



# 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



THIRD QUARTERLY REPORT 2016

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

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*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 the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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.*

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# 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

## 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  
*Certified Public Accountants*

## STOCK CODE

8102

## COMPANY'S WEBSITE

<http://www.starofcanton.com.hk>

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 nine months ended 30 September 2016 (the “**Period**”) together with the comparative figures for the corresponding period in 2015 as set out below. This third quarterly report has been reviewed by the audit committee under the Board (the “**Audit Committee**”). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 24 June 2016 (the “**Prospectus**”).

## Financial Highlights

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

- Revenue amounted to approximately HK\$200.7 million, representing an increase of approximately 8.0% as compared to the same period in 2015.
- Loss attributable to owners of the Company amounted to approximately HK\$1.6 million, while it was a profit attributable to owners of the Company of approximately HK\$3.6 million for the same period in 2015. The turnaround from net profit to net loss was mainly due to the following reasons: (i) the I-Square Restaurant, which was closed in November 2015 and contributed an operating profit of approximately HK\$7.2 million to the Group during the nine months ended 30 September 2015, did not have profit contribution to the Group for the Period; (ii) the Sheung Wan Restaurant and the Beijing House Restaurant, which were opened at the end of October 2015, were yet to be profitable and incurred an operating loss of approximately HK\$1.5 million during the Period; and (iii) the increase in listing expenses by approximately HK\$2.9 million as compared to the same period in 2015.
- Loss per share of approximately 0.25 HK cents.

# Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 30 September 2016

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	68,519	56,050	200,748	185,801
Other income	3	96	298	399	1,023
Other gains and losses		110	(2,154)	(179)	(2,435)
Cost of materials consumed		(20,537)	(16,658)	(60,351)	(52,414)
Employee benefits expense		(14,778)	(12,431)	(47,118)	(39,794)
Depreciation		(3,331)	(2,698)	(10,006)	(8,354)
Other expenses	4	(24,343)	(22,625)	(75,319)	(69,167)
<b>Operating profit/(loss)</b>		<b>5,736</b>	<b>(218)</b>	<b>8,174</b>	<b>14,660</b>
Listing expenses		–	(4,619)	(7,551)	(4,619)
Finance costs	5	(185)	(195)	(621)	(650)
<b>Profit/(Loss) before income tax</b>		<b>5,551</b>	<b>(5,032)</b>	<b>2</b>	<b>9,391</b>
Income tax expense	6	(1,065)	(260)	(1,645)	(2,831)
<b>(Loss)/Profit for the period</b>		<b>4,486</b>	<b>(5,292)</b>	<b>(1,643)</b>	<b>6,560</b>
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation of financial statements of foreign operations		(414)	(44)	(539)	(43)
<b>Total comprehensive (expense)/income for the period</b>		<b>4,072</b>	<b>(5,336)</b>	<b>(2,182)</b>	<b>6,517</b>
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		4,486	(5,804)	(1,643)	3,591
Non-controlling interests		–	512	–	2,969
		4,486	(5,292)	(1,643)	6,560
<b>Total comprehensive (expense)/income attributable to:</b>					
Owners of the Company		4,072	(5,828)	(2,182)	3,567
Non-controlling interests		–	492	–	2,950
		4,072	(5,336)	(2,182)	6,517
		HK cent	HK cent	HK cent	HK cent
Basis (loss)/earnings per share		0.56	(0.97)	(0.25)	0.60

# Unaudited Condensed Consolidated Statements of Changes in Equity

For the nine months ended 30 September 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Other reserves	Exchange translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance as at 1 January 2015 (audited)</b>	-	-	47	-	49	20,745	20,841	(1,839)	19,002
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	3,591	3,591	2,969	6,560
Currency translation differences	-	-	-	-	(24)	-	(24)	(19)	(43)
Total comprehensive income for the period	-	-	-	-	(24)	3,591	3,567	2,950	6,517
Dividend paid (Note 7)	-	-	-	-	-	(1,540)	(1,540)	(660)	(2,200)
<b>Balance as at 30 September 2015 (unaudited)</b>	-	-	47	-	25	22,796	22,868	451	23,319
<b>Balance as at 1 January 2016 (audited)</b>	-	-	78	34,618	(281)	4,059	38,474	-	38,474
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	(1,643)	(1,643)	-	(1,643)
Currency translation differences	-	-	-	-	(539)	-	(539)	-	(539)
Total comprehensive expense for the period	-	-	-	-	(539)	(1,643)	(2,182)	-	(2,182)
Arising from reorganisation	-	-	(78)	78	-	-	-	-	-
Issue of new shares by placing	2,000	69,000	-	-	-	-	71,000	-	71,000
Capitalisation issue of shares	6,000	(6,000)	-	-	-	-	-	-	-
Expenses incurred in connection with issue of new shares	-	(7,865)	-	-	-	-	(7,865)	-	(7,865)
Waiver of amounts due to ultimate controlling shareholders	-	-	-	7,699	-	-	7,699	-	7,699
<b>Balance as at 30 September 2016 (unaudited)</b>	8,000	55,135	-	42,395	(820)	2,416	107,126	-	107,126

