利·寶·閣

Li Bao Ge Group Limited
利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8102)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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*This announcement, for which the directors (the "**Directors**") of LI BAO GE GROUP LIMITED (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board (the “**Board**”) of directors (the “**Directors**”) of Li Bao Ge Group Limited (the “**Company**”, together with its subsidiaries, collectively known as the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2018 (the “**Period**”) together with the comparative figures for the corresponding period in 2017 as set out below. This interim results announcement has been reviewed by the audit committee under the Board (the “**Audit Committee**”) and the Company’s auditor. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 24 June 2016 (the “**Prospectus**”).

FINANCIAL HIGHLIGHTS

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

– revenue of the Group amounted to approximately HK$183.3 million, representing an increase of approximately 31.8% as compared with the corresponding period in 2017.

– profit attributable to owners of the Company amounted to approximately HK$5.7 million, representing a decrease of approximately 27.6% as compared with the corresponding period in 2017. Excluding the listing expenses incurred in connection with the Company’s proposed transfer of listing from GEM to the main board, the profit attributable to owners of the Company would be approximately HK$7.5 million, representing a gentle decrease of approximately 4.3% as compared with the corresponding period in 2017.

– earnings per share was approximately HK0.71 cents.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**183,262**	139,081
Other income	*4*	**1,378**	908
Other gains and losses		**(146)**	(56)
Cost of materials consumed		**(58,314)**	(40,517)
Employee benefits expense		**(41,724)**	(31,575)
Depreciation		**(8,694)**	(5,783)
Other expenses	*5*	**(64,958)**	(51,308)
Operating profit		**10,804**	10,750
Listing expenses		**(1,823)**	–
Finance costs	*6*	**(246)**	(313)
Profit before income tax		**8,735**	10,437
Income tax expense	*7*	**(3,071)**	(2,610)
Profit for the period attributable to owners of the Company		**5,664**	7,827
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		**2,135**	(281)
Total comprehensive income for the period attributable to owners of the Company		**7,799**	7,546
		HK cent	HK cent
Basis earnings per share	*9*	**0.71**	0.98

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**54,982**	54,934
Rental deposits	*11*	**17,604**	17,035
Deposits placed for life insurance policies		**5,986**	5,742
Deposits paid for property, plant and equipment		**–**	5,578
Deferred income tax assets		**6,226**	6,050
		84,798	89,339
Current assets			
Inventories		**12,877**	12,434
Trade receivables	*12*	**6,814**	9,474
Deposits, prepayments and other receivables	*11*	**8,814**	8,406
Current tax recoverable		**422**	770
Pledged bank deposits	*13*	**11,002**	11,001
Cash and cash equivalents		**62,225**	67,494
		102,154	109,579
Total assets		**186,952**	198,918
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**8,000**	8,000
Reserves		**124,197**	128,398
Total equity		**132,197**	136,398

	Notes	**30 June 2018** *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Deposits received		**35**	69
Obligations under finance leases	*16*	**166**	262
Provision for reinstatement costs	*17*	**3,994**	3,939
		4,195	4,270
Current liabilities			
Trade payables	*20*	**9,455**	9,225
Accruals, provisions and deposits received		**27,643**	32,108
Bank borrowings	*15*	**12,076**	13,776
Obligations under finance leases	*16*	**191**	192
Current tax payable		**1,195**	2,949
		50,560	58,250
Total liabilities		**54,755**	62,520
Total equity and liabilities		**186,952**	198,918
Net current assets		**51,594**	51,329
Total assets less current liabilities		**136,392**	140,668

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *HK$'000*	**Exchange translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance as at 1 January 2017 (audited)	8,000	55,134	42,396	(2,146)	15,407	118,791
Profit for the period	–	–	–	–	7,827	7,827
Currency translation differences	–	–	–	(281)	–	(281)
Total comprehensive income/(expense) for the period	–	–	–	(281)	7,827	7,546
Dividend paid *(Note 8)*	–	–	–	–	(6,800)	(6,800)
Balance as at 30 June 2017 (unaudited)	8,000	55,134	42,396	(2,427)	16,434	119,537
Balance as at 1 July 2017 (unaudited)	8,000	55,134	42,396	(2,427)	16,434	119,537
Profit for the period	–	–	–	–	15,361	15,361
Currency translation differences	–	–	–	1,500	–	1,500
Total comprehensive income for the period	–	–	–	1,500	15,361	16,861
Balance as at 31 December 2017 (audited)	8,000	55,134	42,336	(927)	31,795	136,398
Balance as at 1 January 2018 (audited)	8,000	55,134	42,396	(927)	31,795	136,398
Profit for the period	–	–	–	–	5,664	5,664
Currency translation differences	–	–	–	2,135	–	2,135
Total comprehensive income for the period	–	–	–	2,135	5,664	7,799
Dividend paid *(Note 8)*	–	–	–	–	(12,000)	(12,000)
Balance as at 30 June 2018 (unaudited)	8,000	55,134	42,396	1,208	25,459	132,197

