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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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report, in both English and Chinese versions, is available on the Company's website at <http://www.starofcanton.com.hk/>.



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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

LEGAL COMPLIANCE COMMITTEE

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

COMPANY SECRETARY

Ms. Hui Wai Shu Jessica *CPA*

COMPLIANCE OFFICER

Mr. Lam Kwok Leung Peter

AUTHORISED REPRESENTATIVES

Mr. Chan Chun Kit
Mr. Lam Kwok Leung Peter

REGISTERED OFFICE

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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COMPLIANCE ADVISER

Ample Capital Limited

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Loong & Yeung

PRINCIPAL BANKERS

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

AUDITOR

Ting Ho Kwan & Chan CPA Limited

STOCK CODE

8102

COMPANY'S WEBSITE

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

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 three months ended 31 March 2018 (the “**Period**”) together with the comparative figures for the corresponding period in 2017 as set out below. This first quarterly report has been reviewed by the audit committee of 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 of the Group amounted to approximately HK\$101.6 million, representing an increase of approximately 33.9% as compared with the corresponding period in 2017.
- profit attributable to owners of the Company amounted to approximately HK\$6.4 million, representing a decrease of approximately 18.8% 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\$7.8 million, representing a slight decrease of approximately 1.5% as compared with the corresponding period in 2017.
- earnings per share was approximately HK0.81 cents.

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

For the three months ended 31 March 2018

	Note	Three months ended 31 March	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	101,612	75,899
Other income	4	1,076	248
Other gains and losses		(24)	(64)
Cost of materials consumed		(31,314)	(21,023)
Employee benefits expense		(21,831)	(15,745)
Depreciation		(4,421)	(2,855)
Other expenses	5	(34,869)	(26,108)
Operating profit		10,229	10,352
Listing expenses		(1,378)	–
Finance costs	6	(125)	(165)
Profit before income tax		8,726	10,187
Income tax expense	7	(2,282)	(2,247)
Profit for the period		6,444	7,940
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of foreign operations		2,204	(488)
Total comprehensive income for the period		8,648	7,452
		HK cent	HK cent
Basis earnings per share	9	0.81	0.99

Unaudited Condensed Consolidated Statements of Changes in Equity

For the three months ended 31 March 2018

Attributable to owners of the Company

	Share capital	Share premium	Other reserves	Exchange translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	-	-	-	-	7,940	7,940
Currency translation differences	-	-	-	(488)	-	(488)
Total comprehensive (expense)/ income for the period	-	-	-	(488)	7,940	7,452
Balance as at 31 March 2017 (unaudited)	8,000	55,134	42,396	(2,634)	23,347	126,243
Balance as at 1 January 2018 (audited)	8,000	55,134	42,396	(927)	31,795	136,398
Profit for the period	-	-	-	-	6,444	6,444
Currency translation differences	-	-	-	2,204	-	2,204
Total comprehensive income for the period	-	-	-	2,204	6,444	8,648
Balance as at 31 March 2018 (unaudited)	8,000	55,134	42,396	1,277	38,239	145,046

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 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 (“PRC”).

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017 (“2017 Annual Report”). 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 three months ended 31 March 2018.

The unaudited condensed consolidated financial statement 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.

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

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the three months ended 31 March 2018

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 three months ended 31 March 2017 and 2018, there are no single external customers contributed more than 10% revenue of the Group.

Geographical information

The following table presents revenue from external customers for the periods ended 31 March 2017 and 2018 by geographic area:

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue from external customers		
Hong Kong	51,599	51,714
Mainland China	50,013	24,185
	101,612	75,899

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the three months ended 31 March 2018

4 REVENUE AND OTHER INCOME

Revenue from the operation of restaurants and other income during the periods ended 31 March 2017 and 2018 are as follows:

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
Revenue from restaurant operations	101,612	75,899
Other income		
Interest income on short-term bank deposits	25	115
Interest income from deposits placed for life insurance policies	59	58
Government incentive	976	–
Miscellaneous income	16	75
	1,076	248
Total revenue and other income	102,688	76,147
Total interest income on financial assets not at fair value though profit or less	84	173

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the three months ended 31 March 2018

5 OTHER EXPENSES

Other expenses include the following items

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Auditors' remuneration		
– audit services	213	107
– non audit services	–	–
Operating lease expenses		
– Normal rent for premises	12,771	10,397
– Contingent rent for premises*	1,985	1,400

* 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

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest expense on bank borrowings	120	158
Interest expense on finance lease obligations	5	7
Total interest expenses on financial liabilities not at fair value through profit or loss	125	165

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the three months ended 31 March 2018

7 INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax		
Current tax on profits for the period		
– Hong Kong	715	989
– The PRC	1,614	966
Underprovided in prior year	–	74
	2,329	2,029
Deferred tax		
Origination and reversal of temporary differences	(47)	218
Income tax expense	2,282	2,247

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 three months ended 31 March 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 were subject to income tax at the rate of 25% for the three months ended 31 March 2017 and 2018.

Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)

For the three months ended 31 March 2018

8 DIVIDENDS

Final dividends of HK\$12,000,000 for the year ended 31 December 2017 were declared on 12 February 2018, subject to approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on 29 May 2018. The Board of Directors of the Company does not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

9 EARNINGS PER SHARE

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

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to the owners of the Company	6,444	7,940
Number of shares		
Weighted average number of shares for the purpose of calculating basic 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 three months ended 31 March 2017 and 2018.

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 three months ended 31 March 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 31 March 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 Olympic 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 three months ended 31 March 2018, the Group recorded a total revenue of approximately HK\$101.6 million, representing an increase of approximately 33.9% as compared to approximately HK\$75.9 million for the three months ended 31 March 2017.

The Group’s total revenue for the three months ended 31 March 2018 comprised the aggregate revenue of the five Chinese restaurants in Hong Kong of approximately HK\$51.6 million (2017: approximately HK\$51.7 million), the revenue of the two Chinese restaurants in Shenzhen of approximately HK\$48.2 million (2017: one restaurant of approximately HK\$24.2 million), and the revenue of the Thai Restaurant which was newly opened in January 2018, of approximately HK\$1.8 million.

Management Discussion and Analysis (Continued)

The aggregate revenue of the Group's restaurants in Hong Kong for the three months ended 31 March 2018 slightly decreased by approximately 0.2% and was relatively stable as compared to the three months ended 31 March 2017. On the other hand, the increase in revenue of the Group's Chinese restaurants in Shenzhen by approximately 99.5% over the period was mainly due to the continued growth of the Cantonese restaurant industry in Shenzhen, the PRC, which boosted the revenue of the Shenzhen Restaurant from approximately HK\$24.2 million for the three months ended 31 March 2017 to approximately HK\$29.0 million for the three months ended 31 March 2018, as well as the revenue contribution of approximately HK\$19.2 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\$70.3 million for the three months ended 31 March 2018, representing an increase of approximately 28.1% from approximately HK\$54.9 million for the three months ended 31 March 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 72.3% for the three months ended 31 March 2017 to approximately 69.2% for the three months ended 31 March 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 76.4% for the three months ended 31 March 2017 to approximately 73.5% for the three months ended 31 March 2018; and (ii) the increase in contribution of the Group's restaurant operations in the PRC (which accounted for approximately 31.9% and 49.2% the Group's total revenue for the three years ended 31 March 2017 and 2018 respectively), which entailed a relatively lower gross profit margin as compared with the Group's operations in Hong Kong (being approximately 63.5% and 64.7% for the three years ended 31 March 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\$21.8 million for the three months ended 31 March 2018 (2017: approximately HK\$15.7 million), representing an increase of approximately 38.7% 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.

Management Discussion and Analysis (Continued)

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 three months ended 31 March 2018, other expenses amounted to approximately HK\$34.9 million (2017: approximately HK\$26.1 million), representing an increase of approximately 33.6% which was mainly due to (i) rental increment of approximately HK\$1.1 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\$5.7 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 three months ended 31 March 2018, the Group's profit attributable to owners of the Company was approximately HK\$6.4 million, representing a decrease of approximately 18.8% from approximately HK\$7.9 million for the three months ended 31 March 2017. Such decrease was mainly due to the combined net effects of (i) the incurring of listing expenses of approximately HK\$1.4 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 increase in operating profit of the Shenzhen Restaurant by approximately HK\$0.4 million over the period, mainly as a result of the increase in revenue and hence gross profit generated; (iii) 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; (iv) the operating profit of approximately HK\$3.0 million generated by the Shenzhen Uniwalk Restaurant which was opened in October 2017; and (v) the operating loss of approximately HK\$1.7 million incurred during the initial stage of operation by the Thai Restaurant which was opened in January 2018.

Securities in Issue

As at 31 March 2018, there were 800,000,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the three months ended 31 March 2018.

Management Discussion and Analysis (Continued)

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

On 13 February 2017, Keen Nation Limited, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Mr. Tsang Kwok Hing (“**Mr. Tsang**”), an independent third party of the Company, in relation to the proposed acquisition of 60% issued shares in Profit Shiner Investment Limited which engages in the operation of a Thai cuisine restaurant in Hong Kong (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. Please refer to the Company’s announcements dated 13 February 2017, 17 February 2017 and 31 May 2017, respectively, for further details.

Save as disclosed above, there were no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2018. Save as disclosed in this first quarterly report, there was no plan for material investment or capital assets as at 31 March 2018.

