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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

ANNUAL REPORT
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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 GEM 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 report 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 report misleading.

Contents

Corporate Information

Directors

Executive Directors:

Mr. Chan Chun Kit *(Chairman of the Board and Chief Executive Officer)*
Mr. Lam Kwok Leung Peter
Mr. Wong Ka Wai
Mr. Chow Yiu Pong David

Independent Non-executive Directors:

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond

Audit Committee

Prof. Wong Lung Tak Patrick *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond

Remuneration Committee

Mr. Tam Tak Kei Raymond *(Chairman)*
Mr. Chan Chun Kit
Mr. Liu Chi Keung

Nomination Committee

Mr. Chan Chun Kit *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond

Legal Compliance Committee

Prof. Wong Lung Tak Patrick *(Chairman)*
Mr. Liu Chi Keung
Mr. Tam Tak Kei Raymond
Mr. Lam Kwok Leung Peter
Ms. Hui Wai Shu Jessica *CPA*

Company Secretary

Ms. Hui Wai Shu Jessica *CPA*

Compliance Officer

Mr. Lam Kwok Leung Peter

Authorised Representatives

Mr. Chan Chun Kit
Mr. Lam Kwok Leung Peter

Registered Office

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Head Office And Principal Place Of Business In Hong Kong

Room 2702, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Principal Share Registrar And Transfer Office In The Cayman Islands

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Branch Share Registrar And Transfer Office In Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Compliance Adviser

Ample Capital Limited

Legal Adviser To The Company As To Hong Kong Law

Loong & Yeung

Principal Bankers

Hang Seng Bank
Bank of China (Hong Kong)
China CITIC Bank

Auditor

Ting Ho Kwan & Chan CPA Limited

Stock Code

8102

Company's Website

http://www.starofcanton.com.hk

Chairman's Statement

On behalf of 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"), I am pleased to present to the shareholders of the Company (the "Shareholders") the audited consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as set out below for their consideration. 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").

Turnover and Profit

For the year ended 31 December 2016, the Group recorded a total revenue of approximately HK$278.4 million and profit attributable to owners of the Company of approximately HK$11.3 million, representing an increase of approximately 8.4% and 210.7%, respectively, as compared to the previous year. Such increase were mainly due to the remarkable improvement of the Group's restaurant business in Shenzhen, the PRC and that the operations of the Group's two restaurants, namely the Sheung Wan Restaurant and the Beijing House Restaurant which were opened at the end of October 2015, have been put on track during the year ended 31 December 2016.

Business Review

For the year 2016 under review, the Group operated four Star of Canton Restaurants and one Beijing House Restaurant in Hong Kong, and one Star of Canton Restaurant at Futian District, Shenzhen. Although the Group faced with various challenges in the business environment in Hong Kong, including the decrease of tourists and increase of wage costs in the past year, the Group maintained the stable development of the overall business in Hong Kong as all staff worked closely together. In addition, thanks to the continuous development of the Cantonese restaurant industry in Shenzhen in recent years, the Group's Shenzhen Star of Canton Restaurant recorded a gratifying double-digit growth in turnover.

Corporate Strategy and Future Outlook

The Group continues to adhere to promote the brands of "Star of Canton" and "Beijing House". The Group firmly believes, only through the selection of high-quality ingredients, making fresh food and providing dishes which meet the broad masses of customers, can it attracts customers of different age groups. The Group has always been using this philosophy of operations to gather a large number of regular customers and attract new customers. The Group will continue to develop in this way.

As for promotion, the Group will continue to engage the celebrity, Suzie Wong, as its spokesperson. The Group believes that Suzie Wong has strict demands on food and great interest in trying new dishes; such image would effectively promote the delicacies of Li Bao Ge Group and further develops the customer base.

The Group understands the factors attributing to rising wage cost and the drain of talents, and therefore will take relevant measures to reduce such influence. The Group will also strengthen its management and training of talents, particularly on the sense of environment protection, hoping that improvement can be made on energy conservation and recycling food waste.

Chairman's Statement

Besides, the Shenzhen Star of Canton Restaurant has been operated for over three years and entered the PRC market successfully, and has been recognized by various Shenzhen media and the well-known commentary website "dianping.com" as one of the most popular restaurants or a recommended restaurant for a few consecutive years. We are going to make the most of this advantage and plan to open a new restaurant under the brand of "Star of Canton" in a new shopping mall "Uniwalk" in Shenzhen in the third quarter of 2017. It is expected to include a grand ballroom which can accommodate over 60 dining tables and 10 VIP rooms, in order to cater for the need of business events and wedding banquets in the surrounding area. We believe that, upon the opening of this new Shenzhen Star of Canton restaurant, it can bring synergy for the Group's business in Shenzhen through the branding effect. We hold positive views towards the profitability of the Group's PRC business.

Looking ahead, the Group believes that there is huge room for its business in Shenzhen to grow. Also, the Group will continue to develop its brands "Star of Canton" and "Beijing House" in Hong Kong and Shenzhen, while seeking appropriate locations for setting up more Chinese restaurants in order to increase its market share. In the long run, the Group aims to become a reputable multi-brand restaurant group.

Appreciation

I would like to take this opportunity to express my gratitude to all our Shareholders, members of the Board, the senior management and staff of all levels for their dedication and efforts over the years. In addition, on behalf of the Board, I would also like to express our sincerest thanks to all our customers, suppliers, and business partners for their continuous support.

Chan Chun Kit
Chairman and Executive Director

Hong Kong, 27 March 2017

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 (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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 and Note 25 to the consolidated financial statements of this annual report, there was no other movement in the issued share capital of the Company during the year ended 31 December 2016.

Management Discussion and Analysis

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 Reporting Period.

Save as disclosed in this annual report, 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 was not completed as of the date of this annual report. 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 employee benefits expense, 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 to be held on Wednesday, 24 May 2017 and compliance with the laws of the Cayman Islands and other relevant rules and regulations.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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:

		Business objectives up to 31 December 2016 as stated in the Prospectus	Actual business progress up to 31 December 2016
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.

Management Discussion and Analysis

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:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2016	Actual use of proceeds up to 31 December 2016
	HK$'000	*HK$'000*
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

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 the Group's plans against the changing market condition to attain sustainable business growth of the Group.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Chan Chun Kit (陳振傑) ("Mr. Chan"), aged 61, is the chairman of the Board, the chief executive officer of the Company, an executive Director and one of the Controlling Shareholders. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Chan was appointed as a Director on 1 September 2015 and re-designated as an executive Director on 23 September 2015. Mr. Chan is responsible for the Group's overall management, strategic development, financial management and major decision-making of the Group. He is also a director of various subsidiaries of the Group.

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

Mr. Chan has over 17 years of experience in the restaurant business. He is currently the vice chairman of the Association of Restaurant Managers. Mr. Chan is also the committee member of the training committee of Chinese Cuisine Training Institute.

Mr. Lam Kwok Leung Peter (林國良), aged 57, was appointed as an executive Director and the compliance officer of the Company on 23 September 2015 and 16 June 2016, respectively, and he is one of the Controlling Shareholders. He is also a member of the Legal Compliance Committee. Mr. Lam is mainly responsible for the management of leases and administrative matters of the Group.

Mr. Lam has over 10 years of experience in retail and commercial leasing as well as property development in Hong Kong. He had held various senior roles in renowned property developers including Hang Lung (Real Estate Agencies) Limited from December 1984 to March 1988, Lai Fung Holdings Limited from July 1988 to January 1998 and Henderson Real Estate Agency Limited from February 1998 to October 1998. Mr. Lam joined the Group in 2004.

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

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

Mr. Wong Ka Wai (王家惠), aged 54, was appointed as an executive Director on 23 September 2015 and is one of the Controlling Shareholders. He is mainly responsible for the management of control of food quality and administrative matters of the Group.

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

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

Mr. Chow Yiu Pong David (周耀邦), aged 31, was appointed as an executive Director on 23 September 2015 and is one of the Controlling Shareholders. He is mainly responsible for the marketing and promotions of the Group's operations. Mr. Chow is the nephew of Mr. Chow Chor Ting Anthony, one of the Controlling Shareholders.

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

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

Independent Non-Executive Directors

Mr. Liu Chi Keung (廖志強), aged 65, was appointed as an independent non-executive Director on 16 June 2016, and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Legal Compliance Committee.

Mr. Liu obtained a certificate in Recreation Management from University of Hong Kong in December 1980. He further completed a one-year diploma in Training Management Programme from The Chinese University of Hong Kong in November 1989.

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

Prof. Wong Lung Tak Patrick (黃龍德), aged 69, was appointed as an independent non-executive Director on 16 June 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of each of the Audit Committee and the Legal Compliance Committee.

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

Biographical Details of Directors and Senior Management

Prof. Wong is currently an independent non-executive director of C C Land Holdings Limited (Stock Code: 1224), Galaxy Entertainment Group Limited (Stock Code: 27), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (formerly known as Guangzhou Pharmaceutical Company Limited) (Stock Code: 874), Real Nutriceutical Group Limited (Stock Code: 2010), Sino Oil and Gas Holdings Limited (Stock Code: 702), National Arts Entertainment and Culture Group Limited (formerly known as National Arts Holdings Limited) (Stock Code: 8228), Winox Holdings Limited (Stock Code: 6838), Water Oasis Group Limited (Stock Code: 1161) and BAIC Motor Corporation Limited (Stock Code: 1958).

Prof. Wong was an independent non-executive director of Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) (Stock Code: 1372) from November 2013 to August 2015. He was also an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) (Stock Code: 1194) from October 2004 to October 2016.

Mr. Tam Tak Kei Raymond (譚德機), aged 53, was appointed as an independent non-executive Director on 16 June 2016. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Legal Compliance Committee.

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

Mr. Tam is currently an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 1315), CNQC International Holdings Limited (Stock Code: 1240) and MEIFU Technology Holding Group Limited (Stock Code: 8349). He is also the company secretary of Branding China Group Limited (Stock Code: 863).

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

Biographical Details of Directors and Senior Management

Senior Management

Mr. Yim Fung (嚴峰), aged 44, is the executive chef of the Group. He joined in Group in February 2017, and is responsible for overseeing the kitchen operations and food quality control. Prior to joining the Group, Mr. Yim was the chef at Lei Garden o Restaurant Group from 1994 to 2005. He was an executive chef in Sportful Garden Restaurant from 2005 to 2012. From 2012 to 2014, he was the executive chef of Hai Yue Hui (海悅會) in Fuzhou, the PRC. From 2015 to 2016, he was the head chef of a restaurant (柏瑞思) in Shenzhen, the PRC.

Mr. Tsang Hing Cheung (曾慶祥), aged 41, is the head chef of dim sum kitchen of the Group. He joined the Group in January 2017 and is responsible for developing new dim sum and overseeing the operation of the dim sum kitchen. Prior to joining the Group, Mr. Tsang was a footman in Shatin Treasure Restaurant during from 1990 to 1995. From 1996 to 2000, Mr. Tsang worked at Country Club Fairview Park Yuen Long as a baker. He worked at Lei Garden Restaurant Group as an assistant dim sum cook from April 2000 to February 2006. From 2006 to 2008, he was a baker at the Chinese food department of Miramar Hotel. From 2009 to 2010, he was the head chef of Bao Dim Sin Seng located at Lei Yue Mun Plaza. From 2010 to 2011, he was the head chef of the Kowloon Bay Restaurant. From 2011 to 2013, Mr. Tsang was the Chinese food department manager of Hotel ICON at Tsim Sha Tsui. From 2014 to 2015, Mr. Tsang worked as the manager of dim sum department at Mott 32.

Ms. Lai Chi Kong (黎志剛), aged 45, is the banquet sales deputy manager of the Group and is responsible for the management of banquet service and food products marketing. Ms. Lai joined the Group as public relations manager in June 2000. Ms. Lai has 15 years of experience in catering service field.

In December 2013, Ms. Lai obtained a certificate after attending the seminar on liquor licensing on 4 December 2013 from Liquor Licensing Board. In June 2005, Ms. Lai completed the Hygiene Supervisor Training Courses from Food and Environmental Hygiene Department.

Ms. Hui Wai Shu Jessica (許蔚舒), aged 47, is the financial controller and company secretary of the Group and is responsible for overseeing the Group's financial reporting, financial planning, treasury, financial control and company secretarial matters. She joined the Group as the financial controller in July 2015. She is also a member of the Legal Compliance Committee.