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** *HK$'000* (unaudited)	2017 *HK$'000* (unaudited)
Cash flows from operating activities			
Profit before income tax		**8,735**	10,437
Adjustments for:			
Depreciation of property, plant and equipment		**8,694**	5,783
Finance costs	*6*	**246**	313
Interest income	*4*	**(167)**	(271)
Unrealised exchange gain		**–**	(861)
Premium charged on a life insurance policies		**78**	82
Operating cash flows before changes in working capital		**17,586**	15,483
Changes in working capital:			
Inventories		**(186)**	1,387
Trade receivables		**2,887**	450
Deposits, prepayments and other receivables		**(573)**	(15,603)
Pledged bank deposits		**(1)**	(1)
Trade payables		**72**	(2,144)
Accruals, provisions and deposits received		**(5,966)**	(3,000)
Cash generated from/(used in) operations		**13,819**	(3,428)
Profits tax paid, net		**(4,649)**	(1,841)
Net cash generated from/(used in) operating activities		**9,170**	(5,269)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Investing activities		
Interest received	**50**	135
Purchases of property, plant and equipment	**(1,743)**	(130)
Deposits paid for life insurance policies	**(205)**	(203)
Net cash used in investing activities	**(1,898)**	(198)
Financing activities		
Interest paid	**(246)**	(313)
Dividend paid	**(12,000)**	(6,800)
Repayments of bank borrowings	**(1,700)**	(2,716)
Repayments of finance lease obligations	**(97)**	(116)
Net cash used in financing activities	**(14,043)**	(9,945)
Net decrease in cash and cash equivalents	**(6,771)**	(15,412)
Cash and cash equivalents at beginning of the period	**67,494**	83,587
Effect of foreign exchange rate changes	**1,502**	423
Cash and cash equivalents at end of the period	**62,225**	68,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1 GENERAL INFORMATION

Li Bao Ge Group Limited (the "**Company**") was incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Listing**") since 30 June 2016 (the "**Listing Date**").

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

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements do not include all the information required for annual financial statements and thereby should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017 ("**2017 Annual Report**") which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). The Group's policies on financial risk management were set out in the financial statements included in the Company's 2017 Annual Report and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2018.

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

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

(a) New and amended standards adopted by the Group

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs, which are effective for accounting periods beginning on or after 1 January 2018. The Group has adopted the following new and revised standards for the first time for the current period's condensed consolidated financial statements:

HKFRS 9	Financial Instruments	1 January 2018
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
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments With HKFRS 4 Insurance contracts	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) Interpretation 22	Foreign currency transactions and advance consideration	1 January 2018

Except for the amendments included in Amendments to HKFRS 2, Amendments to HKFRS 4, Amendments to HKAS 40 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's interim condensed consolidated financial statements, the nature and impact of the amendments are described below.

The Group has adopted HKFRS 9 on 1 January 2018. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group financial assets currently measured at amortised cost are continued with their respective classification and measurements upon the adoption of HKFRS 9. The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement has no material impact on the Group.

Changes to the impairment allowances calculation

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. HKFRS 9 requires the Group to record provisions/impairment allowances for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowances are based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired, the allowances are based on the change in the ECLs over the life of the asset.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using a lifetime ECL for trade receivables. The ECL on these assets is assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

In the opinion of the directors of the Company, based on the historical experience and existing business model of the Group, the default rate of the outstanding balances with customers is low. Hence, the application of HKFRS 9 has no material impact on the Group's condensed consolidated financial statements.

For deposits, prepayments and other receivables, pledged bank deposits and cash and cash equivalents, the Group measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment if whether lifetime ECL should be recognised as based on significant increase in the likelihood or risk of a default occurring since initial recognition. In the current period, the deposits, prepayments and other receivables, pledged bank deposits and cash and cash equivalents are measured on 12 months ECL basis and there had been no significant increase in credit risk since initial recognition.

The adoption of HKFRS 9 does not have any material impact on the Group's condensed consolidated financial statements.

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's condensed consolidated financial statements based on the existing business model of the Group.

HK(IFRIC)-int 22 clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expenses or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions of each payment or receipt of advance consideration. The Interpretation does not have any impact on the Group's condensed consolidated financial statements.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over income tax treatments	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

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively.