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2016

## 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 (“PRC”).

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2016 have been prepared in accordance with accounting principles generally accepted in Hong Kong as well as with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules. 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 accountants’ report of the Group for the years ended 31 December 2013, 2014 and 2015 as set out in Appendix 1 to the prospectus issued by the Company on 24 June 2016 (the “Prospectus”) which have been prepared in accordance with accounting policies which conforms to Hong Kong Financial Reporting Standards. The unaudited condensed 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.



## Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the nine months ended 30 September 2016

### 3 REVENUE AND OTHER INCOME

Revenue from the operation of Chinese restaurants and other income during the periods ended 30 September 2016 and 2015 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Revenue</b>				
Revenue from Chinese restaurant operations	68,519	56,050	200,748	185,801
<b>Other income</b>				
Rental income from investment properties	–	272	–	806
Interest income on short-term bank deposits	20	2	47	15
Dividend income	–	–	–	2
Interest income from deposits placed for life insurance policies	50	10	156	108
Forfeiture of deposits received	15	–	48	1
Miscellaneous income	11	14	148	91
<b>Total revenue and other income</b>	<b>68,615</b>	<b>56,348</b>	<b>201,147</b>	<b>186,824</b>
Total interest income on financial assets not at fair value through profit or loss	70	12	203	123

The following table presents revenue from external customers for the period ended 30 September 2016 and 2015 by geographic area:

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue from external customers				
Hong Kong	45,864	37,684	136,854	131,043
Mainland China	22,655	18,366	63,894	54,758
	<b>68,519</b>	<b>56,050</b>	<b>200,748</b>	<b>185,801</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the nine months ended 30 September 2016

## 4 OTHER EXPENSES

Other expenses include the following items

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Auditors' remuneration	141	66	306	165
Operating lease expenses				
– Normal rent for premises	10,243	8,796	30,341	25,101
– Contingent rent for premises*	1,086	617	3,105	2,912

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

## 5 FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest expense on bank borrowings wholly repayable within five years	177	126	593	385
Interest expense on bank borrowings not wholly repayable within five years	–	67	–	259
Interest expense on finance lease obligations	8	2	28	6
Total interest expenses on financial liabilities not at fair value through profit or loss	185	195	621	650

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the nine months ended 30 September 2016

## 6 INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Current income tax</b>				
Current income tax on profits for the year				
– Hong Kong	169	230	1,091	2,781
– The PRC	61	–	769	–
Overprovided in prior year	–	–	–	(18)
	230	230	1,860	2,763
<b>Deferred income tax</b>				
Origination and reversal of temporary differences	835	30	(215)	68
Income tax expense	1,065	260	1,645	2,831

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 nine months ended 30 September 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 period ended 30 September 2015 and 2016.

# Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the nine months ended 30 September 2016

## 7 DIVIDENDS

Interim dividends of HK\$1,200,000 were declared and paid by a subsidiary of the Group before the completion of the Reorganisation to its then equity shareholders. The amount of dividend per share is not presented as the disclosure is not considered meaningful for the purpose of these condensed consolidated financial statements. The Board of Directors of the Company does not recommend payment of any dividend for the nine months ended 30 September 2016.

## 8 (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>(Loss)/earnings</b>				
(Loss)/profit for the period attributable to the owners of the Company	4,486	(5,804)	(1,643)	3,591
<b>Number of shares</b>				
Weighted average number of shares for the purpose of calculating basic (loss)/earnings per share	800,000,000	600,000,000	668,613,000	600,000,000

The number of shares used for the purpose of calculating basic (loss)/earnings per share has been retrospectively adjusted for the issue of shares during the reorganisation and capitalisation issue as if the shares had been in issue throughout the entire reporting periods.

# Management Discussion and Analysis

## BUSINESS AND OPERATIONAL OVERVIEW

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

### Restaurants Operation

For the nine months ended 30 September 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 30 September 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 Olympic City (i.e. the Olympian Restaurant), respectively. The Group's restaurant in Shenzhen, the PRC was located in Futian District (i.e. the Shenzhen Restaurant).

## FINANCIAL REVIEW

### Revenue

For the nine months ended 30 September 2016, the Group recorded a total revenue of approximately HK\$200.7 million, representing an increase of approximately 8.0% as compared to approximately HK\$185.8 million for the nine months ended 30 September 2015.