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

Ms. Hui has over 20 years working experience in accounting and audit field. Prior to joining the Group, she worked at Ting Ho Kwan & Chan as an audit senior from July 1990 to March 1993. From April 1993 to September 1993, she worked as an accountant in San Yip Development Limited. From March 1994 to April 1995, Ms. Hui worked at Lawrence S.Y. Chan & Co. as an audit senior. From May 1995 to October 2010, Ms. Hui worked at Qing Yuan Investment Limited with her last position as an accounting supervisor. From October 2010 to June 2014, Ms. Hui worked at Paramount Catering Group Limited as the group's financial controller, and was subsequently promoted as a financial consultant in May 2014.

Biographical Details of Directors and Senior Management

Ms. Zhu Xueqin (朱雪琴), aged 39, is the general manager of the Shenzhen Restaurant of the Group, and is responsible for the management and administrative of the Shenzhen Restaurant. She joined the Group in May 2013.

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

Senior Management (Former)

Mr. Yuen Shun Chuen (袁順全), aged 60, was the executive chef of the Group since he joined the Group in May 2014. He was responsible for overseeing the kitchen operations and food quality control. He resigned in October 2016.

Prior to joining the Group, he worked at Hotel Furama Kempinski Hong Kong as a chopper no. 3 from June 1982 to October 1990, who worked under the management of chopper No. 1 and was mainly responsible for purchasing food ingredients and food preparation. From October 1990 to June 1992, Mr. Yuen worked at Food Street Holdings Limited as a chopper No. 1 (i.e. kitchen manager) in its outlet named Riverside Restaurant, who was responsible for purchases of food ingredients, apportion of food, budget preparation and cost control. He also managed the choppers in the Kitchen. From November 1992 to September 1997, Mr. Yuen worked at Fook Lam Moon (Kowloon) Restaurant Limited as a cook. From October 1997 to January 1999, Mr. Yuen worked as a wok 2 (i.e. the sous chef) in the Chinese Kitchen of Conrad International Hong Kong, who worked directly under the head chef. From February 1999 to March 2001, Mr. Yuen served at Harbour Plaza Hotel Management Limited as a chopper No. 1.

From June 2001 to January 2003, Mr. Yuen worked at Sheung Yuen Restaurant as cook (wok 1), who was responsible for cooking expensive food and difficult dishes, as well as training staff in cooking. From March 2003 to July 2003, Mr. Yuen worked at New Town Personnel Services Limited as an assistant head chef. From January 2005 to January 2006, Mr. Yuen worked at Fook Yuen (TSTE) Seafood Restaurant Limited as deputy head of the kitchen. From September 2007 to October 2008, Mr. Yuen worked at Sodexho (Hong Kong) Limited as an executive chief. From March 2011 to February 2012, Mr. Yuen worked at Hotel Lisboa (Macau) as executive chef. From March 2013 to April 2014, Mr. Yuen worked at LePinacle as the head wok (i.e. the head chef).

Mr. Kwok King Hung (郭敬雄), aged 55, was the head chef of dim sum kitchen of the Group, and was responsible for developing new dimsum and overseeing the operation of the dimsum kitchen. Mr. Kwok first joined the Group as a manager of dim sum kitchen in October 2000. He resigned in August 2016.

Prior to joining the Group, Mr. Kwok worked at The Repulse Bay Company Limited from March 1990 to December 1999 with his last position as an assistant dim sum head cook.

Corporate Governance Report

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 December 2016.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for the Shareholders.

Compliance with the Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. From 30 June 2016, being the Listing Date, to 31 December 2016 (the "Reporting Period"), to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code, except for certain deviations as specified with considered reasons for such deviations as explained below.

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

During the Reporting Period, 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.

Corporate Governance Report

Board of Directors

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition of the Board

Up to the date of this annual report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors. In particular, the composition of the Board is set out as follow:

Executive Directors

Mr. Chan Chun Kit *(Chairman and Chief Executive Officer)*
Mr. Lam Kwok Leung Peter *(Compliance Officer)*
Mr. Wong Ka Wai
Mr. Chow Yiu Pong David

Independent Non-executive Directors

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond

Corporate Governance Report

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three independent non-executive Directors during the Reporting Period. During the Reporting Period and as of the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement. Amongst the independent non-executive Directors, Prof. Wong Lung Tak Patrick and Mr. Tam Tak Kei Raymond have the appropriate professional qualifications and accounting and related financial management expertise required under Rule 5.05(2) of the GEM Listing Rules.

The Company has entered into a service agreement with each of the independent non-executive Directors for a term of one year, which may be terminated earlier by no less than three months written notice served by either party on the other.

The Company will use its best efforts to achieve the board diversity policy and ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. Selection of candidates will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company. Each of Directors' respective biographical details is set out in the section "Biographical Details of Directors and Senior Management" of this annual report. The Directors have the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

Pursuant to Article 108 of the articles of association of the Company (the "Articles"), one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Wong Ka Wai, Mr. Chow Yiu Pong David and Mr. Liu Chi Keung will retire from office as Directors at the forthcoming annual general meeting (the "AGM"), and being eligible, offer themselves for re-election.

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence pursuant to Rule 5.09 of the GEM Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three independent non-executive Directors. Based on the confirmations received, the Company considers all independent non-executive Directors to be independent under the GEM Listing Rules.

Board and General Meetings

During the Reporting Period, three board meetings were held to approve, among others, the interim results, the third quarterly results and the proposed acquisition of equity interest in a company. The forthcoming AGM which will be held on 24 May 2017 is the first general meeting of the Company since the Listing Date.

Corporate Governance Report

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/Number of meetings during the Reporting Period
Executive Directors	
Mr. Chan Chun Kit (Chairman and Chief Executive Officer)	3/3
Mr. Lam Kwok Leung Peter (Compliance Officer)	3/3
Mr. Wong Ka Wai	3/3
Mr. Chow Yiu Pong David	3/3
Independent Non-executive Directors	
Mr. Liu Chi Keung	3/3
Prof. Wong Lung Tak Patrick	3/3
Mr. Tam Tak Kei Raymond	3/3

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information when required. The Directors can also seek independent professional advice in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All Directors have unrestricted access to the Company Secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

The Company has arranged appropriate insurance cover in respect of possible legal action against its Directors and senior officers.

Relationships among Board Members and Senior Management

Saved as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and the Senior Management.

Corporate Governance Report

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.

Directors' Continuing Professional Development Programme

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged its Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

Board Committees

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established:

1. The Audit Committee has been established on 16 June 2016 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C3.3 and C3.7 of the Code;

2. The Remuneration Committee has been established on 16 June 2016 with its terms of reference in compliance with paragraph B1.2 of the Code;

3. The Nomination Committee has been established on 16 June 2016 with terms of reference a compliance with paragraph A5.2 of the Code; and

4. The Legal Compliance Committee has been established on 16 June 2016.

The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee can be found on the Group's website (http://www.starofcanton.com.hk/) and the website of the Stock Exchange. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

Corporate Governance Report

Audit Committee

The Audit Committee comprises three members, namely Mr. Liu Chi Keung, Prof. Wong Lung Tak Patrick (Chairman) and Mr. Tam Tak Kei Raymond, all of whom are independent non-executive Directors. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgments contained in them;

4. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

5. to review the statement about the Company's internal control system (if any) as included in the Company's annual report prior to submission for the Board's approval;

6. to review the Company's financial reporting, financial controls, internal control and risk management systems;

7. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

8. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to review the financial and accounting policies and practices of the Group;

10. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

11. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

12. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

During the Reporting Period, the Audit Committee had reviewed the Group's unaudited interim results for the six months ended 30 June 2016, quarterly results for the nine months ended 30 September 2016 and discussed internal controls, risk management and financial reporting matters. The Audit Committee had also reviewed audited annual results for the financial year ended 31 December 2016, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that Ting Ho Kwan & Chan CPA Limited ("THKC") be nominated for re-appointment as the Company's auditor at the forthcoming AGM.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

The Audit Committee meets at least four times a year. During the Reporting Period, the Audit Committee had held three meetings together with the management of the Group and/or the Company's auditors. The attendance records of the members of the Audit Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Prof. Wong Lung Tak Patrick *(Chairman)*	3/3
Mr. Liu Chi Keung	3/3
Mr. Tam Tak Kei Raymond	3/3

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Tam Tak Kei Raymond (Chairman), Mr. Liu Chi Keung and Mr. Chan Chun Kit. Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond are independent non-executive Directors.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his close associates is involved in deciding his own remuneration.

The Remuneration Committee meets at least once a year. During the Reporting Period, the Remuneration Committee had held one meeting. The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings during the Reporting Period
Mr. Tam Tak Kei Raymond *(Chairman)*	1/1
Mr. Liu Chi Keung	1/1
Mr. Chan Chun Kit	1/1

During the Reporting Period, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

Nomination Committee

The Nomination Committee comprises four members, namely Mr. Chan Chun Kit (Chairman), Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond. Mr. Liu Chi Keung and Mr. Tam Tak Kei Raymond are independent non-executive Directors.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website (http://www.starofcanton.com.hk/) or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of independent non-executive Directors; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Nomination Committee meets at least once a year. During the Reporting Period, the Nomination Committee had not held any meeting.

Legal Compliance Committee

The Legal Compliance Committee comprises five members, namely Prof. Wong Lung Tak Patrick (Chairman), Mr. Tam Tak Kei Raymond, Mr. Liu Chi Keung, Mr. Lam Kwok Leung Peter and Ms. Hui Wai Shu Jessica. Prof. Wong Lung Tak Patrick (Chairman), Mr. Tam Tak Kei Raymond and Mr. Liu Chi Keung are independent non-executive Directors.

Corporate Governance Report

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of its regulatory compliance procedures and system.

The Legal Compliance Committee meets at least once a year. During the Reporting Period, the Legal Compliance Committee had not held any meeting.

Auditor's Remuneration

During the Reporting Period, the Group engaged THKC as the Group's external auditor and to hold office until the conclusion of the forthcoming AGM. The Company's consolidated financial statements for the year ended 31 December 2016 have been audited by THKC. The remuneration paid or payable to THKC is set out as follows:

Services rendered	Fees paid/payable for the year ended 31 December	
	2016	2015
	(HK$'000)	*(HK$'000)*
Statutory audit services	**519**	306
Non-statutory audit services as reporting accountant for listing of the shares of the Company on the GEM of the Stock Exchange	**670**	750
Non-audit services	**90**	–

Company Secretary

Ms. Hui Wai Shu Jessica ("Ms. Hui") was appointed as the company secretary of our Company on 16 June 2016. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for her biographical information.

During the Reporting Period, Ms. Hui has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

Compliance Officer

Mr. Lam Kwok Leung Peter, an executive Director, is the compliance officer of the Group. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

Risk Management and Internal Control Systems

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

1. all material controls, including but not limited to financial, operational and compliance controls;

2. risks management functions; and

3. the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

During the Reporting Period, the Audit Committee assessed the risk management and internal control environment of the Group and reviewed the internal control procedural manual of the Group and is satisfied with the Group's risk management and internal control systems. The systems are designed in consideration of the nature of business and the organisation structure. Further, the systems are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the GEM Listing Rules and all other applicable laws and regulations.

The Group will engage external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

Directors' and Auditor's Responsibility for Consolidated Financial Statements

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

General Meetings with Shareholders

The annual general meeting of the Company is a forum in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the annual general meeting of the Company, the Directors (including independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The forthcoming AGM will be held on 24 May 2017, the notice of which shall be sent to the Shareholders of the Company at least 20 clear business days prior to the meeting.

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 2525 2081, or by email to ir@starofcanton.com.hk.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Corporate Governance Report

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (http://www.starofcanton.com.hk).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the AGM and all future general meetings.

The Shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Room 2702, Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Email: ir@starofcanton.com.hk

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated memorandum and articles of association for the purpose of the listing of the shares of the Company on the Stock Exchange, during the year ended 31 December 2016, there had been no significant changes in the constitutional documents of the Company.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements (the "Financial Statements") of Li Bao Ge Group Limited (the "Company") for the year ended 31 December 2016 (the "Reporting Period").

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 38 to the Financial Statements of this annual report. During the year ended 31 December 2016, the Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC.

An analysis of the Group's results for the year ended 31 December 2016 by segments is set out in Note 7 to the Financial Statements of this annual report.

Business Review

The business review of the Group for the year ended 31 December 2016, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, is set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 of this annual report. These discussions form part of this Directors' report.

Results and Appropriations

The Group's results for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

Dividend

The Directors recommend the payment of a final dividend of HK0.85 cents per Share for the year ended 31 December 2016 (2015: Nil), 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.

Summary of Financial Information

The summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 116 of this annual report.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 16 to the Financial Statements of this annual report.