The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met instead of at FVPL.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

For the classification of cash flows, the Group currently presents operating lease payments and finance lease payments as operating cash flows and financing cash flows respectively. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group had non-cancellable operating lease commitments of approximately HK$176,300,000 as set out in note 21 to the interim financial statements. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the statement of financial position of the Group. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12 and does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

These standards are mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt these standards before their effective date. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

3 SEGMENT INFORMATION

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

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

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

For the periods ended 30 June 2017 and 2018, 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 periods ended 30 June 2017 and 2018 and certain non-current assets information as at 31 December 2017 and 30 June 2018 by geographic area.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from external customers		
Hong Kong	**90,668**	90,191
Mainland China	**92,594**	48,890
	183,262	139,081

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Hong Kong	**10,758**	13,869
Mainland China	**44,224**	41,065
	54,982	54,934

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

4 REVENUE AND OTHER INCOME

Revenue from the operation of restaurants and other income during the periods ended 30 June 2017 and 2018 are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue		
Revenue from restaurant operations	**181,857**	138,915
Revenue from sale of food ingredients	**1,405**	166
	183,262	139,081
Other income		
Interest income on short-term bank deposits	**50**	135
Interest income from deposits placed for life insurance policies	**117**	136
Government incentive	**1,092**	–
Forfeiture of deposits received	**15**	50
Miscellaneous income	**104**	587
	1,378	908
Total revenue and other income	**184,640**	139,989
Total interest income on financial assets not at fair value through profit or loss	**167**	271

5 OTHER EXPENSES

Other expenses include the following items:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Auditors' remuneration		
– audit services	**344**	289
– non audit services	**90**	80
Operating lease expenses		
– Normal rent for premises	**24,722**	21,007
– Contingent rent for premises*	**3,899**	2,639

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

6 FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on bank borrowings	**237**	299
Interest expense on finance lease obligations	**9**	14
Total interest expenses on financial liabilities not at fair value through profit or loss	**246**	313

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax		
Current income tax on profits for the year		
– Hong Kong	**550**	1,018
– The PRC	**2,602**	1,804
Overprovided in prior year	**–**	54
	3,152	2,876
Deferred income tax		
Origination and reversal of temporary differences	**(81)**	(266)
Income tax expense	**3,071**	2,610

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 six months ended 30 June 2017 and 2018.

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 periods ended 30 June 2017 and 2018.

8 DIVIDEND

Final dividend of HK$12,000,000 for the year ended 31 December 2017 was declared on 12 February 2018, and approved by the Shareholders at the annual general meeting of the Company held on 29 May 2018. The Board of Directors of the Company does not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to the owners of the Company	**5,664**	7,827
Number of shares		
Weighted average number of shares for the purpose of calculating basis earnings per share	**800,000,000**	800,000,000

The diluted earnings per share is equal to basic earnings per share as there was no potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 and 2018.

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired at cost, property, plant and equipment of approximately HK$7,321,000 (six months ended 30 June 2017: HK$130,000).

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Rental deposits	**17,604**	17,035
Utility deposits	**2,150**	1,352
Other deposits, prepayments and other receivables	**6,664**	7,054
	26,418	25,441
Less: Non-current portion – rental deposits	**17,604**	17,035
Current portion	**8,814**	8,406

12 TRADE RECEIVABLES

The Group's sales from its Chinese restaurant operations are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers ranges from 0 to 30 days. The ageing analysis of trade receivables based on invoice date is as follows:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
0 to 30 days	**5,628**	8,289
31 to 60 days	**825**	1,092
61 to 90 days	**172**	29
Over 90 days	**189**	64
	6,814	9,474

13 PLEDGED BANK DEPOSITS

The balances, which were carried at the prevailing market rates from 0.03% to 0.25% per annum represent deposits pledged to banks to secure short-term bank borrowings (note 15) granted to the Group, and therefore classified as current assets. The pledged deposits will be released upon expiring or termination or upon the settlement of relevant bank borrowings.

14 SHARE CAPITAL

	Number of Ordinary shares	**Nominal value of Ordinary share** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each as at 31 December 2017 (audited) and 30 June 2018 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
As at 31 December 2017 (audited) and 30 June 2018 (unaudited)	800,000,000	8,000

15 BANK BORROWINGS

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Bank borrowings due for repayment within one year – secured	**8,047**	8,218
Bank borrowings due for repayment after one year which contain a repayment on demand clause – secured	**4,029**	5,558
	12,076	13,776

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

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Within one year	**8,047**	8,218
Over one year but less than two years	**3,203**	3,129
Over two years but less than five years	**826**	2,429
	12,076	13,776

The bank loans were guaranteed by the Company together with approximately HK$11,002,000 (31 December 2017: HK$11,001,000) pledged bank deposits provided by the Group.

16 OBLIGATIONS UNDER FINANCE LEASES

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

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Gross finance lease liabilities		
– minimum lease payments		
No later than 1 year	**203**	208
Later than 1 year and no later than 5 years	**169**	270
	372	478
Future finance charges on finance leases	**(15)**	(24)
Present value of finance lease liabilities	**357**	454
The present value of finance lease liabilities is as follows:		
No later than 1 year	**191**	192
Later than 1 year and no later than 5 years	**166**	262
	357	454

As at 31 December 2017 and 30 June 2018, finance lease liabilities are secured by motor vehicles.