Excluding (i) the revenue of the I-Square Restaurant which has ceased operation in November 2015 and contributed a revenue of approximately HK\$40.2 million to the Group for the nine months ended 30 September 2015 (nil for the nine months ended 30 September 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\$46.4 million to the Group for the nine months ended 30 September 2016 (nil for the nine months ended 30 September 2015), the Group's revenue would be approximately HK\$145.6 million and HK\$154.3 million for the nine months ended 30 September 2015 and 2016, respectively, representing revenue contributed from those restaurants which were existed throughout both of the nine-month periods ended 30 September 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\$90.4 million for the nine months ended 30 September 2016 (2015: approximately HK\$90.9 million) and the revenue of the Shenzhen Restaurant of approximately HK\$63.9 million for the nine months ended 30 September 2016 (2015: approximately HK\$54.8 million).

## Management Discussion and Analysis (Continued)

The slightly decrease in the aggregate revenue of the CWB Restaurant, The One Restaurant and the Olympian Restaurant by approximately 0.5% for the nine months ended 30 September 2016 as compared to the corresponding period in 2015 was mainly due to the economic downturn of Hong Kong which affected consumers' consumption sentiment. On the other hand, the increase in revenue of the Shenzhen Restaurant by approximately 16.7% over the Period was mainly due to the steady growth of the Cantonese restaurant industry in Shenzhen, the PRC.

### Gross profit and gross profit margin

The Group's gross profit (i.e. revenue minus cost of materials consumed) amounted to approximately HK\$140.4 million for the nine months ended 30 September 2016, representing an increase of approximately 5.3% from approximately HK\$133.4 million for the nine months ended 30 September 2015. However due to the cost inflation of vegetables and frozen foods purchased by the Shenzhen Restaurant in the PRC, the Group's overall gross profit margin decreased from approximately 71.8% for the nine months ended 30 September 2015 to approximately 69.9% for the nine months ended 30 September 2016.

### Employee benefits expenses

Employee benefit expenses was approximately HK\$47.1 million for the nine months ended 30 September 2016 (2015: approximately HK\$39.8 million), representing an increase of approximately 18.4% 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 (which was relevant for the nine months ended 30 September 2016) as compared with that of the I-Square Restaurant (which was relevant for the nine months ended 30 September 2015), as a result of which, the Group was required to hire relatively more operational staff during the nine months ended 30 September 2016 as compared to the corresponding period in 2015 in order to keep 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 to temporary workers, advertising and promotion. For the nine months ended 30 September 2016, other expenses amounted to approximately HK\$75.3 million, representing an increase of approximately 8.9% from approximately HK\$69.2 million, as compared to the corresponding period in 2015, which was mainly due to the increase in rental cost of restaurant premises.

## Management Discussion and Analysis (Continued)

### Loss attributable to owners of the Company

For the nine months ended 30 September 2016, the Group incurred a loss attributable to owners of the Company of approximately HK\$1.6 million, while it was a profit attributable to owners of the Company of approximately HK\$3.6 million for the corresponding period in 2015. The turnaround from net profit to net loss was mainly due to the following reasons: (i) the I-Square Restaurant, which was closed in November 2015 and contributed an operating profit of approximately HK\$7.2 million to the Group during the nine months ended 30 September 2015, did not have profit contribution to the Group for the nine months ended 30 September 2016; (ii) the Sheung Wan Restaurant and the Beijing House Restaurant, which were opened at the end of October 2015, were yet to be profitable and incurred an operating loss of approximately HK\$1.5 million during the nine months ended 30 September 2016; and (iii) the increase in listing expenses by approximately HK\$2.9 million during the nine month ended 30 September 2016 as compared to the same period in 2015. Moreover, the decrease in the Group's gross profit margin due to cost inflation during the nine month ended 30 September 2016 also caused the decrease in operating profit as compared to the corresponding period in 2015.

### Securities in Issue

As at 30 September 2016, there were 800,000,000 ordinary shares in issue. Save for the issue of shares during reorganisation and capitalisation of shares and upon the Placing in connection with the listing of the Company, there was no other movement in the issued share capital of the Company during the nine months ended 30 September 2016.

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

Apart from the Reorganisation as disclosed in the Prospectus, there were no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 30 September 2016.

Save for the business plan as disclosed in the Prospectus, there was no plan for material investment or capital assets as at 30 September 2016.

### Dividend

The Directors do not recommend any payment of dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

## Management Discussion and Analysis (Continued)

### 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 heavily relies on its abilities 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 the revenues from these restaurants decreased in the second quarter of 2016, the Directors consider that such performance was due to the commencement of traditional low season of Chinese restaurant industry in Hong Kong.



## Management Discussion and Analysis (Continued)

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.