Share Capital

The Company's issued share capital as at 31 December 2016 was 800,000,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital of the Company during the Reporting Period are set out in Note 25 to the Financial Statements of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Directors' Report

Reserves

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in Note 38 to the Financial Statements and the consolidated statement of changes in equity of this annual report, respectively.

Distributable Reserves

As at 31 December 2016, the Company's reserves available for distribution as calculated in accordance with the Articles and the Companies Law Cap. 22 of Cayman Islands, was approximately HK$38.6 million inclusive of share premium and accumulated losses.

Major Customers and Suppliers

For the year ended 31 December 2016:

(i) due to the nature of the Group's business, its customers mainly represented walk-in customers from the general public. As such, the Directors consider that it is not practicable to identify the five largest customers of the Group, and the Group did not rely on any single customer; and

(ii) the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

Directors

The Directors during the Reporting Period and up to the date of this annual report were as follows:

Executive Directors:

Mr. Chan Chun Kit
Mr. Lam Kwok Leung Peter
Mr. Wong Ka Wai
Mr. Chow Yiu Pong David

Independent non-executive Directors:

Mr. Liu Chi Keung
Prof. Wong Lung Tak Patrick
Mr. Tam Tak Kei Raymond

In accordance with Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company. Pursuant to Article 108(a) of the Articles, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation, whereby Mr. Wong Ka Wai, Mr. Chow Yiu Pong David and Mr. Liu Chi Keung will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

Directors' Report

Biographical Details of Directors and Senior Management

The biographical details of the Directors and the Senior Management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 16 in this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming AGM has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save for the related party transactions disclosed in Note 37 to the Financial statements of this annual report, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

Management Contracts

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries for the year ended 31 December 2016.

Remuneration of the Directors, Senior Management and the Five Highest Paid Individuals

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in Note 10 to the Financial Statements of this annual report.

The emoluments paid or payable to the Senior Management of the Group who are not Directors were within the following bands:

	Year ended 31 December	
	2016	2015
	Number of individuals	*Number of individuals*
Nil to HK$1,000,000	**5**	5

Directors' Report

Permitted Indemnity

Pursuant to the Articles, the Directors, Managing Directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company shall be indemnified and secured harmless out of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

Emolument Policy

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and the Senior Management, having regard to the Group's operating results, individual performance and comparable market practices. The remuneration of the Directors is determined with reference to the economic situation, the market conditions, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

Pension Schemes

Details of the Group's pension schemes for the Reporting Period are set out in Note 3.18 to the Financial Statements of this annual report.

Non-Competition Undertaking

In order to protect the Group's interest in its business activities, the Controlling Shareholders (collectively, the "Covenantors") entered into the Deed of Non-Competition on 16 June 2016. Under the terms of the Deed of Non-Competition, each of the Covenantors, among others, has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each of its subsidiaries for the time being) that with effect from the date of listing of the Company on the Stock Exchange and for so long as he/it remains as a Director and/or a controlling shareholder of the Company or during the period when the Shares remain listed on the Stock Exchange, except for transactions contemplated under agreements (if any) entered or to be entered into with the Group, that he/it will not, and will procure his/its associates (other than the Group) not to compete directly or indirectly with the businesses of the Group.

Each of the Covenantors further undertakes that if she/he/it or her/his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with any business opportunity of the Group, she/he/it shall procure that her/his/its close associates to promptly notify the Group in writing with such required information to enable the Group to evaluate the merits of the relevant business opportunity and the Group shall have a right of first refusal to take up such opportunity and jointly pursue the same with the relevant Covenantor. The parties shall then negotiate in good faith with respect to a collaboration for such new business.

Directors' Report

The Group shall, within 30 days after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal. The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Details of the Deed of Non-Competition have been set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The Company has received a written confirmation from each of the Covenantors in respect of its/his/her compliance with the terms of the Deed of Non-Competition during the Reporting Period and up to the date of this annual report.

All the independent non-executive Directors are delegated with the authority to review the Deed of Non-Competition. The independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Controlling Shareholders from the date of the Deed of Non-Competition and up to the date of this annual report.

Directors' Interests in Competing Businesses

On 10 January 2017, the Company was notified by Ms. Chan Josephine Wai Sze ("Ms. Chan"), being a close associate of Mr. Chan, that Ms. Chan was being offered by Mr. Tsang Kwok Hing to acquire 60% issued shares of Profit Shiner Investment Limited (the "Business Opportunity"). Given the business of Profit Shiner Investment Limited may compete with the business of the Group, the Group was given a right of first refusal (the "Right of First Refusal") to take up the Business Opportunity in accordance with the Deed of Non-Competition.

On 13 February 2017 (after trading hours), the Company has resolved to exercise the Right of First Refusal. On the same date, Keen Nation Limited, an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Mr. Tsang Kwok Hing, pursuant to which Mr. Tsang Kwok Hing has conditionally agreed to sell and Keen Nation Limited has conditionally agreed to acquire, 180,000 ordinary shares of Profit Shiner Investment Limited at the consideration of HK$1,800,000, which shall be satisfied by internal resources of the Group in the form of cash (the "Acquisition").

For further details of the Acquisition and the exercise of Right of First Refusal, please refer to the announcements of the Company dated 13 February 2017 and 17 February 2017, respectively.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, none of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

Directors' Report

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 Company's listed securities during the Reporting Period.

The Company did not redeem any of its listed securities during the Reporting Period.

Arrangements to Purchase Shares or Debentures

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", "Substantial Shareholders" and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

Equity-Linked Agreement

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Period or subsisted at the end of the year ended 31 December 2016.

Environmental Policies and Performance

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

For further details, please refer to the section headed "Environmental, Social and Governance Report" on pages 44 to 47 of this annual report.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

Directors' Report

Relationship with Employees, Suppliers, Customers and other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Audit Committee

The Audit Committee together with the management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that, the Company has maintained the amount of public float as required under the GEM Listing Rules as at the latest practicable date prior to the issue of this annual report.

Auditor

Ting Ho Kwan & Chan CPA Limited ("THKC") has been appointed by the Directors as the first auditor of the Company since the Listing Date. THKC will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The Financial Statements have been audited by THKC.

Share Option Scheme

The Company has conditionally adopted a share option scheme on 16 June 2016. The terms of the share option scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Particulars of the share option scheme which was adopted on 16 June 2016 are set out in Note 39 to the Financial Statements of this annual report. No share options were granted since the adoption of the share option scheme and there were no share option outstanding as at 31 December 2016.

Disclosure of Interests

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of shareholding
Mr. Chan Chun Kit ("Mr. Chan")	Interests held jointly with other persons; Interest in a controlled corporation *(Notes 1 and 2)*	509,200,000	63.65%
Mr. Wong Ka Wai ("Mr. Wong")	Interests held jointly with other parties *(Note 2)*	509,200,000	63.65%
Mr. Chow Yiu Pong David ("Mr. David Chow")	Interests held jointly with other parties *(Note 2)*	509,200,000	63.65%
Mr. Lam Kwok Leung Peter ("Mr. Lam")	Interests held jointly with other parties *(Note 2)*	509,200,000	63.65%

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of shareholding
Mr. Chan	Zhao Tian Ventures Limited	Interest in a controlled corporation *(Note 1)*	6,286	62.86%
Mr. Wong	Zhao Tian Ventures Limited	Beneficial owner	1,238	12.38%
Mr. David Chow	Zhao Tian Ventures Limited	Interest in a controlled corporation *(Note 3)*	1,238	12.38%
Mr. Lam	Zhao Tian Ventures Limited	Attributable interest *(Note 4)*	124	1.238%

Notes:

1. Mr. Chan owns 50% issued shares of Bright Creator Limited, which wholly-owns Hong Cui Development Limited, whereas Hong Cui Development Limited owns 62.86% issued share capital of Zhao Tian Ventures Limited. As such, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Zhao Tian Ventures Limited for the purposes of the SFO. Mr. Chan is a director of Zhao Tian Ventures Limited.

2. Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam (together with Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang), are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed and supplemental deed dated 25 September 2015 and 6 June 2016, respectively. As such, Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam (together with Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang) together control 63.65% of the entire issued share capital of the Company.

3. Mr. David Chow owns 37.5% issued shares of Sky Gain Investments Limited, which in turn owns 12.38% issued share capital of Zhao Tian Ventures Limited.

4. Mr. Lam owns 10% issued shares of Sun Foo Sing Development Limited, which in turn owns 12.38% issued share capital of Zhao Tian Ventures Limited.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interest and short positions of the persons/entities (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long Position in the Shares

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
Zhao Tian Ventures Limited	Interests held jointly with other persons; Beneficial owner *(Notes 1 and 5)*	509,200,000	63.65%
Ms. Liu Siu Kuen	Interests held jointly with other persons; Interest in a controlled Corporation *(Notes 2 and 5)*	509,200,000	63.65%
Bright Creator Limited	Interests held jointly with other persons; Interest in a controlled corporation *(Notes 2 and 5)*	509,200,000	63.65%
Hong Cui Development Limited	Interests held jointly with other persons; Interest in a controlled corporation *(Notes 2 and 5)*	509,200,000	63.65%
Sun Foo Sing Development Limited	Interests held jointly with other parties *(Notes 3 and 5)*	509,200,000	63.65%
Mr. Ho Wood Yam	Interests held jointly with other parties *(Notes 3 and 5)*	509,200,000	63.65%
Mr. Tsui King Foo	Interests held jointly with other parties *(Notes 3 and 5)*	509,200,000	63.65%
Ms. Tsui Yuk Yi	Interests held jointly with other parties *(Notes 3 and 5)*	509,200,000	63.65%
Mr. Tsui Chi Kit	Interests held jointly with other parties *(Notes 3 and 5)*	509,200,000	63.65%
Sky Gain Investments Limited	Interests held jointly with other parties *(Notes 4 and 5)*	509,200,000	63.65%
Mr. Chow Chor Ting Anthony	Interests held jointly with other parties *(Notes 4 and 5)*	509,200,000	63.65%
Mr. Tam Chie Sang	Interests held jointly with other parties *(Notes 4 and 5)*	509,200,000	63.65%

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
Ms. Lau Lai Ngor	Interest of spouse *(Note 6)*	509,200,000	63.65%
Ms. Lau Ngar Ching Angel	Interest of spouse *(Note 7)*	509,200,000	63.65%
Ms. Lui Wai Har	Interest of spouse *(Note 8)*	509,200,000	63.65%
Ms. Cho Sin Sum Fion	Interest of spouse *(Note 9)*	509,200,000	63.65%
Ms. Chan Bik Yuk Mariana	Interest of spouse *(Note 10)*	509,200,000	63.65%
Mr. Fong Man Wai	Interest of spouse *(Note 11)*	509,200,000	63.65%
Mr. Yu Lai Chu Eileen	Interest of spouse *(Note 12)*	509,200,000	63.65%
Sincere Expand Limited	Beneficial interest *(Note 13)*	63,760,000	7.97%
Richmax Investment (H.K.) Limited	Interest in a controlled corporation *(Note 13)*	63,760,000	7.97%
Mr. Cheung Yuen Chau	Interest in a controlled corporation *(Note 13)*	63,760,000	7.97%
Mr. David Chu	Interest in a controlled corporation *(Note 13)*	63,760,000	7.97%
Ms. Tsang Siu Lan	Interest of spouse *(Note 14)*	63,760,000	7.97%
Ms. Phyllis Woon Kink Cheng	Interest of spouse *(Note 15)*	63,760,000	7.97%

Notes:

1. Zhao Tian Ventures Limited is an investment-holding company incorporated in the BVI and owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui Development Limited, Mr. Wong, Sun Foo Sing Development Limited and Sky Gain Investments Limited, respectively.

2. Ms. Liu Siu Kuen owns 50% issued shares of Bright Creator Limited, which wholly-owns Hong Cui Development Limited, whereas Hong Cui Development Limited owns 62.86% issued share capital of Zhao Tian Ventures Limited. As such, each of Ms. Liu Siu Kuen, Bright Creator Limited and Hong Cui Development Limited is deemed, or taken to be, interested in all the Shares held by Zhao Tian Ventures Limited for the purposes of the SFO.

3. Each of Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi owns 50%, 25%, 10%, 7.5% and 7.5% issued shares of Sun Foo Sing Development Limited, respectively.

4. Each of Mr. David Chow, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang owns 37.5%, 37.5% and 25% issued shares of Sky Gain Investments Limited, respectively.

5. Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang (together with Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam), are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed and supplemental deed dated 25 September 2015 and 6 June 2016, respectively. As such, Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang (together with Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam) together control 63.65% of the entire issued share capital of the Company.

6. Ms. Lau Lai Ngor is the spouse of Mr. Chow Chor Ting Anthony and is deemed or taken to be interested in all the Shares in which Mr. Chow Chor Ting Anthony has, or is deemed to have, an interest for the purpose of the SFO.