17 PROVISION FOR REINSTATEMENT COSTS

Provision for reinstatement costs is recognised for the costs to be incurred for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases.

18 MAJOR NON CASH TRANSACTIONS

Additions of property, plant and equipment include deposits paid for property, plant and equipment amounting to approximately HK$5,578,000 for the period ended 30 June 2018 (period ended 30 June 2017: Nil), which do not involve any cash payment.

19 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2018 not provided for in the condensed consolidated financial statements are as follows:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Contracted for:		
– purchase of property, plant and equipment	**–**	1,780

20 TRADE PAYABLES

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

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
0 to 30 days	**8,372**	8,248
31 to 60 days	**–**	706
61 to 90 days	**208**	47
Over 90 days	**875**	224
	9,455	9,225

21 OPERATING LEASE COMMITMENTS

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

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:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
No later than 1 year	**47,225**	48,367
Later than 1 year and no later than 5 years	**83,764**	94,340
Later than 5 years	**45,311**	51,486
	176,300	194,193

22 RELATED PARTY TRANSACTIONS

Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following significant transactions with its related parties during the relevant periods:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Rental expenses paid to Richfield Develop Limited *(Note)*	**107**	107

Note:

Richfield Develop Limited is a company controlled by the Ultimate Controlling Shareholders. Rental expenses paid to the related company were charged at terms mutually agreed by both parties.

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. It also offers Thai cuisine under a newly-established brand.

Restaurants Operation

For the six months ended 30 June 2018, the Group operated four full-service restaurants in Hong Kong and two full-service restaurants 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 under the brand name of "Beijing House (京香閣)" and a Thai cuisine restaurant in Shenzhen, the PRC under the Group's own brand of "La Maison D' Elephant (象屋)". 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 30 June 2018, the Group had five Chinese 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 two Chinese restaurants in Shenzhen, the PRC were located in Futian District (i.e. the Shenzhen Restaurant) and Baoan District (i.e. the Shenzhen Uniwalk Restaurant) respectively, while the Thai cuisine restaurant (i.e. the "**Thai Restaurant**") was located in Futian District.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, the Group recorded a total revenue of approximately HK$183.3 million, representing an increase of approximately 31.8% as compared to approximately HK$139.1 million for the six months ended 30 June 2017.

The Group's total revenue for the six months ended 30 June 2018 mainly comprised the aggregate revenue of the five Chinese restaurants in Hong Kong of approximately HK$89.3 million (2017: approximately HK$90.0 million), the revenue of the two Chinese restaurants in Shenzhen of approximately HK$89.1 million (2017: one restaurant of approximately HK$48.9 million), and the revenue of the Thai Restaurant which was opened in January 2018, of approximately HK$3.5 million.

The aggregate revenue of the Group's restaurants in Hong Kong for the six months ended 30 June 2018 slightly decreased by approximately 0.8% and was relatively stable as compared to the six months ended 30 June 2017. On the other hand, the increase in revenue of the Group's Chinese restaurants in Shenzhen by approximately 89.4% over the period was mainly due to the further improvement of performance of the Shenzhen Restaurant whose revenue increased from approximately HK$48.9 million for the six months ended 30 June 2017 to approximately HK$54.6 million for the six months ended 30 June 2018, as well as the revenue contribution of approximately HK$34.5 million from the Shenzhen Uniwalk Restaurant which was opened in October 2017.

Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK$124.9 million for the six months ended 30 June 2018, representing an increase of approximately 26.8% from approximately HK$98.6 million for the six months ended 30 June 2017, which was in line with the increase in revenue during the Period. Nevertheless, the Group's overall gross profit margin gently decreased from approximately 70.9% for the six months ended 30 June 2017 to approximately 68.2% for the six months ended 30 June 2018. Such decrease was mainly due to (i) the general cost inflation of food ingredients in respect of the Group's restaurant operations in Hong Kong which resulted in the overall decline in gross profit margin of the Group's Hong Kong operation from approximately 74.0% for the six months ended 30 June 2017 to approximately 72.1% for the six months ended 30 June 2018; and (ii) the increase in contribution of the Group's restaurant operations in the PRC (which accounted for approximately 35.2% and 50.5% the Group's total revenue for the six months ended 30 June 2017 and 2018 respectively), which entailed a relatively lower gross profit margin as compared with the Group's operations in Hong Kong (being approximately 63.2% and 64.3% for the six months ended 30 June 2017 and 2018 respectively) and resulted in the average down of the Group's overall gross profit margin.

