of the Company	**(41,352)**	(92,430)

	2022	2021
	'000	*'000*
Number of Shares		
Weighted average number of Shares for the purpose of calculating basic earnings per Shares	**1,004,895**	1,000,000

Diluted loss per Shares was the same as basic loss per Share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2021 and 2022.

13 TRADE RECEIVABLES

	31 December 2022 HK$'000	31 December 2021 HK$'000
Trade receivables	**1,872**	2,536
Less: Allowance for impairment losses	**(269)**	(234)
	1,603	2,302

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

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

	31 December 2022 HK$'000	31 December 2021 HK$'000
0 to 30 days	**1,213**	1,805
31 to 60 days	**109**	207
61 to 90 days	**18**	52
Over 90 days	**263**	238
	1,603	2,302

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

14 SHARE CAPITAL

	Number of Ordinary shares	Nominal value of Ordinary share HK$'000
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2021, 31 December 2021 and 2022	2,000,000,000	20,000
Issued and fully paid:		
As at 1 January 2021 and 31 December 2021	1,000,000,000	10,000
Issue of shares upon placing	105,100,000	1,051
As at 31 December 2022	1,105,100,000	11,051

15 TRADE PAYABLES

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

	31 December 2022 *HK$'000*	31 December 2021 *HK$'000*
0 to 30 days	**2,284**	6,943
31 to 60 days	**2,751**	3,443
61 to 90 days	**1,273**	1,256
Over 90 days	**5,330**	5,004
	11,638	16,646

16 BANK BORROWINGS

	31 December 2022 *HK$'000*	31 December 2021 *HK$'000*
Bank overdraft – unsecured	**–**	1,102
Bank borrowings due for repayment within one year – unsecured	**3,192**	2,855
Bank borrowings due for repayment after one year which contain a repayment on demand clause – unsecured	**17,584**	20,767
	20,776	24,724

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.

As at 31 December 2022, the Group operated one full-service restaurant in Hong Kong under the brand name of "Li Bao House (利寶會館)" (the "**Central Restaurant**") (i.e. a new high class Chinese restaurant for the Group and main brand focus on new high-class Cantonese cuisine and attract customers who put a high value on quality with luxurious decorations) which was opened on 28 November 2022. The Group also operated three full-service restaurants in Shenzhen, the PRC, under the brand name of "Star of Canton (利寶閣)".

Due to unsatisfactory customer visits, unfavorable market conditions, and the expiration of the lease term on 31 May 2022, the Group decided not to renew the lease and ceased the operation of the Chinese restaurant in Causeway Bay. For similar reasons, and as the Group was unable to obtain favorable lease concessions from the landlords, the Group ceased the operations of the Chinese restaurant in Tsim Sha Tsui, the Thai cuisine restaurant in Mongkok and the Chinese restaurant in Olympian City on 19 May, 25 August and 26 September 2022, respectively. During the Year, the Group's Chinese restaurants in the PRC were seriously affected by government restriction measures on public gatherings and compulsory temporary lockdowns. One food counter inside Shanghai Freshippo store was closed during the Year. The above factors had caused a severe adverse impact on the Group's business during the Year.

Despite of (a) the Hong Kong Special Administrative Region (the "**HKSAR**") Government has lifted the COVID-19 prevention measures in an orderly manner; (b) the stabilizing of COVID-19; and (c) the gradual resumption of economic activities in the PRC, the catering industry is still facing huge challenges and the business environment remains weak as compared to that before the fifth wave of the COVID-19. The Group remained vigilant by constantly adjusting the menu mix and taking measures to optimize operations and enhance production efficiency, so as to cope with the unpredictable market environment.

The management of the Group periodically evaluates the business potential, location, customer traffic, store layout and rental terms of the Group's existing and potential restaurants. In response to the prevailing operating environment in Hong Kong, the Group has in place active cost control measures to ensure that the resources of the Group are deployed efficiently. The Group will continue to strengthen its position in operating restaurants in Hong Kong and the PRC and look for suitable opportunities to expand our business in the regions.

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

As at 31 December 2022, the Group had,

In Hong Kong:

(i) one Chinese restaurant, which was located in Central (i.e. the Central Restaurant); and

In Shenzhen, the PRC:

(ii) three Chinese restaurants, which were located in Futain District (i.e. the Shenzhen Restaurant and the Shenzhen One Avenue Restaurant) and Baoan District (i.e. the Shenzhen Uniwalk Restaurant), respectively.