7. Ms. Lau Ngar Ching Angel is the spouse of Mr. Wong and is deemed or taken to be interested in all the Shares in which Mr. Wong has, or is deemed to have, an interest for the purpose of the SFO.

8. Ms. Lui Wai Har is the spouse of Mr. Tsui King Foo and is deemed or taken to be interested in all the Shares in which Mr. Tsui King Foo has, or is deemed to have, an interest for the purpose of the SFO.

9. Ms. Cho Sin Sum Fion is the spouse of Mr. David Chow and is deemed or taken to be interested in all the Shares in which Mr. David Chow has, or is deemed to have, an interest for the purpose of the SFO.

10. Ms. Chan Bik Yuk Mariana is the spouse of Mr. Lam and is deemed or taken to be interested in all the Shares in which Mr. Lam has, or is deemed to have, an interest for the purpose of the SFO.

11. Mr. Fong Man Wai is the spouse of Ms. Tsui Yuk Yi and is deemed or taken to be interested in all the Shares in which Ms. Tsui Yuk Yi has, or is deemed to have, an interest for the purpose of the SFO.

12. Ms. Yu Lai Chu Eileen is the spouse of Mr. Tam Chie Sang and is deemed or taken to be interested in all the Shares in which Mr. Tam Chie Sang has, or is deemed to have, an interest for the purpose of the SFO.

13. Sincere Expand Limited is an investment-holding company incorporated in the BVI and wholly-owned by Richmax Investment (H.K.) Limited. Each of Mr. David Chu and Mr. Cheung Yuen Chan owns approximately 46.67% and 40% issued shares of Richmax Investment (H.K.) Limited, respectively. As such, each of Richmax Investment (H.K.) Limited, Mr. David Chu and Mr. Cheung Yuen Chau is deemed, or taken to be, interested in all the Shares held by Sincere Expand Limited for the purposes of the SFO.

14. Ms. Tsang Siu Lan is the spouse of Mr. David Chu and is deemed or taken to be interested in all the Shares in which Mr. David Chu has, or is deemed to have, an interest for the purpose of the SFO.

15. Ms. Phyllis Woon Kink Cheng is the spouse of Mr. Cheung Yuen Chau and is deemed or taken to be interested in all the Shares in which Mr. Cheung Yuen Chau has, or is deemed to have, an interest for the purpose of the SFO.

Directors' Report

Connected Transactions and Related Party Transactions

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the Reporting Period are disclosed in Note 37 to the Financial Statements.

Other than the related party transaction disclosed in Note 37 to the Financial Statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the Reporting Period or at any time during the Reporting Period.

2016 Annual General Meeting and Closure of Register of Members

The forthcoming AGM will be held at Beijing House Restaurant, 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 forthcoming 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 will be registered. In order to be eligible to attend and vote at the forthcoming 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 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 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.

Events after the Reporting Date of 31 December 2016

Details of the events after the reporting date of 31 December 2016 has been disclosed in Note 40 to the Financial Statements of this annual report. Save as disclosed therein, 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 report.

Directors' Report

Compliance Advisor's Interests

As at 31 December 2016, as notified by the Company's compliance advisor, Ample Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 20 June 2016, neither the Compliance Advisor nor its directors, employees or its 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.

On behalf of the Board
Chan Chun Kit
Chairman and Chief Executive Officer

Hong Kong, 27 March 2017

Environmental, Social and Governance Report

Introduction

As a listed company in Hong Kong, the Group has committed to maintaining high standards of food safety, and environmental protection and considers social and environmental responsibilities as one of the core values in its business operations for sustainable development and corporate governance.

This report summarises several subject of the Group's business practices for the ESG and its relevant implemented policies and strategies in relation to the Group's operational practices and environmental protection.

In Hong Kong, our restaurants are subject to stringent licensing requirements, environmental protection regulations and hygiene standards.

In China, the Group is required to maintain various approvals, licenses and permits in order to operate its restaurant. Shenzhen Restaurant is required to obtain, among others, the relevant pollutant discharge license and dining service license. These licenses and registrations are achieved upon satisfactory compliance with, amongst others, the applicable food safety, hygiene and environmental protection laws and regulations.

The reporting period of this report is from 1 January 2016 to 31 December 2016.

Reporting Framework

The report follows the ESG reporting Guide, as set out in Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Reporting Scope

The report content is focused largely on the Group's Hong Kong operations, including the headquarter office, as well as its restaurant in China, unless stated otherwise. The Hong Kong operations represent the majority of the Group's social, environmental and economic impacts.

Materiality Assessment

We have maintained close communication with our stakeholders since our listing. Through multiple discussions and direct communications, we understand the issues that matter most to our stakeholders.

Food quality and safety are the most crucial elements to the operation of the Group. The health and happiness of our customers and environment and social governance are also important consideration to our Group's operation.

The Group is dedicated to fair and equal treatment in all areas of human resources, including recruitment and promotion, compensation and dismissal, working hours, benefits and welfare.

Environmental, Social and Governance Report

Operational Practices

Food Safety

The Group closely observed strict compliance with the applicable laws and regulations and implemented a comprehensive safety management system for the central kitchen(s) of the Group, with an objective to continuously improving the Group's food quality and hygiene standards.

According to the Food Safety Law of the People's Republic of China, it is applicable to food production and processing, food circulation and dining service in the PRC. With strict rules and training in the Group, we achieved standardisation of its food processing procedures and maintained consistent food quality.

Quality Assurance

The Group strives to maintain a strict quality control system and adopt high hygiene standards throughout the entire food production, starting from the procurement of the food ingredients to food delivery to customers. Thus, in order to increase customers' confidence in the foods provided by the Group's restaurants, the Group's restaurants in Hong Kong participated in the Hong Kong Cooking Oil Registration Scheme launched by Hong Kong Quality Assurance Agency of the Hong Kong government, as Scheme Companions.

Supply Chain Management

The Group uses strict review criteria for selection of suppliers. The suppliers must hold the government approved licences and the goods to be sold must be appropriately imported. The goods received from suppliers are required to be in compliance with the current food labeling and relevant hygiene and sanitary regulations.

Our procurement department always conducts investigation to suppliers so as to ensure the Group's product quality and protect the interests of consumers.

Anti-Corruption

To reinforce staff integrity, the Code of Business Conducts and guidelines are incorporated in the staff handbook. It is set in accordance with all relevant laws and regulations that applied in Hong Kong or in PRC. The Group has strictly complied with the all rules throughout the year ended 31 December 2016.

Environmental Protection

The Group is committed to fulfill sustainable development and promote preservation of resources with its environmental responsibility.

The Group strictly complies with all appropriate laws and regulations of Environmental Protection Department.

The Group has followed the customs advocated by the Environmental protection Department, as well as multiple waste reduction measures throughout its operational flows. The Group strives to operate in an efficient manner to reduce the environmental impact it has to neighboring communities efficiently.

Environmental, Social and Governance Report

Emission

With the aim of reducing the impact of its business operation on the environment, the Group implements measures for environmental protection, including using energy efficient appliances and equipment to achieve additional energy savings and reduce gas emissions, operating lighting control systems for regional power supply based on actual need and recycling wasted oil regularly.

Waste Oil Management

The Group ensures our restaurant in Hong Kong properly disposed of waste cooking oil through co-operating with waste oil collection company to turn our waste cooking oil into renewable energy- biodiesel, which is therefore conducive to reducing greenhouse gas emission and make a smaller Carbon footprint.

In addition, the Group's transportation fleet in Hong Kong use environment-friendly trucks that meet the emission and noise control standards issued by the Hong Kong Government.

Sewage Management

To protect the fabric of the sewage collection and disposal system, the Group is committed to promote the conservation and best use of the waters of Hong Kong in the public interest. The Group's restaurants have obtained water pollution control license granted by the DEP of the EPD in 2016; which is required to be obtained for the operation of the Group's restaurants. In order to reduce cooking emissions and the usage of water before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences, the Group's restaurants installed hydro vent system as a pollution control equipment for effluent arising from food preparation, cooking and utensils washing.

Use of Resources

The Group also promotes double-sided printing, as well as encourages its employees to reduce the amount of printing. It recycles all used toner cartridges, by returning them to respective suppliers for reuse. Used paper constitutes the majority of waste at the headquarter, which comprised of office paper and poster. It is generally collected by recyclers, who will process and directly recycle at paper mills.

Employment and Labor Practices

Labor Standards

All staff employed by the Group are located in Hong Kong and the PRC. The Group established and implemented a "Staff Handbook" which contains the policies relating to relevant labor laws, regulations and industry practices, covering areas such as compensation and dismissal, promotion, working hours, rest periods and other benefits and welfare. With the aim of ensuring fair and equal protection for all employees, the prohibition of child labor, forced labor and anticorruption practices are also set in accordance with all relevant laws and regulations that applied in Hong Kong or in PRC. The Group has strictly complied with the all material laws and regulations throughout the year ended 31 December 2016.

Employment

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance and experience. The promotion and remuneration of the Group's employees are subject to review regularly. The remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for the PRC employees and performance bonus.

Development and Training

The Group regards its staff as the most important asset and resource of the Group as they help to sustain its core values and culture. The Group is committed to providing comprehensive on-the-job training programs, which collectively serve as a platform for its staff to encourage our staff to develop potential and self-improvement. The Group provides a clear career path and a transparent promotion system for its employees; we anticipate implementing employee training and development programs to enhance their skill set and to further realise their potential.

The Group offered vocational training activities and encouraged its staff to attend external training courses to develop personal skills. The training offered by the Group includes operation management and leadership skills, and occupational health and safety. And most importantly, training in relation to food ingredients preparation and preservation, flow of food production, hygiene conditions of the kitchen and quality control in different aspects of the operations of restaurants based on their job duties to improve their practical skills and practices.

Health and Safety

To commence the business of restaurants, the Group obtained a restaurant license granted by the DFEH under the Public Health and Municipal Services Ordinance and the FBR. In other word, the Group satisfied requirements in respect of for instance means of ventilation, sanitary fitments, and facilities for cleansing equipment and utensils, means of exit and entry and fire safety. In addition, to ensure work place safety, the Group provides fire safety training for staffs from all the departments. It aims to provide a greater awareness of the threat posed by fire to people, property and business continuity. By combining the recognition of individual responsibilities promptly report fire related hazards and the actions to take should a fire occur, the risks to employees and the workplace will be reduced.

Community Involvement

Care for elderly

The Group continues to care for and serve the elderly in Hong Kong. In order to build a sustainable relationship with the elderly customers, the Group remotes a series of appropriate services, facilities and products to better cater to their needs. The Group also provides trainings to strengthen employees' knowledge in caring for the elderly.

In addition, the Group is aware that most elderly are becoming socially isolated in their lives and it could be hazardous to their health. Thus, in order to help them build a sense of belonging in the community and maintain a fine degree of social bond; the Group regularly organizes and invites the elderly to have a free meal at the restaurants with other invited elderly people. Such charitable experience has encouraged its staff and their families to help people in need, demonstrating its corporate social responsibility and promoting the caring culture in the society.

Sustainability

The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of our business. Our sustainability guidelines lay out our principle and action for managing and performing ethically and sustainably, throughout our operational flow. We will continue to deliver safe and quality food served by our enthusiastic team members, without endangering the environment. We will also continue to provide hearty service to our customers and contribute back to the community.

Independent Auditor's Report

TING HO KWAN & CHAN CPA LIMITED

9th Floor, Tung Ning Building, 249-253 Des Voeux Road Central, Hong Kong

To the members of Li Bao Ge Group Limited
(Incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Li Bao Ge Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 115, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2016, 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.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Taxation

Key audit matter	How the matter was address in our audit
Refer to note 13 to the consolidated financial statements The Group is subject to current income tax both in Hong Kong and the People's Republic of China. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has deferred tax assets of approximately HK$5,179,000 as at 31 December 2016. During the year, the Group has performed a review of all deferred tax assets and liabilities to ensure they have been calculated correctly and that they are substantiated by supporting documentation. We identified the amount of deferred tax assets as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, together with the judgment associated with the assessment of whether deferred tax assets will be utilised in future periods given the operation cycle of restaurant business and the difficulty in estimating when and where taxable profits will arise within the Group.	We assessed and formed our own views on the key judgments with respect to open tax position and found that the judgments made by management were in line with our views. We have also assessed the adequacy and appropriateness of the current income tax provision and the deferred tax asset by discussing with management to understand the assumption and estimation behind and testing the calculations and payments. Where the recoverability of deferred tax assets is dependent on future profits, we challenged and evaluated the reasonableness of management's estimates and forecast used by using information that we gathered and our knowledge of the restaurant industry and determined that they are being made on a consistent basis to previous years. We found no material misstatements from our testing.