Employee benefits expense

Employee benefits expense was approximately HK$41.7 million for the six months ended 30 June 2018 (2017: approximately HK$31.6 million), representing an increase of approximately 32.1% as compared to the corresponding period in 2017, which was mainly due to the addition of workforce for the recently opened Shenzhen Uniwalk Restaurant and the Thai Restaurant. Thanks to the Group's staff cost control measures, the employee benefits expense of its restaurant staff (excluding that of the Shenzhen Uniwalk Restaurant and the Thai Restaurant) maintained at a stable level in terms of percentage of revenue as compared to the corresponding period of the last year. Going forward, the Group will continue to closely monitor the cost control in respect of staff salaries, and at the same time regularly review the work allocation of the staff in order to improve the work efficiency and maintain a quality standard of service.

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 six months ended 30 June 2018, other expenses amounted to approximately HK$65.0 million (2017: approximately HK$51.3 million), representing an increase of approximately 26.6% which was mainly due to (i) rental increment of approximately HK$1.6 million, mainly in accordance with the terms of the tenancy agreements of the Group's restaurant premises; and (ii) the incurring of rental and other operating expenses of approximately HK$9.2 million for the Shenzhen Uniwalk Restaurant and the Thai Restaurant which were opened in October 2017 and January 2018 respectively.

Profit attributable to owners of the Company

For the six months ended 30 June 2018, the Group's profit attributable to owners of the Company was approximately HK$5.7 million, representing a decrease of approximately 27.6% from approximately HK$7.8 million for the six months ended 30 June 2017. Such decrease was mainly due to the combined net effects of (i) the incurring of listing expenses of approximately HK$1.8 million for the Period in connection with the proposed transfer of listing of the Company's shares from GEM to the main board; (ii) the overall decrease in operating profit of the Group's restaurant operation in Hong Kong by approximately HK$2.4 million mainly due to the overall decline in gross profit margin as a result of general cost inflation of food ingredients; (iii) the operating profit of approximately HK$4.5 million generated by the Shenzhen Uniwalk Restaurant which was opened in October 2017; (iv) the operating loss of approximately HK$2.0 million incurred during the initial stage of operation by the Thai Restaurant which was opened in January 2018; and (v) the increase in income tax expense by approximately HK$0.5 million mainly due to the profit generated by the Shenzhen Uniwalk Restaurant.

Liquidity, financial resources and capital structure

Capital Structure

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

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

Consistent with others in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group's strategy, which was unchanged during the six months ended 30 June 2018, was to lower the gearing ratio to an acceptable level.

As at 30 June 2018, the Group's cash and cash equivalents were approximately HK$62.2 million, representing a decrease of approximately HK$5.3 million as compared with approximately HK$67.5 million as at 31 December 2017. The decrease was mainly due to the payment of final dividend for the year ended 31 December 2017.

As at 30 June 2018, cash and cash equivalents and restricted bank deposits of approximately HK$73.2 million included HK$37.4 million and HK$35.8 million which were denominated in Hong Kong dollars and Renminbi, respectively.

Indebtedness and Banking Facilities

As at 30 June 2018, the Group had bank borrowings of approximately HK$12.1 million, which were all denominated in Hong Kong dollars and bore the interest rate ranging from Hong Kong Interbank Offer Rate ("HIBOR") plus 2.0% to HIBOR plus 3.0% per annum and were secured by pledged bank deposits of approximately HK$11.0 million.

As at 30 June 2018, the Group's gearing ratio was approximately 9.4%, which is calculated based on the interest-bearing debt divided by total equity attributable to owners of the Company as at 30 June 2018 and multiplied by 100%. The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 30 June 2018 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 period 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 Period, the Group had not used any financial instruments for hedging purposes.

Securities in issue

As at 30 June 2018, there were 800,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the six months ended 30 June 2018.

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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2018. Save as disclosed in this announcement, there was no plan for material investment or capital assets as at 30 June 2018.

Commitments

As at 30 June 2018, the Group had no significant outstanding contracted capital commitments.

Charge on Assets

As at 30 June 2018, the Group pledged its bank deposits of approximately HK$11.0 million as securities for the Group's bank borrowings of HK$12.1 million. Save as disclosed above, the Group did not have any charge over assets.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

The Group had approximately 542 employees as at 30 June 2018. The employee benefits expense, including Directors' emoluments, of the Group was approximately HK$41.7 million and HK$31.6 million for the six months ended 30 June 2018 and 2017, respectively. The remuneration policy of the Group is based on merit, performance and individual competence.

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

The remuneration committee of the Board reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under the share option scheme adopted by the Company on 16 June 2016. During the six months ended 30 June 2018, no share option was granted to the relevant participants pursuant to such scheme.