Due to the impact of the COVID-19, the expansion plan of the Group has been delayed.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group recorded a total revenue of approximately HK$135.6 million, representing a decrease of approximately 50.6% as compared to approximately HK$274.6 million for the year ended 31 December 2021.

The Group's total revenue for the year ended 31 December 2022 mainly comprised:

(1) the aggregate revenue of the four Chinese restaurants in Hong Kong of approximately HK$22.3 million (2021: approximately HK$66.7 million), decreased by approximately 66.7%, which was mainly due to the closure of three Chinese Restaurants during the Year. In addition, the fifth wave of the COVID-19, the accelerated downtrend of the Hong Kong economy and severe government restriction measures on public gatherings also contributed to the reduction of revenue during the Year;

(2) the aggregate revenue of the three Chinese restaurants in Shenzhen, the PRC, of approximately HK$108.9 million (2021: approximately HK$178.2 million), decreased by approximately 38.9%, which was mainly due to the severe government restriction measures on public gatherings and compulsory temporary lockdowns. Operations of our restaurants located in the lockdown areas in the PRC were temporarily suspended which caused serious impacts on our business. Besides, the severe COVID-19 from surrounding cities and regions also affected the consumer spending confidence level in Shenzhen during the Year;

(3) the aggregate revenue of the Thai (Mongkok) Restaurant in Hong Kong of approximately HK$4.3 million (2021: approximately HK$10.2 million), decreased by approximately 57.5%, which was mainly due to the closure of the restaurant during the Year;

(4) the aggregate revenue of the Freshippo operation inside Shanghai Freshippo store of approximately HK$17,000 (2021: approximately HK$18.8 million), decreased by approximately 99.9% which was due to the closure of the operation during the Year; and

(5) no revenue of sales of food ingredients was recorded during the Year (2021: approximately HK$0.6 million) as a result of the suspension of such business.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK$83.8 million for the year ended 31 December 2022, representing a decrease of approximately 50.2% from approximately HK$168.2 million for the year ended 31 December 2021, which was in line with the decrease in revenue of approximately 50.6% during the Year. Nevertheless, the Group's overall gross profit margin slightly increased to approximately 61.8% for the year ended 31 December 2022 (2021: 61.3%).

Employee benefits expense

Employee benefits expense was approximately HK$50.8 million for the year ended 31 December 2022 (2021: approximately HK$78.2 million), representing a decrease of approximately 35% as compared to 2021 which was (i) in line with the decrease in revenue from the PRC (represented over 80% of the total revenue of the Group) during the year ended 31 December 2022 and (ii) the closure of three Chinese restaurants and one Thai cuisine restaurant during the Year. Going forward, the Group will closely monitor the cost control in respect of staff salaries, and regularly review the work allocations of the staff in order to improve work efficiency and maintain high quality services.

Depreciation

Depreciation in respect of the right-of-use assets in relation to the Group's leased properties for the year ended 31 December 2022 was approximately HK$25.6 million (2021: HK$39.3 million).

Other expenses

Other expenses mainly include but not limited to expenses incurred for the Group's restaurant operations, consisting of operating lease expenses, building management fees, air conditioning charges, cleaning and laundry expenses, utility expenses, service fees to temporary workers, advertising and promotions. For the year ended 31 December 2022, other expenses amounted to approximately HK$44.4 million (2021: HK$74.7 million), representing a decrease of approximately HK$30.3 million or 40.6% which was mainly due to the combined effects of (i) the decrease of bad debts written-off by approximately HK$2.0 million; (ii) no VAT recoverable written-off as compared to the year ended 31 December 2021 of approximately HK$2.5 million; (iii) the decrease of property, plant and equipment written off by approximately HK$5.8 million compared to the year ended 31 December 2021; (iv) the decrease of short term lease payment by approximately HK$1.4 million compared to the year ended 31 December 2021; (v) the decrease of building management fee and air conditioning charges by approximately HK$3.9 million due to the closure of restaurants in Hong Kong; and (vi) the decrease of temporary staff cost, staff messing and laundry and sanitary expenses by approximately HK$2.2 million, HK$2.3 million and HK$2.5 million, respectively, as compared to the year ended 31 December 2021 due to the reduction in sales and closure of restaurants.