Provision for reinstatement costs

Key audit matter	How the matter was address in our audit
Refer to note 30 to the consolidated financial statements Provision for reinstatement costs amounting to approximately HK$3,011,000 is estimated by the Group management at the inception of leasing property with reinstatement clause and this will be reassessed at each reporting date with reference to the latest available quotation from independent contractors. This assessment involves significant judgments made by management and therefore is identified as a key audit matter.	We assessed the adequacy of reinstatement cost provision by reviewing the latest quotation from independent contractors. We also recalculated the provision and evaluated the key assumptions adopted by the management through reviewing the terms of the operating leases and assessing the reliability of the Group's management's past assumptions and best estimates. Based on the available evidence obtained, we found the management's assumptions and estimates in relation to the provision of reinstatement costs to be reasonable and consistent with the Group's accounting policy.

Carrying value of property, plant and equipment

Key audit matter	How the matter was address in our audit
Refer to note 16 to the consolidated financial statements	
The carrying value of the Group's property, plant and equipment as at 31 December 2016 was approximately HK$30,536,000 and the related depreciation charge for the year ended 31 December 2016 was approximately HK$13,327,000. Depreciation rates, useful lives and the carrying value of property, plant and equipment are reviewed annually by management. The Group carries these assets at cost less accumulated depreciation and any accumulated impairment. Such review takes into account any unexpected adverse changes in circumstances or events, current and forecast market values, including declines in projected operating results, negative industry or economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review. We identified the above assessment of property, plant and equipment as a key audit matter due to its significance in amount and a high degree of management judgement involved in the assessment.	We have reviewed the management's estimates and assertions regarding, estimated useful lives and residual values of the property, plant and equipment as well as the management's plan for the future maintenance or decoration on the restaurant premises. We have discussed the current status of leasehold improvements of each restaurant with the management team regarding any indicator of possible impairment identified. We assessed the reasonableness of management's assumptions and critical judgements by using the past restaurant operation experiences within the Group. We concluded that management's conclusion and estimates on carrying value of property, plant and equipment to be consistent with the available evidence.

Other Information

The directors of the Company are responsible for the Other Information. The Other Information comprises all the information in the annual report, but does not include the consolidated financial statements and our auditor's report thereon ("the Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chow Chi Tong.

TING HO KWAN & CHAN CPA LIMITED
Certified Public Accountants
Chow Chi Tong
Practising Certificate Number: P01567

9/F., Tung Ning Building,
249-253 Des Voeux Road Central,
HONG KONG

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	8	**278,429**	256,881
Other income	8	**1,546**	1,162
Other gains and losses	9	**(179)**	(3,139)
Cost of materials consumed		**(81,846)**	(71,261)
Employee benefits expense	10	**(59,812)**	(54,265)
Depreciation	16 & 17	**(13,327)**	(11,221)
Other expenses	11	**(100,367)**	(98,136)
Operating profit		**24,444**	20,021
Listing expenses		**(7,507)**	(8,419)
Finance costs	12	**(789)**	(862)
Profit before income tax		**16,148**	10,740
Income tax expense	13	**(4,800)**	(4,119)
Profit for the year		**11,348**	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		**(1,865)**	(349)
Total comprehensive income for the year		**9,483**	6,272
Profit attributable to:			
Owners of the Company		**11,348**	3,652
Non-controlling interests		**–**	2,969
		11,348	6,621
Total comprehensive income attributable to:			
Owners of the Company		**9,483**	3,322
Non-controlling interests		**–**	2,950
		9,483	6,272
Basis earnings per share		**HK cent 1.62**	HK cent 0.61

The notes on pages 59 to 115 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**30,536**	41,733
Investment properties	17	**–**	–
Rental deposits	22	**15,420**	15,649
Deposits placed for life insurance policies	18	**5,457**	5,139
Deferred tax assets	31	**5,179**	4,888
		56,592	67,409
Current assets			
Inventories	20	**9,494**	6,611
Trade receivables	21	**3,797**	3,280
Deposits, prepayments and other receivables	22	**5,373**	8,390
Amounts due from related companies	37	**–**	310
Current tax recoverable		**1,518**	913
Pledged bank deposits	23	**14,000**	–
Cash and cash equivalents	24	**83,587**	28,060
		117,769	47,564
Total assets		**174,361**	114,973
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**8,000**	–
Reserves		**110,791**	38,474
Total equity		**118,791**	38,474
LIABILITIES			
Non-current liabilities			
Deposits received	27	**180**	242
Obligations under finance leases	29	**454**	689
Provision for reinstatement costs	30	**3,011**	3,049
Deferred tax liabilities	31	**–**	48
		3,645	4,028

Consolidated Statement of Financial Position (continued)

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Current liabilities			
Trade payables	26	8,648	9,016
Accruals, provisions and deposits received	27	21,285	30,078
Amounts due to directors	37	–	4,520
Amounts due to related companies	37	–	3,539
Bank borrowings	28	19,230	24,305
Obligations under finance leases	29	235	224
Provision for reinstatement costs	30	–	93
Current tax payable		2,527	696
		51,925	72,471
Total liabilities		55,570	76,499
Total equity and liabilities		174,361	114,973
Net current assets/(liabilities)		65,844	(24,907)
Total assets less current liabilities		122,436	42,502

These consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2017 and are signed on its behalf by:

CHAN Chun Kit
Director

WONG Ka Wai
Director

The notes on pages 59 to 115 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company								
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *(note 33)* *HK$'000*	**Other reserves** *(note 33)* *HK$'000*	**Exchange translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance as at 1 January 2015	–	–	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)
Total comprehensive income/ (expense) for the year	–	–	–	–	(330)	3,652	3,322	2,950	6,272
Arising from reorganisation	–	–	18	(18)	–	–	–	–	–
Arising from disposal of subsidiaries *(Note 34)*	–	–	–	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 *(Note 14)*	–	–	–	–	–	(20,338)	(20,338)	(4,952)	(25,290)
Acquisition/deemed acquisition of additional equity interests in subsidiaries	–	–	13	(2,298)	–	–	(2,285)	2,285	–
Balance as at 31 December 2015	–	–	78	34,618	(281)	4,059	38,474	–	38,474
Balance as at 1 January 2016	**–**	**–**	**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)**
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**–**	**(1,865)**	**11,348**	**9,483**	**–**	**9,483**
Arising from reorganisation	**–**	**–**	**(78)**	**78**	**–**	**–**	**–**	**–**	**–**
Issue of new shares by placing *(Note 25)*	**2,000**	**69,000**	**–**	**–**	**–**	**–**	**71,000**	**–**	**71,000**
Capitalisation issue of shares *(Note 25)*	**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 *(Note 32)*	**–**	**–**	**–**	**7,700**	**–**	**–**	**7,700**	**–**	**7,700**
Balance as at 31 December 2016	**8,000**	**55,134**	**–**	**42,396**	**(2,146)**	**15,407**	**118,791**	**–**	**118,791**

The notes on pages 59 to 115 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit before income tax		16,148	10,740
Adjustments for:			
Depreciation of property, plant and equipment		13,327	10,060
Depreciation of investment properties		–	1,161
Finance costs	12	789	862
Interest income	8	(289)	(223)
Unrealised exchange loss		–	1,076
Premium charged on a life insurance policies		114	97
Underprovision for reinstatement cost	30	129	252
Loss on disposal of property, plant and equipment	9	206	29
Loss on disposal of financial assets at fair value through profit or loss	9	–	2,495
Operating cash flows before changes in working capital		30,424	26,549
Changes in working capital:			
Increase in inventories		(3,023)	(1,103)
Decrease in trade receivables		(652)	(533)
Increase/(decrease) in deposits, prepayments and other receivables		2,803	(7,720)
(Decrease)/increase in trade payables		(227)	570
Increase in pledged bank deposits		(14,000)	–
(Decrease)/increase in accruals, provisions and deposits received		(8,315)	6,759
Cash generated from operations		7,010	24,522
Profits tax paid, net		(3,929)	(6,700)
Net cash generated from operating activities		3,081	17,822

Consolidated Statement of Cash Flows
(continued)

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Investing activities			
Interest received		**60**	25
Purchases of property, plant and equipment		**(2,973)**	(19,896)
Proceeds from disposal of property, plant and equipment		**20**	399
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	15,712
Purchases of financial assets at fair value through profit or loss		**–**	(16,961)
Deposits paid for life insurance policies		**(203)**	(203)
Repayments from/(Advances to) related companies		**310**	(149)
Repayments from a director		**–**	392
Disposal of subsidiaries	34	**–**	(232)
Advances to the directors of subsidiaries		**–**	60
Repayment from a then shareholder of subsidiaries		**–**	4
Reinstatement costs paid for premises	30	**(222)**	(804)
Net cash used in investing activities		**(3,008)**	(21,653)
Financing activities			
Interest paid		**(789)**	(862)
Dividends paid		**–**	(2,200)
Expenses paid in connection with placing of shares		**(7,866)**	–
Net proceeds from bank borrowings		**10,000**	15,000
Proceeds from placing of shares	25 (d)	**71,000**	–
Repayments of bank borrowings		**(15,075)**	(7,266)
Repayments of finance lease obligations		**(224)**	(77)
Advances from directors		**3,180**	1,632
(Repayments to)/advances from related companies		**(3,539)**	465
Advances from the directors of subsidiaries		**–**	10
Advances from the then shareholders of subsidiaries		**–**	1,520
Net cash generated from financing activities		**56,687**	8,222
Net increase in cash and cash equivalents		**56,760**	4,391
Cash and cash equivalents at beginning of the year		**28,060**	23,908
Effect of foreign exchange rate changes		**(1,233)**	(239)
Cash and cash equivalents at end of the year	24	**83,587**	28,060

The notes on pages 59 to 115 form an integral part of these 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 and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and Room 2702, 27/F., Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, respectively. 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 ("PRC").

The Company's immediate and ultimate holding company is Zhao Tian Ventures Limited ("Zhao Tian"), a company incorporated in the British Virgin Islands (the "BVI").

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 of the Company dated 24 June 2016 ("Prospectus").

The Company and its subsidiaries have been under common control of Mr. Chan Chun Kit ("Mr. Chan") and his spouse, Ms. Liu Siu Kuen ("Mrs. Chan"), Bright Creator Limited ("Bright Creator"), Hong Cui Developments Limited ("Hong Cui"), Mr. Wong Ka Wai ("Mr. Wong"), Sun Foo Sing Development Limited ("Sun Foo Sing"), Sky Gain Investments Limited ("Sky Gain"), Mr. Ho Wood Yam ("Mr. Ho") and Mr. Tsui King Foo ("Mr. Tsui"), Mr. Chow Yiu Pong, David ("Mr. Chow YP"), Mr. Chow Chor Ting, Anthony ("Mr. Chow CT") Mr. Lam Kwok Leung Peter ("Mr. Lam'), Ms. Tsui Y. Y. ("Ms. Tsui Yuk Yi"), Mr. Tsui Chi Kit ("Mr. Tsui C. K.") and Mr. Tam Chie Sang ("Mr. Tam") (the "Controlling Shareholder") 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 report 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.

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 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.

3 Summary of Significant Accounting Policies

3.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6.

The consolidated financial statements have been prepared on a going concern basis as at 31 December 2016, as the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the ability to generate funds internally.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Summary of Significant Accounting Policies (continued)

3.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) (i) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserves. Any direct transaction cost attributable to the business combination is recorded in the consolidated statement of profit or loss in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

(a) (ii) Business combinations under non-common control

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by- acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

3 Summary of Significant Accounting Policies (continued)

3.2 Subsidiaries (continued)

(a) (ii) Business combinations under non-common control (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within the consolidated statement of changes in equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the consolidated statement of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in the consolidated statement of changes in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

3 Summary of Significant Accounting Policies (continued)

3.3 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss as an allocation of the total profit or loss for the year between non-controlling interests and owners of the Company.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Group who makes strategic decisions.

3.5 Foreign currency transactions

(a) Functional and presentation currency

Items included in the consolidated financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'other gains and losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of this consolidated statement of financial position;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3 Summary of Significant Accounting Policies (continued)

3.5 Foreign currency transactions (continued)

(c) Group companies (continued)

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.6 Property, plant and equipment

Property, plant and equipment other than crockery, utensils and linen is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the unexpired term of the lease periods, with a remaining term of 35 to 36 years
Buildings	50 years
Leasehold improvements	Shorter of 5 years and the unexpired lease term
Furniture, fixtures and equipment	3 years
Motor vehicles	5 years

3 Summary of Significant Accounting Policies (continued)

3.6 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 16).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains and losses' in the consolidated statement of profit or loss.