Dividend

The Directors do not recommend any payment of dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

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. 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 of surveying and researching customer trends and preferences and developing and marketing new menu items, banquet and dining services may be required, this may place substantial strain on the Group's managerial and financial resources;

(ii) the Group may fail to obtain leases for desirable locations for new restaurants or fail to renew existing leases on commercially acceptable terms, which would have a material adverse effect on the Group's business and future development;

(iii) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the floating of the foreign currencies; and

(iv) 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 of the Company is confident that the Group can succeed and enhance the shareholders' value, based on the years of experience of the senior management of the Company in managing Chinese restaurant business in Hong Kong and its business strategies as detailed below.

The operations of the Shenzhen Uniwalk Restaurant and the Thai Restaurant, which were opened in October 2017 and January 2018 respectively, are expected to be gradually put on track. Although the Thai Restaurant incurred an operating loss during the six months ended 30 June 2018, the Directors consider its their financial performance would be improved in the rest of 2018.

Besides, the restaurant premises of the Group's another new Chinese restaurant, namely the Shenzhen One Avenue Restaurant was initially expected to be handover for renovation in mid-2017 and the restaurant was expected to commence operation around the end of 2017. However, the Group was given to understand from the relevant landlord that the completion of construction of the relevant shopping mall would be delayed due to the extra time needed to amend and complete various construction works to the satisfaction of the relevant government departments, and to achieve overall construction completion thereafter. As such, the Directors, based on their current understanding from the landlord, the restaurant premises would be delayed for handover to the Group for commencing renovation until around the fourth quarter of 2018. Consequently, the Directors currently expect that the Shenzhen One Avenue Restaurant would commence operation around the second quarter of 2019. Albeit the substantial delay of the opening of the Shenzhen One Avenue Restaurant from the original plan, the Directors consider such delay would not have material adverse impact on the Group's expansion plan in the PRC, as it has always been the Group's strategy to adopt a cautious and progressive approach in respect of its business development in the PRC. In respect of the portion of the net proceeds raised from the Placing, i.e. approximately HK$20.0 million for the purpose of funding the renovation expenditure of the Shenzhen One Avenue Restaurant, the relevant proceeds has been set aside and deposited in banks pending such usage.

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, as well as other non-Chinese cuisines. Although the Group currently does not have specific plan for opening other non-Chinese cuisine restaurants, given that it is the Group's business philosophy to offer quality food and services at reasonable prices under an elegant and comfortable dining environment, the Group would target to capture the mid-to-high end spending customers when considering the opening of any new non-Chinese cuisine restaurants in the future, in order to maintain the Group's positioning in the mid-to-high end catering market. The Group will continue to utilise its available resources to implement its business strategies, namely, expansion in Hong Kong with 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 the Group's available resources, with the aim optimizing the return to its Shareholders.

Comparison of Business Plan with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to six months ended 30 June 2018.

		Business objectives up to 30 June 2018 as stated in the Prospectus	Actual business progress up to 30 June 2018
1.	Progressive expansion in the PRC market	The Group planned to open two restaurants serving Cantonese cuisine with a focus on the mid-to-high end income group during 2017	(i) In respect of the Shenzhen One Avenue Restaurant, the Group was pending the handover of the restaurant premises by the landlord upon completion of construction of the shopping mall regarding the new restaurant. It is currently expected that the Shenzhen One Avenue Restaurant will be opened in the second quarter of 2019. (ii) The restaurant premises of the Shenzhen Uniwalk Restaurant was handed over in March 2017. The restaurant has commenced operation in October 2017. (iii) The total cost incurred for renovation and acquisition of equipment for the Shenzhen Uniwalk Restaurant was approximately HK$37.2 million. The excess over the budgeted amount of approximately HK$28.0 million was financed by the internal resources of the Group.
2.	Enhancement of existing restaurant facilities	Refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	The refurbishment, upgrading and replacement of existing equipment facilities for The One Restaurant had been completed.

		Business objectives up to 30 June 2018 as stated in the Prospectus	Actual business progress up to 30 June 2018
3.	Enhancement of marketing and promotions	Launch of marketing activities for promoting brand image	The promotion of wedding banquet service had been launched through participation in wedding exhibitions and other marketing activities including meal sets promotion through media, website's cash coupons and bank credit card promotion.

Use of proceeds from the Listing

The shares of the Company were listed on the GEM of the Stock Exchange on 30 June 2016 with net proceeds received by the Company from the Placing in the amount of approximately HK$59.1 million after deducting underwriting, commissions and all related expenses.

As at 30 June 2018, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 30 June 2018 *HK$'000*	Actual use of proceeds up to 30 June 2018 *HK$'000*
Progressive expansion in the PRC market	48,000	28,000
Enhancement of existing restaurant facilities	1,500	1,500
Enhancement of marketing and promotions	3,000	3,000

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 30 June 2018, approximately HK$32.5 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.

Events after the reporting period

The Board is not aware of any important event affecting the Group since the end of 30 June 2018.