Gain on early termination of leases

The gain on early termination of leases of approximately HK$24.9 million was mainly resulted from termination of leases held by the Chinese restaurants in Tsim Sha Tsui and Olympian City during the Year. The gain represented the amount of reversal of remaining lease liabilities in excess of the carrying value of related right-of-use assets.

Impairment losses on amount due from a non-controlling shareholder of the Company (the "Shareholder") and intangible assets

There was no impairment loss on the amount due from a non-controlling Shareholder nor impairment loss on intangible assets for the Year as the related amount had been fully provided in the previous year ended 31 December 2021.

Impairment losses on right-of-use assets, property, plant and equipment and loan receivable

The net impairment loss on right-of-use assets and property, plant and equipment amounting to approximately HK$10.9 million and HK$6.0 million, respectively, recognised in the Year were due to the unsatisfactory performance of Chinese restaurants in Hong Kong and the PRC. The Directors are of the opinion that the credit risk of the loan receivable is considered to be high for the occurrence of default events. Having considered the recoverable amount of security and the liquidity position of the borrower, the Group recognised approximately HK$2.0 million impairment loss on loan receivable during the year ended 31 December 2022.

Finance costs

Finance costs for the year ended 31 December 2022 were approximately HK$9.2 million (2021: HK$10.9 million) in respect of interest expense on lease liabilities in relation to the Group's leased property, plant and equipment.

Loss attributable to owners of the Company

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK$41.4 million, whereas the Group recorded a loss attributable to owners of the Company of approximately HK$92.4 million (restated) for the year ended 31 December 2021. Such loss-making position for the year ended 31 December 2022, decreased by approximately HK$51.1 million as compared to the last year which was mainly attributable to the combined effects of (i) no record of impairment losses on the intangible assets (2021: approximately HK$28.7 million); (ii) no record of impairment losses on the amount due from a non-controlling Shareholder (2021: approximately HK$9.9 million); (iii) the increase in aggregate operating losses of the operations of the Group's restaurants by approximately HK$7.8 million; (iv) the record of impairment losses on property, plant and equipment of approximately HK$6.0 million; and (v) the gain on early termination of leases by approximately HK$24.9 million.

Liquidity, financial resources and capital structure

Capital Structure

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

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

The Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the year ended 31 December 2022, was to maintain the gearing ratio at an acceptable level.

As at 31 December 2022, the Group's cash and cash equivalents were approximately HK$23.5 million, representing a decrease of approximately HK$3.3 million as compared with approximately HK$26.8 million as at 31 December 2021. The decrease was mainly due to increase in cash used in operations during the Year.

As at 31 December 2022, cash and cash equivalents amounted to approximately HK$23.5 million, of which approximately HK$16.8 million and HK$6.7 million were denominated in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"), respectively.

Indebtedness and Banking Facilities

As at 31 December 2022, the Group had bank borrowings of approximately HK$20.8 million, bearing interest rates at 3.375% per annum and were guaranteed by HKSAR.

As at 31 December 2022, the Group's gearing ratio, which is calculated based on the interest-bearing debts (excluding lease liabilities) divided by total equity attributable to owners of the Company (the "**Shareholders' Equity**"), was irrelevant as the Company has recorded a deficit in its Shareholders' Equity as at 31 December 2022. The Directors, taking into account the nature and scale of operations and capital structure of the Group, will closely monitor the gearing ratio and will adjust its business strategies to improve it to a reasonable level.

Foreign Exchange Exposure

Most of the income and expenditures of the Group are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Although HK$ is not pegged to RMB, the historical exchange rate fluctuation on RMB was not significant during the Year under review. Thus, no significant exposure is expected on RMB transactions and balances. Accordingly, the Group does not have any material foreign exchange exposure. During the year ended 31 December 2022, the Group had not used any financial instruments for hedging purposes.

Securities in Issue

As at 31 December 2022, there were 1,105,100,000 ordinary shares in issue. The Company has allotted and issued additional 105,100,000 Shares during the Year. Details of which are set out below with sub-heading "Placing of New Shares under General Mandate".