3.7 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is realisable upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is realisable.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Summary of Significant Accounting Policies (continued)

3.9 Financial assets

(a) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are investments in securities held for trading included in current assets and are stated in the statement of financial position at fair value. A financial asset is classified in this category, if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise "rental deposits", "deposits placed for life insurance policies", "trade receivables", "amounts due from related companies", "deposits and other receivables", "pledged bank deposits" and "cash and cash equivalents" in the consolidated statement of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3 Summary of Significant Accounting Policies (continued)

3.11 Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

3.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3 Summary of Significant Accounting Policies (continued)

3.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facilities to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.16 Borrowing costs

All borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred since no borrowing costs are directly attributable to the acquisition, construction or production of qualified assets.

3.17 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 Summary of Significant Accounting Policies (continued)

3.17 Current and deferred tax (continued)

(b) Deferred tax

Inside basis differences

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.18 Employee benefits

(a) Pension obligation

The Group operates a defined contribution plan, the mandatory provident fund scheme (“MPF”) in Hong Kong, the assets of which are generally held in separate trustee administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund on a reduction in the future payments is available.

3 Summary of Significant Accounting Policies (continued)

3.18 Employee benefits (continued)

(a) Pension obligation (continued)

The full-time employees of the Group in the PRC are covered by various government-sponsored basic pension insurance under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

The Group's contributions are charged to the consolidated statement of profit or loss in the period they incurred.

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the Group has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the reporting date are discounted to their present value.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3 Summary of Significant Accounting Policies (continued)

3.18 Employee benefits (continued)

(f) Long service payments

The Group's net obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributed to contributions made by the Group. The discount rate is the yield at the reporting date of Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in other comprehensive income in the period in which they occur in the consolidated statement of profit or loss and other comprehensive income.

3.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.20 Financial guarantees issued, other provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for similar services, when such information is obtainable, is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group' policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

3 Summary of Significant Accounting Policies (continued)

3.20 Financial guarantees issued, other provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit of loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised, in accordance with note 3.20(ii) if and when (1) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (2) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Provision for reinstatement costs

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as leasehold improvements in the consolidated statement of financial position.

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts and sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from Chinese restaurant operations

Revenue is recognised when the related catering services are rendered to customers.

3 Summary of Significant Accounting Policies (continued)

3.22 Revenue recognition (continued)

(b) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established prior to the end of the reporting period.

3.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Item of property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3.24 Dividend distribution

Dividend distribution to the members of the Company and its subsidiaries is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the shareholders or director, where appropriate, of the respective companies.

3 Summary of Significant Accounting Policies (continued)

3.25 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other entity is an associate of third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Company's consolidated financial statements:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRS 2012-2014 Cycle

The above developments result in changes in accounting policy but none of these developments have had material effect on how the Group's and the Company's results and financial position for the current or prior period have been prepared or presented.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 41).

5 Financial Risk Management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge its risk exposures to changes in foreign exchange rates and interest rates.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. 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 is insignificant. Thus there is no significant exposure expected on RMB transactions and balances. Hence, the Group does not have any material foreign exchange exposure. The Group has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the years under review. As at 31 December 2015 and 2016, the Group did not have any outstanding hedging instruments.

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. The interest rate profile of borrowings is disclosed in Note 28. The bank deposits generate interest at the prevailing market interest rates.

The Group is exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the Best Lending Rate arising from the bank borrowings.

The sensitivity analyses below have been determined based on the exposure to effective interest rates for the variable-rate bank borrowings at the end of each reporting period.

As at 31 December 2015 if the effective interest rates on approximately HK$24,305,000 bank borrowings had been 1%, 2%, 3% higher/lower with all other variables held constant, profit before tax for the year would have been approximately HK$274,000, HK$547,000, HK$821,000 decrease/increase respectively, mainly as a result of higher/lower finance costs on floating rate borrowings.

As at 31 December 2016 if the effective interest rates on approximately HK$19,230,000 bank borrowings had been 1%, 2%, 3% higher/lower with all other variables held constant, profit before tax for the year would have been approximately HK$237,000, HK$474,000, HK$711,000 decrease/increase respectively, mainly as a result of higher/lower finance costs on floating rate borrowings.

(b) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables, and amounts due from related companies. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

To mitigate the risk arising from banks, the Group places their deposits to certain reputable banks with a minimum rating of "investment grade" ranked by an independent party. See Note 24 for further disclosure on credit risk.

Majority of the Group's revenue is on cash basis, therefore there is no significant concentration of credit risk.

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(b) Credit risk (continued)

Amounts due from related companies are continuously monitored by assessing the credit quality of the respective counterparties, taking into account its financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts. As at 31 December 2015, no impairment was considered necessary for the amounts due from related companies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes that there is no significant liquidity risk as the Group is able to generate net cash inflow from operating activities and has sufficient committed facilities to fund its operations and debt servicing requirements and to satisfy its future working capital and other financing requirements from its operation cash flows and available bank financing.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at each reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31 December 2016			
Trade payables	8,648	–	–
Accruals and deposits received	8,464	–	–
Bank borrowings	20,249	–	–
Obligations under finance leases	260	208	270

5 Financial Risk Management (continued)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31 December 2015			
Trade payables	9,016	–	–
Accruals and deposits received	19,309	–	–
Amounts due to directors	4,520	–	–
Amounts due to related companies	3,539	–	–
Bank borrowings	25,909	–	–
Obligations under finance leases	260	260	478

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the director do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The director believes that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – term loans subject to a repayment on demand clause based on scheduled repayments		
	Within 1 year ***HK$'000***	**Over 1 year but less than 2 years** ***HK$'000***	**Over 2 year but less than 5 years** ***HK$'000***
At 31 December 2016	**11,265**	**3,267**	**5,717**
At 31 December 2015	10,925	5,837	9,147

5 Financial Risk Management (continued)

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders 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 shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest-bearing debts divided by capital. Debts are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Capital represents equity attributable to owners of the Company.

The Group's strategy, which was unchanged during the years, was to lower the gearing ratio to an acceptable level. The gearing ratios at 31 December 2015 and 2016 were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Bank borrowings *(Note 28)*	**19,230**	24,305
Obligations under finance leases *(Note 29)*	**689**	913
Total borrowings	**19,919**	25,218
Equity attributable to owners of the Company	**118,791**	38,474
Gearing ratio	**16.77%**	65.55%

5.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values as at 31 December 2015 and 2016.

6 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting date.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(b) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing:

(i) whether an event has occurred that may indicate that the related asset values may not be recoverable;

(ii) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and

(iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of its operations.

6 Critical Accounting Estimates and Judgements (continued)

(c) Income tax

The Group is subject to current tax in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred tax assets based on the enacted or substantively enacted tax rates (and laws) and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. In assessing the amount of deferred tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred tax assets and income tax expense would need to be made. In addition, management will revisit the assumptions and profit projections at each reporting date.

(d) Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at each reporting date with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

7 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.

	2016 ***HK$'000***	2015 *HK$'000*
Revenue from external customers		
Hong Kong	**188,826**	183,083
Mainland China	**89,603**	73,798
	278,429	256,881

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

	2016 ***HK$'000***	2015 *HK$'000*
Non-current assets		
Hong Kong	**20,491**	25,081
Mainland China	**10,045**	16,652
	30,536	41,733

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

8 Revenue and other Income

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

	2016 **HK$'000**	2015 *HK$'000*
Revenue		
Revenue from Chinese restaurant operations	**278,429**	256,881
Other income		
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	**1,224**	130
	1,546	1,162
Total revenue and other income	**279,975**	258,043
Total interest income on financial assets not at fair value through profit or loss	**289**	223

9 Other Gains and Losses

	2016 **HK$'000**	2015 *HK$'000*
Loss on disposal of financial assets at fair value through profit or loss	**–**	(2,495)
Loss on disposal of property, plant and equipment	**(206)**	(29)
Exchange gain/(loss), net	**27**	(615)
	(179)	(3,139)

10 Employee Benefits Expense

	2016 ***HK$'000***	2015 *HK$'000*
Wages, salaries and bonuses	**55,024**	50,184
Directors' fees	**273**	–
Pension costs – defined contribution plans	**1,876**	1,672
Basic pension insurance, housing fund, medical insurance and other social insurances	**2,553**	2,538
Unutilised paid annual leave/(Previous years' unutilised paid annual leave utilised)	**86**	(129)
	59,812	54,265

(a) Pensions – defined contribution plans

Contributions totaling approximately HK$230,000 and HK$156,000 were payable to the MPF fund as at 31 December 2015 and 2016, respectively.

(b) Directors' emoluments

The emoluments of directors for the year ended 31 December 2015 is set out below:

	Fees *HK$'000*	Basic salaries, allowances and benefits *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contributions to pension scheme *HK$'000*	Total *HK$'000*
Executive directors:					
CHAN Chun Kit[1]	–	585	16	21	622
WONG Ka Wai[2]	–	–	–	–	–
CHOW Yiu Pong[2]	–	–	–	–	–
LAM Kwok Leung[2]	–	–	–	–	–
	–	585	16	21	622

10 Employee Benefits Expense (continued)

(b) Directors' emoluments (continued)

The emoluments of directors for the year ended 31 December 2016 is set out below:

	Fees *HK$'000*	Basic salaries, allowances and benefits *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contributions to pension scheme *HK$'000*	Total *HK$'000*
Executive directors:					
CHAN Chun Kit[1]	–	1,990	170	18	2,178
WONG Ka Wai[2]	–	121	–	6	127
CHOW Yiu Pong[2]	–	121	–	6	127
LAM Kwok Leung[2]	–	121	–	6	127
Independent non-executive directors:					
WONG Lung Tak, Patrick[3]	91	–	–	–	91
TAM Tak Kei, Raymond[3]	91	–	–	–	91
LIU Chi Keung[3]	91	–	–	–	91
	273	2,353	170	36	2,832

1. Appointed as a director on 1 September 2015 and re-designated as an executive director on 23 September 2015

2. Appointed on 23 September 2015

3. Appointed on 16 June 2016

No directors waived or agreed to waive any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year.

10 Employee Benefits Expense (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2015 and 2016 include one director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the years are as follows:

	2016 **HK$'000**	2015 *HK$'000*
Basic salaries, allowances and benefits	**2,033**	1,741
Discretionary bonuses	**131**	253
Employer 's contribution to pension scheme	**60**	71
	2,224	2,065

The emoluments of the above four individuals above fell within the band of nil – HK$1,000,000 during the years.

11 Other Expenses

Other expenses include the following items:

	2016 **HK$'000**	2015 *HK$'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 for reinstatement costs *(note 30)*	**129**	252

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

12 Finance Costs

	2016 HK$'000	2015 HK$'000
Interest expense on bank borrowings *(note a)*	**752**	848
Interest expense on finance lease obligations	**37**	14
Total interest expenses on financial liabilities not at fair value through profit or loss	**789**	862

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

13 Income Tax Expense

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

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.

13 Income Tax Expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using applicable statutory tax rates as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before income tax	**16,148**	10,740
Tax calculated at applicable statutory tax rates	**3,608**	2,217
Income not subject to tax	**(164)**	(235)
Expenses not deductible for tax purposes	**1,396**	2,153
Taxation overprovided in prior year	**(40)**	(16)
Income tax expense	**4,800**	4,119

14 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 totalling HK$6,800,000. Such recommendation is to be approved by the Shareholders at the Annual General Meeting. Dividend 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 report for the year then ended.

15 Earnings per Share

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

	2016 *HK$'000*	2015 *HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company	**11,348**	3,652
Number of shares		
Weighted average number of shares for the purpose of calculating basis earnings per share	**701,639,000**	600,000,000

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 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.