### 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 nine months ended 30 September 2016.

		<b>Business Plan up to 31 December 2016</b>	<b>Actual Business Progress up to 30 September 2016</b>
1.	Progressive expansion in the PRC market	Capital expenditure for the Group's new restaurants to be opened in Shenzhen, the PRC	(i) Pending for completion of construction of the shopping mall in which the new restaurants are proposed to be situated; and  (ii) hired a designer for renovation proposal of the new restaurants.
2.	Enhancement of existing restaurant facilities	Refurbishment and acquisition, upgrading or replacement of existing equipment and facilities	Completed the refurbishment and 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 (Continued)

### 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. The net proceeds received from the Placing will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

An analysis of the utilisation of the actual net proceeds and the unused amount as at 30 September 2016 is set out below:

<b>Use of proceeds</b>	<b>Net proceeds after reallocation HK\$'000</b>	<b>Utilised amount as at 30 September 2016 HK\$'000</b>	<b>Unused amount as at 30 September 2016 HK\$'000</b>
1) Enhancement of existing restaurant facilities – renovation cost	1,540	1,000	540
2) Opening of two new restaurants in Shenzhen	49,260	540	48,720
3) Marketing and promoting of the Group's restaurants	3,080	827	2,253
4) Working Capital and other general corporate purposes	5,220	–	5,220
	<b>59,100</b>	<b>2,367</b>	<b>56,733</b>

## Other Information

### DISCLOSURE OF INTERESTS

#### A. Directors' And Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 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 Company's 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%

## Other Information (Continued)

### (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% of Bright Creator Limited, which wholly-owns Hong Cui Developments Limited, which in turn owns 62.86% of Zhao Tian Ventures Limited. As such, Mr. Chan is deemed, or taken to be, interested in all the shares of the Company 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 Developments 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 Developments 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 share capital of the Company.
3. Mr. David Chow owns 37.5% of Sky Gain Investments Limited, which in turn owns 12.38% of Zhao Tian Ventures Limited.
4. Mr. Lam owns 10% of Sun Foo Sing Development Limited, which in turn owns 12.38% of Zhao Tian Ventures Limited.

## Other Information (Continued)

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

As at 30 September 2016, the interest and short positions of the persons (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 Company's 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 Developments 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%

## Other Information (Continued)

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
Mr. Tam Chie Sang	Interests held jointly with other parties (Notes 4 and 5)	509,200,000	63.65%
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:

- 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 Developments Limited, Mr. Wong, Sun Foo Sing Development Limited and Sky Gain Investments Limited respectively.*
- Ms. Liu Siu Kuen owns 50% of Bright Creator Limited, which wholly-owns Hong Cui Developments Limited, which in turn owns 62.86% of Zhao Tian Ventures Limited. As such, each of Ms. Liu Siu Kuen, Bright Creator Limited and Hong Cui Developments Limited is deemed, or taken to be, interested in all the shares of the Company held by Zhao Tian Ventures Limited for the purposes of the SFO.*
- 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% of Sun Foo Sing Development Limited respectively.*
- Each of Mr. David Chow, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang owns 37.5%, 37.5% and 25% of Sky Gain Investments Limited respectively.*

## Other Information (Continued)

5. *Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Developments 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 Developments 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 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% 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 of the Company 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.*

## Other Information (Continued)

### Directors' Rights to Acquire Shares or Debt Securities

Save as disclosed under the subsection headed "Disclosure of Interests" above, at no time during the nine months ended 30 September 2016 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' and Controlling Shareholders' Interests in Competing Business

Save as disclosed in the Prospectus, for the nine months ended 30 September 2016, each of the Directors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

### Corporate Governance

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the nine months ended 30 September 2016. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the nine months ended 30 September 2016, except for certain deviations as specified with considered reasons for such deviations as explained below.

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

During the nine months ended 30 September 2016 under review, the Company has not separated 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 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



## Other Information (Continued)

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 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.

### Directors' Securities Transactions

The Group had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions.

Having made specific enquiry with all the Directors, all the Directors had confirmed compliance with the required standard of dealings and the code of conduct for Directors' securities transactions as set out in the Model Code during the nine months ended 30 September 2016.

### Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 30 September 2016.

### Share Option Scheme

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

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

No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the nine months ended 30 September 2016 and there were no outstanding share options under the Share Option Scheme as at 30 September 2016.

## Other Information (Continued)

### Interests of the Compliance Adviser

As at 30 September 2016, as notified by the Company's compliance adviser, Ample Capital Limited ("**ACL**"), except for the compliance adviser agreement entered into between the Company and ACL dated 20 June 2016, neither ACL nor its directors, employees or close associates had any interests in the securities of 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 third quarterly financial results of the Group for the nine months ended 30 September 2016 have been reviewed by the Audit Committee.

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

Hong Kong, 11 November 2016

*As at the date of this report, 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 report will remain on the GEM website at [www.hkgem.com](http://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>.*