Placing of New Shares under General Mandate (the "Placing")

Reference is made to the Company's announcements dated 22 November, 6 December and 15 December 2022 (collectively, the "**Placing Announcements**"). The Company has successfully placed on 15 December 2022 a total of 105,100,000 new Shares under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 24 June 2022. The net proceeds (after deducting the placing commission, professional fees and all related expenses) were approximately HK$21.07 million.

Please refer to the Placing Announcements and the section "Use of proceeds from the Placing" on page 23 below for details of the Placing and intended uses of the Placing proceeds.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2022.

The Company entered into a cooperation agreement (the "**Cooperation Agreement**") with Kafelaku Coffee International Holding Limited to establish a joint venture company (the "**JV**"). Pursuant to the Cooperation Agreement, the JV will then set up a company in Guangzhou city, the PRC and open coffee chain stores in the PRC. For detail, please refer to the Company's announcement dated 18 November 2022. Save as the above, there was no plan for material investment or capital assets as at 31 December 2022.

Charge on Assets

As at 31 December 2022, the Group did not have any charge over its assets (2021: pledged bank deposit of approximately HK$4.1 million).

Contingent Liabilities

On 31 December 2019, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company received a Writ of Summons together with an indorsement of claim dated 31 December 2019 issued in the High Court of the HKSAR (the "**Court Action**") by Foxhill Investments Limited as plaintiff against Excel Linker (Hong Kong) Limited as defendant. For details, please refer to the announcement titled "Inside Information – Litigation" dated 6 January 2020. A provision of HK$9.3 million has been made in the consolidated financial statements as at 31 December 2022 (2021: HK$6.0 million). 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 up to the date of this announcement.

Saved as disclosed above, as at 31 December 2022, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

The Group had approximately 408 employees as at 31 December 2022 (2021: 537). The employee benefits expense, including Directors' emoluments, of the Group were approximately HK$50.8 million (2021: $78.2 million) decreased by approximately 35.1% compared to 31 December 2021. The decrease was due to (1) the closure of four restaurants in Hong Kong for the year ended 31 December 2022; and (2) as affected by the COVID-19, the Chinese restaurants in Mainland China only had approximately 10 to 11 months of operations for the year ended 31 December 2022, however, these restaurants had a whole year operations for the year ended 31 December 2021.

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

The remuneration committee of the Board (the "**Remuneration Committee**") reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the Share Option Scheme (as defined and described on page 25 below). During the year ended 31 December 2022, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

Prospects

The catering industry still faces huge challenges and the business environment remained weak as compared to that before the fifth wave of the COVID-19. 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 Hong Kong and China economies may be further worsened as a result of the unfavourable development of the China-US trade war and the Ukraine war, which would negatively affect the consumption sentiments of the general public and consequently the retail and catering sectors;

(ii) the continuous rise in interest rates in Hong Kong may affect the consumers' spending sentiments which will adversely affect the business of the Group's restaurants in the year to come;

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

(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 fluctuating exchange rate; and

(v) there may be labour shortage in the future and intensive competition for qualified individuals in the food and beverage industry.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Company's prospectus dated 24 June 2016 (the "**Prospectus**").

Nonetheless, the management is expecting the Hong Kong economy to rebound in 2023 gradually and is optimistic that the Group can succeed and enhance the Shareholders' value in the medium to long run, based on the years of experience of the Senior Management in managing Chinese restaurant business in Hong Kong and China and its business strategies as detailed below.

The Group is confidence that Hong Kong economy will be gradually rebound in 2023 which may also improve the consumer confidence level in Hong Kong. The reopening of the borders between Hong Kong and China will help to accelerate the recovery rate of economic activities in Hong Kong to pre-pandemic levels.

Going forward, the Group will continue to utilise available resources to implement its business strategies, namely, steady growth and prudent expansion in Hong Kong with its multi-brand strategy, progressive expansion in the PRC market, continuing promotion of brand image and recognition through marketing initiatives, enhancement of existing restaurant facilities and strengthening of staff training aiming to attract more new customers. In this process, the Group will continue to maintain its commitment to quality as always. For the time being, the Group will put more effort into online marketing to promote existing business and to increase market share. In addition, the Group intends to develop a coffee business in the PRC so as to diversify Group's catering business.

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

Use of proceeds from the Placing

The Company's Placing was completed on 15 December 2022 with proceeds received by the Company in the amount of approximately HK$21.07 million after deducting underwriting commissions and related expenses. For details, please refer to the Placing Announcements.