16 Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Utensils, liners and uniforms HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2015	7,089	51,609	14,062	2,628	991	76,379
Additions	–	16,604	3,568	431	919	21,522
Disposal or written-off	–	(7,261)	(2,769)	(382)	(637)	(11,049)
Disposal of subsidiaries	(7,089)	(549)	–	–	–	(7,638)
Exchange alignment	–	(1,139)	(407)	(91)	(6)	(1,643)
At 31 December 2015 and 1 January 2016	–	59,264	14,454	2,586	1,267	77,571
Additions	–	1,910	213	752	98	2,973
Disposal or written-off	–	–	–	(187)	(102)	(289)
Exchange alignment	–	(1,014)	(490)	(87)	(6)	(1,597)
At 31 December 2016	**–**	**60,160**	**14,177**	**3,064**	**1,257**	**78,658**
Accumulated depreciation						
At 1 January 2015	942	28,382	8,531	–	598	38,453
Charge for the year	187	6,715	2,900	–	258	10,060
Disposal of subsidiaries	(1,129)	(549)	–	–	–	(1,678)
Elimination on disposal or written-off	–	(7,262)	(2,736)	–	(623)	(10,621)
Exchange alignment	–	(241)	(133)	–	(2)	(376)
At 31 December 2015 and 1 January 2016	–	27,045	8,562	–	231	35,838
Charge for the year	–	9,538	3,475	–	314	13,327
Elimination on disposal or written-off	–	–	–	–	(63)	(63)
Exchange alignment	–	(629)	(346)	–	(5)	(980)
At 31 December 2016	**–**	**35,954**	**11,691**	**–**	**477**	**48,122**
Net book value						
At 31 December 2016	**–**	**24,206**	**2,486**	**3,064**	**780**	**30,536**
At 31 December 2015	–	32,219	5,892	2,586	1,036	41,733

16 Property, Plant and Equipment (continued)

Motor vehicles include the following amounts where the Group is a lessee under finance leases:

	2016	2015
	HK$'000	*HK$'000*
Cost – capitalised finance leases	**1,159**	1,159
Accumulated depreciation	**(465)**	(176)
Net book amount	**694**	983

The Group leases motor vehicles under non-cancellable finance lease agreements. The lease terms are between three and five years, and ownership of the assets lies within the Group.

17 Investment Properties

	Total
	HK$'000
COST	
At 1 January 2015	25,695
Disposal of subsidiaries	(25,695)
At 31 December 2015 and 2016	–
ACCUMULATED DEPRECIATION	
At 1 January 2015	4,635
Charge for the year	1,161
Disposal of subsidiaries	(5,796)
At 31 December 2015 and 2016	–
NET BOOK VALUE	
At 31 December 2015 and 2016	–

18 Deposits Placed for Life Insurance Policies

	2016	2015
	HK$'000	*HK$'000*
Life insurance policy 1	**1,102**	1,078
Life insurance policy 2	**2,783**	2,713
Life insurance policy 3	**1,572**	1,348
	5,457	5,139

Life Insurance Policy 1

In March 2013, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Great Virtue Investment Limited ("Great Virtue"), a Company's subsidiary and the total insured sum is USD200,000 (approximately HK$1,560,000). Great Virtue is required to pay an upfront deposit of USD128,200 (approximately HK$999,960) including a premium charge at inception of the policy amounting to USD8,100 (approximately HK$63,180). Great Virtue can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront deposit payment of USD128,200 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value").

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Great Virtue an interest of 2.25% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will become 2% per annum plus a premium determined by the insurance company on an annual basis.

Life Insurance Policy 2

In January 2011, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Orient Century Limited ("Orient Century"), a Company's subsidiary and the total insured sum is USD1,000,000 (approximately HK$7,800,000). Orient Century is required to pay an upfront deposit of USD333,276 (approximately HK$2,599,553) including a premium charge at inception of the policy amounting to USD19,997 (approximately HK$155,977). Orient Century can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront deposit payment of USD333,276 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge.

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Orient Century an guaranteed interest of 3.9% on annum basis for first 5 years. Commencing on the 6th year, the interest will become 3% per annum plus a premium determined by the insurance company on an annual basis.

18 Deposits Placed for Life Insurance Policies (continued)

Life Insurance Policy 3

In April 2009, the Group entered into a life insurance policy with an insurance company to insure an Executive Director, Mr. Chan Chun Kit. Under the policy, the beneficiary and policy holder is Orient Century Limited ("Orient Century"), a Company's subsidiary and the total insured sum is USD750,000 (approximately HK$5,850,000). Orient Century is required to pay ten annual instalments of USD26,055 up to 30 April 2019 (approximately HK$203,229) including a premium charge at inception of the policy amounting to USD8,100 (approximately HK$63,180). Orient Century can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the accumulated deposit payments plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge.

In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance company will pay Orient Century an guaranteed interest of 5.55% on annum basis for first 20 years. Commencing on the 21st year, the interest will become 3% per annum plus a premium determined by the insurance company on an annual basis.

19 Financial Instruments by Category

	2016	2015
	HK$'000	*HK$'000*
Loans and receivables		
Rental deposits	**15,420**	18,103
Deposits placed for life insurance policies	**5,457**	5,139
Trade receivables	**3,797**	3,280
Deposits and other receivables	**4,262**	1,868
Amounts due from related companies	**–**	310
Pledged bank deposits	**14,000**	–
Cash and cash equivalents	**83,587**	28,060
	126,523	56,760
Other financial liabilities at amortised costs		
Trade payables	**8,648**	9,016
Accruals and deposits received	**8,464**	19,309
Amounts due to directors	**–**	4,520
Amounts due to related companies	**–**	3,539
Bank borrowings	**19,230**	24,305
Obligations under finance leases	**689**	913
	37,031	61,602

20 Inventories

	2016 HK$'000	2015 HK$'000
Food and beverages	**9,494**	6,611

As at 31 December 2015 and 2016, there were no inventories stated at net realisable value.

21 Trade Receivables

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

	2016 HK$'000	2015 HK$'000
0 to 30 days	**3,005**	2,285
31 to 60 days	**470**	285
61 to 90 days	**105**	595
Over 90 days	**217**	115
	3,797	3,280

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. As at 31 December 2015 and 2016, trade receivables that were not past due nor impaired amounted to approximately HK$2,285,000 and HK$3,005,000, respectively. These balances relate to a wide range of customers for whom there was no recent history of default.

As at 31 December 2015 and 2016, trade receivables of approximately HK$995,000 and HK$792,000 were past due but not impaired, respectively. Trade receivables that were past due but not impaired mainly related to receivables from corporate customers which have a long business relationship with the Group. Based on past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the individual debtors and the balances are still considered fully recoverable.

21 Trade Receivables (continued)

The ageing analysis of these trade receivables by overdue date is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**470**	285
31 to 60 days	**105**	595
61 to 90 days	**133**	19
Over 90 days	**84**	96
	792	995

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.

The carrying amounts of trade receivables approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

22 Deposits, Prepayments and other Receivables

	2016	2015
	HK$'000	*HK$'000*
Rental deposits	**15,420**	18,103
Utility deposits	**1,313**	1,476
Other deposits	**734**	146
Prepayments	**1,111**	4,068
Other receivables	**2,215**	246
	20,793	24,039
Less: Non-current portion – rental deposits	**15,420**	15,649
Current portion	**5,373**	8,390

The carrying amounts of deposits, prepayments and other receivables approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities.

23 Pledged Bank Deposits

The balances, which were carried at the prevailing market interest rate at 0.025% to 0.15% per annum represent deposits pledged to banks to secure short-term bank borrowings (Note 28) granted to the Group, and therefore classified as current assets. The pledged deposits will be released upon expiry or termination or upon the settlement of relevant bank borrowings. As at 31 December 2016, all the pledged bank deposits were denominated in HK$.

24 Cash and Cash Equivalents

	2016	2015
	HK$'000	*HK$'000*
Cash at banks	**82,741**	27,312
Cash on hand	**846**	748
Cash and cash equivalents	**83,587**	28,060
Maximum exposure to credit risk	**82,741**	27,312

Majority of the Group's cash and cash equivalents are denominated in HK$ and RMB, which are the functional currencies of the respective group entities. Cash at banks earns interest at floating rates based on daily bank deposit rates.

25 Share Capital

	Note	**Number of Ordinary shares**	Nominal value of Ordinary share *HK'000*
Authorised:			
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		**2,000,000,000**	20,000
Issued and fully paid:			
As at 1 September 2015 (date of incorporation)	*(a)*	**1**	*
Issue of shares during reorganisation	*(b)*	**9,999**	*
Issue of shares by capitalisation of share premium account	*(c)*	**599,990,000**	6,000
Issue of shares upon placing	*(d)*	**200,000,000**	2,000
As at 31 December 2016		**800,000,000**	8,000

25 Share Capital (continued)

* 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.

26 Trade Payables

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

	2016 ***HK$'000***	2015 *HK$'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
	8,648	9,016

The carrying amounts of trade payables approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities.

27 Accruals and Provisions and Deposits Received

	2016 HK$'000	2015 HK$'000
Accrued expenses	11,294	15,016
Other payables for purchases of property, plant and equipment	–	7,664
Receipts-in-advance	5,440	3,209
Provision for unutilised paid annual leave	519	377
Total accruals and provisions	17,253	26,266
Deposits received for banquets	4,212	4,054
Less: Non-current portion – deposits received for banquets	180	242
Current portion of deposits received	4,032	3,812
	21,285	30,078

The carrying amounts of accruals and provisions and deposits received approximate their fair values and are denominated in HK$ and RMB, which are the functional currencies of the respective group entities.

28 Bank Borrowings

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

Repayments of bank borrowings based on the scheduled repayment dates set out in the loan agreements are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	10,671	10,233
Over one year but less than two years	3,020	5,325
Over two years but less than five years	5,539	8,747
	19,230	24,305

28 Bank Borrowings (continued)

The bank borrowings are exposed to interest rate changes and the contractual reprising dates are 6 months or less at each reporting date. The weighted effective interest rates of bank borrowings at the reporting date are as follows:

	2016	2015
Bank borrowings	**3.33%**	3.15%

The current liabilities as at 31 December 2015 and 2016 include such bank loans that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

The carrying amounts of current bank borrowings approximate their fair values, as the impact of discounting was not significant on the borrowings carried floating interest rate.

As at 31 December 2015, the Group's banking facilities were secured by:

(a) the Group's two life insurance policies with the amount of approximately HK$3,791,000 as at 31 December 2015;

(b) personal guarantees given by the Ultimate Controlling Shareholders;

(c) personal guarantees given by certain controlling shareholders of a non-controlling shareholder;

(d) corporate guarantees given by a company controlled by certain Ultimate Controlling Shareholders, and a non-controlling shareholder; and

(e) the properties held by the former subsidiaries controlled by certain Ultimate Controlling Shareholders of the Company.

During the year, the above guarantees and properties pledged for the relevant banking facilities granted to the Group as at 31 December 2015 have been released and replaced by a corporate guarantee issued by the Company. 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.

29 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.

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

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

30 Provision for Reinstatement Costs

	2016 ***HK$'000***	2015 *HK$'000*
At 1 January	**3,142**	2,935
Actual costs paid	**(222)**	(804)
Additions	**–**	800
Underprovision *(Note 11)*	**129**	252
Exchange alignment	**(38)**	(41)
At 31 December	**3,011**	3,142
Less: Non-current portion	**3,011**	3,049
Current portion	**–**	93

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.

31 Deferred Tax Assets/(Liabilities)

The analysis of deferred tax assets/(liabilities) is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Deferred tax assets	**5,179**	4,888
Deferred tax liabilities	**–**	(48)
	5,179	4,840

The movements in deferred tax assets/(liabilities) during the current and prior years, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax

	Decelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Provisions** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	3,250	1,791	149	5,190
Exchange alignment	(74)	(96)	–	(170)
Disposal of subsidiaries	(44)	–	–	(44)
Charged to consolidated statement of profit or loss *(Note 13)*	(43)	(5)	(88)	(136)
At 31 December 2015	3,089	1,690	61	4,840
Exchange alignment	(136)	–	–	(136)
Credited to consolidated statement of profit or loss *(Note 13)*	619	(259)	115	475
At 31 December 2016	**3,572**	**1,431**	**176**	**5,179**

32 Major non Cash Transactions

On 2 March 2016, the Company's directors Mr. Chan and Mr. Wong who are also the Ultimate Controlling Shareholders have waived their amounts due from the Group in total of approximately HK$7,700,000 and such gain has been accounted for as deemed contributions from the Ultimate Controlling Shareholders recognised in the Group's equity directly in the financial statements for the year ended 31 December 2016.

On 16 June 2016, the Company acquired 10,000 shares in Zhen Tong Holdings Limited ("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. After the aforesaid acquisition, Zhen Tong became a wholly-owned subsidiary of the Group. Zhen Tong is principally engaged in investment holding. Its principal subsidiaries are engaged in restaurant operation.

33 Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 of the consolidated financial statements.

(a) Capital reserve

Capital reserve of HK$78,000 as at 31 December 2015 represented the share capital of Zhen Tong Holdings Limited.