Dividend

The Directors do not recommend any payment of dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

Prospects

The successful listing of the Group on the GEM of the Stock Exchange marked a major milestone as well as a new chapter of the Company. Nevertheless, due to the uncertainties of the Hong Kong economy, the Directors anticipate that the Group’s business will face various challenges in the foreseeable future. The Group’s key risk exposures and uncertainties are summarised as follows:

- (i) the Group’s future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on the 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 fluctuating exchange rate; and

Management Discussion and Analysis (Continued)

- (iv) there may be labour shortage 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 three months ended 31 March 2018, the Directors consider its 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 for 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.

Management Discussion and Analysis (Continued)

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Prospectus with actual business progress up to 31 March 2018:

	Business objectives up to 31 December 2017 as stated in the Prospectus	Actual business progress up to 31 March 2018
1.	Progressive expansion in the PRC market	<p>The Group planned to open two restaurants serving Cantonese cuisine with a focus on the mid-to-high end income group during 2017</p> <p>(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.</p> <p>(ii) The restaurant premises of the Shenzhen Uniwalk Restaurant was handed over in March 2017. The restaurant has commenced operation in October 2017.</p> <p>(iii) The total cost incurred for renovation and acquisition of equipment for the Shenzhen Uniwalk Restaurant was approximately HK\$37.6 million. The excess over the budgeted amount of approximately HK\$28.0 million was financed by the internal resources of the Group.</p>
2.	Enhancement of existing restaurant facilities	<p>Refurbishment and acquisition, upgrading or replacement of existing equipment and facilities</p> <p>The refurbishment, upgrading and replacement of existing equipment facilities for The One Restaurant had been completed.</p>

Management Discussion and Analysis (Continued)

	Business objectives up to 31 December 2017 as stated in the Prospectus	Actual business progress up to 31 March 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 the participation in wedding exhibitions and other marketing activities including meal sets promotion through media, websites' cash coupons and bank credit card promotion.

Use of proceeds from the Listing

The shares of the Company (the "Shares") 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 31 March 2018, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 December 2017	Actual use of proceeds up to 31 March 2018
	HK\$'000	HK\$'000
Progressive expansion in the PRC market	41,000	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 31 March 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.

Other Information

DISCLOSURE OF INTERESTS

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

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of shareholding
Mr. Chan Chun Kit ("Mr. Chan")	Interests held jointly with other persons; Interest in a controlled corporation (Notes 1 and 2)	469,200,000	58.65%
Mr. Wong Ka Wai ("Mr. Wong")	Interests held jointly with other parties (Note 2)	469,200,000	58.65%
Mr. Chow Yiu Pong David ("Mr. David Chow")	Interests held jointly with other parties (Note 2)	469,200,000	58.65%
Mr. Lam Kwok Leung Peter ("Mr. Lam")	Interests held jointly with other parties (Note 2) Beneficial owner	469,200,000 300,000	58.65% 0.04%
Prof. Wong Lung Tak Patrick	Beneficial owner (including interest of his spouse)	1,350,000	0.17%

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% issued shares of Bright Creator Limited, which wholly-owns Hong Cui Development Limited, whereas Hong Cui Development Limited owns 62.86% issued share capital of Zhao Tian Ventures Limited. As such, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Zhao Tian Ventures Limited for the purposes of the SFO. Mr. Chan is a director of Zhao Tian Ventures Limited.
2. Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam (together with Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang), are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed and supplemental deed dated 25 September 2015 and 6 June 2016, respectively. As such, Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam (together with Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang) together control 63.65% of the entire issued share capital of the Company.
3. Mr. David Chow owns 37.5% issued shares of Sky Gain Investments Limited, which in turn owns 12.38% issued share capital of Zhao Tian Ventures Limited.
4. Mr. Lam owns 10% issued shares of Sun Foo Sing Development Limited, which in turn owns 12.38% issued share capital of Zhao Tian Ventures Limited.

Other Information (Continued)

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

As at 31 March 2018, 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 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)	469,200,000	58.65%
Ms. Liu Siu Kuen	Interests held jointly with other persons; Interest in a controlled Corporation (Notes 2 and 5)	469,200,000	58.65%
Bright Creator Limited	Interests held jointly with other persons; Interest in a controlled corporation (Notes 2 and 5)	469,200,000	58.65%
Hong Cui Development Limited	Interests held jointly with other persons; Interest in a controlled corporation (Notes 2 and 5)	469,200,000	58.65%
Sun Foo Sing Development Limited	Interests held jointly with other parties (Notes 3 and 5)	469,200,000	58.65%
Mr. Ho Wood Yam	Interests held jointly with other parties (Notes 3 and 5)	469,200,000	58.65%
Mr. Tsui King Foo	Interests held jointly with other parties (Notes 3 and 5)	469,200,000	58.65%
Ms. Tsui Yuk Yi	Interests held jointly with other parties (Notes 3 and 5)	469,200,000	58.65%
Mr. Tsui Chi Kit	Interests held jointly with other parties (Notes 3 and 5)	469,200,000	58.65%
Sky Gain Investments Limited	Interests held jointly with other parties (Notes 4 and 5)	469,200,000	58.65%