As at 31 December 2022, the net proceeds from the Placing were applied as follows:

	Planned use of net proceeds as stated in the Placing announcement dated 15 December 2022	**Actual use of net proceeds up to 31 December 2022**
	HK$'000	*HK$'000*
For replenishing the working capital of the Group	9,069	1,703
For repayment of debts	4,000	3,252
For developing the Group's businesses in Hong Kong and in the PRC	8,000	243

As at 31 December 2022, approximately HK$5.2 million out of the net proceeds from the Placing had been used in accordance with the planned usage as detailed above. The portion of net proceeds yet to be used was deposited in licensed banks in Hong Kong, and is expected to be progressively utilised by 2024.

EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2022

Reference is made to the Company's announcement (the "**Change of Auditor Announcement**") dated 18 January 2023 (the "**Effective Date**"). Ting Ho Kwan & Chan CPA Limited ("**THKC CPA**") had resigned as the auditor of the Company (the "**Auditor**") with effect from the Effective Date as THKC CPA was commencing a reorganisation of their client base. The Board, with the recommendation from the audit committee of the Board, had resolved to appoint Ting Ho Kwan & Chan ("**THKC**"), which the partners and management are the same as the directors and management of THKC CPA, as the Auditor with effect from the Effective Date. Please refer to the Change of Auditor Announcement for details.

Save for the above, the Board is not aware of any other important event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the Shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company's corporate governance practices are based on the principles and code provisions as set out in the section headed "Part 2 – Principles of good corporate governance, code provisions and recommended best practices" of Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code for the year ended 31 December 2022, except for certain deviations as specified with considered reasons for such deviations which are explained below.

Under Code Provision C.2.1 of the CG Code, the roles of the chairman of the Board (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company should be separated and should not be performed by the same individual.

For the year ended 31 December 2022, the Company has not separated the roles of Chairman and the CEO. Mr. Chan Chun Kit ("**Mr. Chan**") was the Chairman and also the CEO and is responsible for overseeing the operations of the Group during such period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believes that it is in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believes that vesting the roles of both Chairman and CEO in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Mr. Chan performs both roles of Chairman and CEO, the division of responsibilities between the two roles is clearly established. While the Chairman is responsible for supervising the functions and performance of the Board, the CEO is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the Senior Management for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Details of the continuing evolution of our corporate governance practices for the year ended 31 December 2022 are set out in the annual report for the year ended 31 December 2022. The Board will periodically review on the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 December 2022.

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 2022. The Company did not redeem any of its listed securities during the year ended 31 December 2022.

SHARE OPTION SCHEME

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

The Share Option Scheme became effective on 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 2022 and there were no outstanding share options under the Share Option Scheme as at 31 December 2022.

The Remuneration Committee has reviewed the Share Option Scheme at its meeting held on 29 March 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") is scheduled to be held at Li Bao House, 4th Floor of Century Square, 1-13 D'Aguilar Street, Central, Hong Kong on Tuesday, 20 June 2023 at 10:00 a.m. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023, both days inclusive, during which period no transfer of the Shares will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 June 2023.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The Audit Committee consists of three independent non-executive Directors, chaired by Mr. Lee Cheung Yuet Horace and the other two members are Mr. Chan Ming Kei and Mr. Kan Sze King Kenneth.

The consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee in accordance with Listing Rule 13.49(3)(c).

SCOPE OF WORK OF THKC

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this results announcement have been agreed by the Group's auditor, THKC, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by THKC 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 THKC on this results announcement.

EXTRACTS OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report (the "**Report**") on the Group's consolidated financial statements for the year ended 31 December 2022. The Report will be contained in the annual report of the Company for the year ended 31 December 2022. The Report includes particulars of the material uncertainty related to going concern without qualified opinion:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$43,293,000 during the year ended 31 December 2022. As of that date, the Group had a net liabilities of approximately HK$66,662,000 and its current liabilities exceeded its current assets by approximately HK$79,780,000. As stated in note 3.1, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.starofcanton.com.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and posted on the above websites in due course.

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

Hong Kong, 29 March 2023

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 Mr. Lee Cheung Yuet Horace, Mr. Chan Ming Kei and Mr. Kan Sze King Kenneth.