(b) Other reserves

Other reserves of the Group represent (i) the amount arising from a reorganisation of the Company in connection with the listing; (ii) wavier of amounts due to a non-controlling shareholder, related party, and ultimate controlling shareholders; (iii) the difference between the acquisition of additional equity interests from the then non-controlling shareholders and the nominal value of the shares of an existing subsidiary of the Group issued in exchange therefore prior to the listing of the Company's shares; and (iii) the difference between the consideration received on disposal of the entire equity interests of the subsidiaries and the carrying amounts of the net liabilities of the subsidiaries.

34 Disposal of Subsidiaries

On 18 September 2015, Great Virtue disposed of 100% equity interests in both Richfield Develop and Long Run (the "Disposal Group") to a related company connected with certain Ultimate Controlling Shareholders at an aggregate consideration of approximately HK$25,720,000 which was fully settled by offsetting the amount due from Zhen Tong. The consideration was mutually agreed by the relevant contractual parties after negotiations.

The net liabilities of the Disposal Group as at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	2015 *HK$'000*
Property, plant and equipment	5,960
Investment properties	19,899
Deferred income tax assets	44
Deposits, prepayments and other receivables	131
Cash and cash equivalents	232
Accruals, provisions and deposits received	(231)
Amounts due to related parties	(18)
Amounts due to fellow subsidiaries	(18,098)
Borrowings	(13,035)
Current income tax liabilities	(70)
Net liabilities disposed of	(5,186)
Non-controlling interests	1,556
	(3,630)
Total consideration satisfied by:	
Set-off of loans and dividend payable	25,720
Surplus on disposal of subsidiaries accounted for as deemed contribution from the Ultimate Controlling Shareholders	29,350
Cash outflow arising on disposal:	
Cash and cash equivalent disposed of	232

34 Disposal of Subsidiaries (continued)

The net cash flows attributable to the Disposal Group for the year ended 31 December 2015, which have been included in the consolidated statement of cash flows for the year ended 31 December 2015, were as follows:

	2015 HK$'000
Operating activities	6,911
Financing activities	(939)
Net cash outflow	5,972

35 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.

36 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:

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

37 Related Party Transactions

(a) Related parties

The directors of the Company are of the view that the following companies were related parties that had transactions during the years or balances with the Group as at the reporting dates:

Name	Relationship with the Group
Mr. Chan Chun Kit	Executive Director of the Company and one of the Company's Ultimate Controlling Shareholders
Mr. Wong Ka Wai	Executive Director of the Company and one of the Company's Ultimate Controlling Shareholders
Mr. Lam Kwok Leung	Executive Director of the Company
Mr. Chow Chor Ting	Director of subsidiaries and one of the Company's Ultimate Controlling Shareholders
Sun Foo Sing Development Limited ("Sun Foo Sing")	A then shareholder of subsidiaries
Ah Wong Frozen Meat ("Ah Wong")	Unincorporated business enterprise controlled by the sister of Mr.Chan
Bright Creator Limited ("Bright Creator")	A Company controlled by Mr. Chan and his spouse
Poly Wealth Limited ("Poly Wealth")	A Company controlled by the Ultimate Controlling Shareholders
麗嘉(深圳)餐飲有限公司	A Company controlled by Mr. Chan
Taste Creator Investment Limited ("Taste Creator")	Immediate holding company of a subsidiary, Great Virtue
Tiena Company Limited ("Tiena")	A Company controlled by Mr. Chow CT
Wits Management Limited ("Wits")	A Company controlled by Mr. Chan
Star Catering Management Limited ("Star Catering")	A Company controlled by the Ultimate Controlling Shareholders
Harvest Express Development Limited ("Harvest Express")	A Company controlled by Mr. Chan
Hanman Limited ("Hanman")	A Company controlled by the Ultimate Controlling Shareholders
Elite Linker Investment Limited ("Elite Linker")	A Company controlled by the Ultimate Controlling Shareholders
Long Run Investment Limited ("Long Run")	A Company controlled by Elite Linker
Richfield Develop Limited ("Richfield Develop")	A Company controlled by Elite Linker
First Lucky Investment Limited ("First Lucky")	A Company controlled by Mr. Chan

37 Related Party Transactions (continued)

(b) 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:

	2016	2015
	HK$'000	*HK$'000*
Purchases of goods from Ah Wong (i)	**–**	9,389
Management fee paid to Bright Creator (ii)	**–**	1,059
Rental expenses paid to Richfield Develop (iii)	**71**	–

Notes:

(i) Purchases of goods from a 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) Management fee paid to a related company was charged at terms mutually agreed by both parties.

(iii) Rental expenses paid to a related company was charged at terms mutually agreed by both parties.

(c) Balances with related parties

The Group had the following balances with related parties:

(i) Amounts due from related companies

	2016	2015
	HK$'000	*HK$'000*
Taste Creator	**–**	7
Poly Wealth	**–**	1
Hanman	**–**	6
Star Catering	**–**	22
Elite Linker	**–**	10
Long Run	**–**	262
First Lucky	**–**	2
	–	310

37 Related Party Transactions (continued)

(c) Balances with related parties (continued)

(i) Amounts due from related companies (continued)

The maximum outstanding balances during the years were as follows:

Maximum outstanding balances due from:

	2016 **HK$'000**	2015 *HK$'000*
Taste Creator	**7**	60
Poly Wealth	**1**	8,785
Tiena	**–**	53
Wits	**–**	54
麗嘉（深圳）餐飲有限公司	**–**	6,023
Sun Foo Sing	**–**	4
Bright Creator	**–**	36
Mr. Chow Chor Ting	**–**	61
Mr. Lam Kwok Leung	**–**	392
Hanman	**6**	6
Star Catering	**22**	22
Elite Linker	**10**	10
Long Run	**262**	262
First Lucky	**2**	2

(ii) Amounts due to directors (also the ultimate controlling shareholders)

	2016 **HK$'000**	2015 *HK$'000*
Mr. Chan Chun Kit	**–**	3,587
Mr. Wong Ka Wai	**–**	43
Mr. Chan Chun Kit and Wong Ka Wai	**–**	890
	–	4,520

37 Related Party Transactions (continued)

(c) Balances with related parties (continued)

(iii) Amounts due to related companies

	2016 **HK$'000**	2015 *HK$'000*
Ah Wong	–	3,457
Richfield Develop	–	82
	–	3,539

Receivables and payables from/to related parties are unsecured, interest free and repayable on demand. Receivables from related parties are neither past due nor impaired.

(d) Key management compensation

The emoluments of directors and members of key management were as follows:

	2016 **HK$'000**	2015 *HK$'000*
Basic salaries, allowances and benefits	**4,615**	2,486
Discretionary bonuses	**321**	250
Employer's contribution to pension scheme	**111**	101
	5,047	2,837

(e) 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 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.

38 Statement of Financial Position of the Company

(a) Company-level statement of financial position

	Notes	2016 HK$'000	2015 HK$'000
ASSET			
Non-current assets			
Interest in subsidiaries	38(c)	**8,572**	–
Current assets			
Prepayment		**235**	2,687
Pledged bank deposits		**14,000**	–
Cash and cash equivalents		**24,641**	–
		38,876	2,687
Total assets		**47,448**	2,687
EQUITY/(DEFICIT)			
Share capital	25	**8,000**	–
Share premium	38(b)	**55,134**	–
Other reserve	38(b)	**78**	–
Accumulated losses	38(b)	**(16,536)**	(8,419)
Total equity/(deficit)		**46,676**	(8,419)
Current liabilities			
Other payables		**772**	11,106
Total liabilities		**772**	11,106
Total equity and liabilities		**47,448**	2,687
Net current assets/(liabilities)		**38,104**	(8,419)
Total assets less current liabilities		**46,676**	(8,419)

These financial statements were approved and authorised for issue by the Board of directors on 27 March 2017 and are signed on its behalf by:

CHAN CHUN KIT
Director

WONG KA WAI
Director

38 Statement of Financial Position of the Company (continued)

(b) Movements in components of reserve of the Company

	Share premium *HK$'000*	Other reserve *HK$*	Accumulated losses *HK$'000*	Total *HK$'000*
On incorporation	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(8,419)	(8,419)
Balance at 31 December 2015	–	–	(8,419)	(8,419)
Issue of new shares by placing	69,000	–	–	69,000
Capitalisation issue of shares	(6,000)	–	–	(6,000)
Arising from reorganisation	–	78	–	78
Expenses incurred in connection with issue of new shares	(7,866)	–	–	(7,866)
Loss and total comprehensive expense for the year	–	–	(8,117)	(8,117)
Balance at 31 December 2016	**55,134**	**78**	**(16,536)**	**38,676**

(c) Particulars of principal subsidiaries

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation and business and type of legal entity	Particulars of issued and paid up capital	Effective interest held by the Company	Principal activities
Solarday Investment Limited	Hong Kong, limited liability company	HK$20,000	100%	Restaurant operation
Orient Century Limited	Hong Kong, limited liability company	HK$20,000	100%	Restaurant operation
Great Virtue Investment Limited	Hong Kong, limited liability company	HK$10,000	100%	Ceased the business
Great Virtue (Hong Kong) Investment Limited	Hong Kong, limited liability company	HK$10,000	100%	Restaurant operation
Li Bao Ge (Shenzhen) Catering Company Limited* 利寶閣(深圳)餐飲有限公司	People's Republic of China, limited liability company	RMB11,960,600	100%	Restaurant operation
Excel Linker (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	Restaurant operation
Smart Best (Asia) Limited	Hong Kong, limited liability company	HK$100	100%	Ordering of food ingredient for the group

* The English names of Li Bao Ge (Shenzhen) Catering Company Limited represent the best effort by the management of the Group in translating its Chinese name as it does not have official English name.

38 Statement of Financial Position of the Company (continued)

(c) Particulars of principal subsidiaries (continued)

The above table lists out the subsidiaries of the Group which, in the opinion of the Directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.

39 Share-Based Payment Transactions

Pursuant to the Company's share option scheme (the "Scheme") adopted on 16 June 2016 for the primary purpose of providing incentives to Directors, employees, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group, the directors, employees, consultant or adviser of the Group or any substantial shareholder of the Group, or any distributors, contractors, suppliers, agents, customers, business partners and services providers may, at the discretion of the board, be granted options (the "Options") to subscribe for shares in the Company at a price determined by its directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of grant of the option.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted must be taken up not later than 7 days after the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

The exercisable period of an option, which shall not exceed 10 years from the date of grant, is determined by the Board of Directors of the Company at their discretion.

No options have been granted since its adoption.

40 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 cash consideration of HK$1,800,000 (the "Acquisition"). 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" and it has commenced business in February 2017.

The Acquisition has not yet been completed at the date of this report.

Save as disclosed above and elsewhere in these consolidated financial statements, no other significant events took place subsequent to 31 December 2016.

41 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2016

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2016 and which have not been early adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of their initial application. So far the group has identified some aspects of the new standard which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

Amendments to HKAS 12 ***Income taxes: Recognition of deferred tax assets for unrealised losses***

Amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. An entity shall apply those amendments to HKAS 12 for annual periods beginning on or after 1 January 2017.

41 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2016 (continued)

HKFRS 9 *"Financial Instruments"*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are more relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

41 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2016 (continued)

HKFRS 15 *"Revenue from Contracts with Customers"*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group has already commenced an assessment of the impact of HKFRS 15 but is not yet in a position to conclude whether it would have a significant impact on the Group's results of operations and financial position.

41 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2016 (continued)

HKFRS 16 – *Leases*

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC) – Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance leases. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the consolidated statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the consolidated statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in Note 36. The directors of the Company anticipate that the application of HKFRS 16 in the future will have an impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

Financial Summary

Results

Year ended 31 December

	Year ended 31 December			
	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**278,429**	256,881	245,905	173,623
Profit before income tax	**16,148**	10,740	22,481	2,906
Income tax expense	**(4,800)**	(4,119)	(4,581)	(342)
Profit for the year	**11,348**	6,621	17,900	2,564
Attributable to:				
Owner of the Company	**11,348**	3,652	16,432	4,202
Non-controlling interests	**–**	2,969	1,468	(1,638)
	11,348	6,621	17,900	2,564

Assets, Liabilities and Non-Controlling Interests

	At 31 December			
	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**174,361**	114,973	133,439	124,067
Total liabilities	**(55,570)**	(76,499)	(114,437)	(120,315)
Net assets	**118,791**	38,474	19,002	3,752
Non-controlling interests	**–**	–	1,839	2,477
Equity attributable to the owners of the Company	**118,791**	38,474	20,841	6,229

The summary of the consolidated results of the Group for the three years ended 31 December 2013, 2014 and 2015 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2013, 2014 and 2015 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.

The financial information for the year ended 31 December 2012 were not disclosed as consolidated financial statements for the Group have not been prepared for those year.

The summary above does not form part of the audited financial statements.