OTHER INFORMATION

Directors' Interests in Competing Business

Set out below are details of certain catering businesses of the Controlling Shareholders which were not included into the Group as at the date of this announcement. As disclosed in the Prospectus, the Controlling Shareholders were engaged in such businesses as at the date of Listing. For further details, please refer to the section headed "Relationship with Controlling Shareholders – Excluded Catering Businesses" in the Prospectus.

EXCLUDED CATERING BUSINESSES

Li Jia Cha Chaan Teng (麗嘉茶餐廳)

As at the date of this announcement, Mr. Chan, one of the Controlling Shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company, held 100% of the interest in a cha chaan teng named Li Jia Cha Chaan Teng (麗嘉茶餐廳) located at the same building where the Shenzhen Restaurant is located (the "**Li Jia Cha Chaan Teng**"). The Li Jia Cha Chaan Teng is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment which commenced business in November 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Li Jia Cha Chaan Teng and the Group's business and any competition between the two businesses is remote due to difference in terms of (i) operation model, (ii) target customers, (iii) management, (iv) staff and (v) location and variety of selections for customers.

Taking into account the above and the fact that: (i) the Group's restaurants aim at providing exquisite cuisine to customers with medium to high average spending and has no intention to step in the business of cha chaan teng in near future; and (ii) the Group intends to utilise its funding to expand its current business, the Directors confirm that the Group has no present intention to acquire the Li Jia Cha Chaan Teng. Mr. Chan has undertaken to the Group that (i) in case of disposal of any interest in the Li Jia Cha Chaan Teng, he shall promptly notify the Group in writing and the Group shall have the first right of refusal to acquire the interest in the Li Jia Cha Chaan Teng to be disposed of by Mr. Chan within 30 days (or such longer period the Group is required to complete the approval procedures required under the GEM Listing Rules from time to time) after receipt of the notice from Mr. Chan; and (ii) that so long as he holds any beneficially interest in the Li Jia Cha Chaan Teng, he will procure that the Li Jia Cha Chaan Teng will not engage in any business that will or will likely compete with the Group's business.

The Group shall only exercise the right of first refusal upon approval of all the independent non-executive Directors (who do not have any interest in such transaction). Mr. Chan and the other conflicting Director (if any) shall abstain from participating in and voting at and shall not be counted as quorum at the meeting of the Directors for considering whether the Group will exercise the first right of refusal.

Hong Wo Kok Restaurant (康和閣酒家)

As at the date of this announcement, Mr. Ho, one of the Controlling Shareholders, held 80% of the interest in the company which has been operating a Chinese restaurant under the name of "Hong Wo Kok Restaurant" (the "**Old Hong Wo Kok Restaurant**"). The Old Hong Wo Kok Restaurant commenced business in November 2014 and serves Chinese cuisine.

Mr. Ho intends to open another Chinese Restaurant under the name of "Hong Wo Kok Restaurant" in around September 2018 (the "**New Hong Wo Kok Restaurant**", together with the Old Hong Wo Kok Restaurant, the "**Hong Wo Kok Restaurants**"). The New Hong Wo Kok Restaurant will have dining rooms with mahjong facilities serving Chinese cuisine.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Hong Wo Kok Restaurants and the Group's business and that any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

In terms of target customers, the Directors noted that all of the Group's restaurants are strategically situated in landmark shopping arcades or commercial complexes at prime locations, and that the Group's restaurants target at mid-to-high end spending customers from the local neighborhood, office and tourists with the average spending of over HK$200 per head. On the other hand, the Hong Wo Kok Restaurants are located at Whampoa Garden, a large private housing estate in Hung Hom District which is a major residential area. To the best knowledge of the Directors upon due inquiry, the Hong Wo Kok Restaurants target residents from the local neighborhood with the average spending of around HK$100 per head.

Save as disclosed in the above, the Directors were not aware of any other plan for business expansion by the Hong Wo Kok Restaurants. Taking into account of the aforesaid factors, the Directors confirm that the Group has no present intention to acquire the Hong Wo Kok Restaurants in near future.

Mr. Ho has undertaken to the Group that as long as he retains any equity interest in the Hong Wo Kok Restaurants, he will not agree to be appointed as any director or management of any member of the Group.

Prince Cafe (太子茶餐廳)

As at the date of this announcement, Ms. Tsui Y. Y., one of the Controlling Shareholders, has been operating a cha chaan teng named Prince Cafe (太子茶餐廳) (the "**Prince Cafe**") located in Lei Yue Mun, Kowloon, Hong Kong. The Prince Cafe is a Hong Kong-style cafe that serves Asian and Western foods in a casual environment which commenced business in April 2014.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Prince Cafe and the Group's restaurant business and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Prince Cafe in near future.

Ms. Tsui Y. Y. has undertaken to the Group that as long as she retains any interest in the Prince Cafe, she will not agree to be appointed as any director or management of any member of the Group.

Prince Roasted Meat Restaurant (太子燒味餐廳)

As at the date of this announcement, Mr. Tsui K. F., Mr. Lam, Ms. Tsui Y. Y. and Mr. Tsui C. K., each of them being a Controlling Shareholder and Mr. Lam being an executive Director and the compliance officer of the Company, held, in aggregate, 75% shareholding in a company which operates a cha chaan teng named Prince Roasted Meat Restaurant (太子燒味餐廳) (the "**Roasted Meat Cha Chaan Teng**") located in Shatin, New Territories, Hong Kong. The Roasted Meat Cha Chaan Teng is a Hong Kong-style cafe that serves Asian food, in particular roasted meat with rice, in a casual environment which commenced business in June 2016.

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the businesses of the Roasted Meat Cha Chaan Teng and the Group's restaurants and any competition between the two businesses is remote due to difference in terms of (i) geographical locations, (ii) operation model, (iii) target customers, (iv) management and (v) staff.

Given the above, the Directors confirm that the Group has no present intention to acquire the Roasted Meat Cha Chaan Teng in near future.

Each of Mr. Tsui K. F., Ms. Tsui Y. Y. and Mr. Tsui C. K. has undertaken to the Group that as long as he/she retains any interest in the Roasted Meat Cha Chaan Teng, he/she will not agree to be appointed as any director or management of any member of the Group.

On 16 June 2016, Zhao Tian, Mr. Chan, Mrs. Chan, Bright Creator, Hong Cui, Mr. Wong, Sun Foo Sing, Sky Gain, Mr. Ho, Mr. Tsui K. F., Mr. David Chow, Mr. Anthony Chow, Mr. Lam, Ms. Tsui Y. Y., Mr. Tsui C. K. and Mr. Tam (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of the Company and its subsidiaries. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in the Prospectus, during the period that the Deed of Non-competition remains effective, she/he/it shall not, and shall procure that her/his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong and such other parts of the world where any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with her/his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with her/his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/his/its close associates).

The Directors confirmed that the undertakings contained in the Deed of Non-competition have been fully complied with by the Group and the Covenantors since the Company's listing on GEM up to the date of this announcement.

On 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 "**Proposed Acquisition**"). As certain conditions precedent had not been satisfied or waived by the Group on or before the long stop date and no extension of time was agreed by the parties, the acquisition agreement had lapsed in accordance with the terms thereof and the Proposed Acquisition was not proceeded with as at 31 May 2017.

For further details of the Proposed Acquisition and the exercise of Right of First Refusal, please refer to the announcements of the Company dated 13 February 2017, 17 February 2017 and 31 May 2017, respectively.

Save as disclosed above and as of the date of this announcement, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, nor any other conflict of interest which any such person has or may have with the Group.

Corporate Governance

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 15 of the GEM Listing Rules. For the six months ended 30 June 2018, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code, except for certain deviations as specified with considered reasons for such deviations as explained below.

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

During the six months ended 30 June 2018, the Company did not separate the roles of chairman and chief executive officer of the Company. Mr. Chan was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during the Period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believed that it was in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believed that vesting the roles of both chairman and chief executive officer in the same person had the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Mr. Chan performed both roles of chairman and chief executive officer, the division of responsibilities between the two roles was clearly established. While the chairman was responsible for supervising the functions and performance of the Board, the chief executive officer was responsible for the management of the Group's business. The

Board considered that the balance of power and authority for the present arrangement would not be impaired given the appropriate delegation of the power of the Board to the Senior Management for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no individual had unfettered power of decisions. This structure would also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in 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 six months ended 30 June 2018.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 June 2018.

The Company did not redeem any of its listed securities during the six months ended 30 June 2018.

Share Option Scheme

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

The Share Option Scheme became effective on 30 June 2016 (the "**Listing Date**") and, unless otherwise cancelled or amended, will remain in force for 10 years commencing on the Listing Date, the principal terms of which were summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus.

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the six months ended 30 June 2018 and there were no outstanding share options under the Share Option Scheme as at 30 June 2018.

Compliance Advisor's Interests

As at 30 June 2018, 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 and the financial advisor agreement in respect of the transfer of listing of the Company from GEM to main board of the Stock Exchange entered into in January 2018, 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.

Audit Committee and Review of Accounts

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee reviews, amongst others, the financial information of the Group; the relationship with and terms of appointment of the external auditors; and the Company's financial reporting system, internal control system and risk management system.

The Audit Committee consists of three independent non-executive Directors, chaired by Prof. Wong Lung Tak Patrick and the other two members are Mr. Tam Tak Kei Raymond and Mr. Liu Chi Keung.

The unaudited interim financial results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee and the Company's auditor, namely, Ting Ho Kwan & Chan CPA Limited.

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

Hong Kong, 10 August 2018

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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at http://www.starofcanton.com.hk.