Other Information (Continued)

Name of Shareholder	Capacity/Nature	Number of shares held/ interested in	Approximate percentage of shareholding
Mr. Chow Chor Ting Anthony	Interests held jointly with other parties (Notes 4 and 5)	469,200,000	58.65%
Mr. Tam Chie Sang	Interests held jointly with other parties (Notes 4 and 5)	469,200,000	58.65%
Ms. Lau Lai Ngor	Interest of spouse (Note 6)	469,200,000	58.65%
Ms. Lau Ngar Ching Angel	Interest of spouse (Note 7)	469,200,000	58.65%
Ms. Lui Wai Har	Interest of spouse (Note 8)	469,200,000	58.65%
Ms. Cho Sin Sum Fion	Interest of spouse (Note 9)	469,200,000	58.65%
Ms. Chan Bik Yuk Mariana	Interest of spouse (Note 10)	469,200,000	58.65%
Mr. Fong Man Wai	Interest of spouse (Note 11)	469,200,000	58.65%
Mr. Yu Lai Chu Eileen	Interest of spouse (Note 12)	469,200,000	58.65%
Sincere Expand Limited	Beneficial interest (Note 13)	53,530,000	6.69%
Richmax Investment (H.K.) Limited	Interest in a controlled corporation (Note 13)	53,530,000	6.69%
Mr. Cheung Yuen Chau	Interest in a controlled corporation (Note 13)	53,530,000	6.69%
Mr. David Chu	Interest in a controlled corporation (Note 13)	53,530,000	6.69%
Ms. Tsang Siu Lan	Interest of spouse (Note 14)	53,530,000	6.69%
Ms. Phyllis Woon Kink Cheng	Interest of spouse (Note 15)	53,530,000	6.69%

Notes:

- Zhao Tian Ventures Limited is an investment-holding company incorporated in the British Virgin Islands ("BVI") and owned as to 62.86%, 12.38%, 12.38% and 12.38% by Hong Cui Development Limited, Mr. Wong, Sun Foo Sing Development Limited and Sky Gain Investments Limited, respectively.*
- Ms. Liu Siu Kuen owns 50% issued shares of Bright Creator Limited, which wholly-owns Hong Cui Development Limited, whereas Hong Cui Development Limited owns 62.86% issued share capital of Zhao Tian Ventures Limited. As such, each of Ms. Liu Siu Kuen, Bright Creator Limited and Hong Cui Development Limited is deemed, or taken to be, interested in all the Shares held by Zhao Tian Ventures Limited for the purposes of the SFO.*
- Each of Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi owns 50%, 25%, 10%, 7.5% and 7.5% issued shares of Sun Foo Sing Development Limited, respectively.*

Other Information (Continued)

4. *Each of Mr. David Chow, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang owns 37.5%, 37.5% and 25% issued shares of Sky Gain Investments Limited, respectively.*
5. *Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang (together with Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam), are parties acting in concert (having the meaning ascribed to it under the Code on Takeovers and Mergers) pursuant to the concert party deed and supplemental deed dated 25 September 2015 and 6 June 2016, respectively. As such, Zhao Tian Ventures Limited, Ms. Liu Siu Kuen, Bright Creator Limited, Hong Cui Development Limited, Sun Foo Sing Development Limited, Sky Gain Investments Limited, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Chow Chor Ting Anthony, Ms. Tsui Yuk Yi, Mr. Tsui Chi Kit and Mr. Tam Chie Sang (together with Mr. Chan, Mr. Wong, Mr. David Chow and Mr. Lam) together control 63.65% of the entire issued share capital of the Company.*
6. *Ms. Lau Lai Ngor is the spouse of Mr. Chow Chor Ting Anthony and is deemed or taken to be interested in all the Shares in which Mr. Chow Chor Ting Anthony has, or is deemed to have, an interest for the purpose of the SFO.*
7. *Ms. Lau Ngar Ching Angel is the spouse of Mr. Wong and is deemed or taken to be interested in all the Shares in which Mr. Wong has, or is deemed to have, an interest for the purpose of the SFO.*
8. *Ms. Lui Wai Har is the spouse of Mr. Tsui King Foo and is deemed or taken to be interested in all the Shares in which Mr. Tsui King Foo has, or is deemed to have, an interest for the purpose of the SFO.*
9. *Ms. Cho Sin Sum Fion is the spouse of Mr. David Chow and is deemed or taken to be interested in all the Shares in which Mr. David Chow has, or is deemed to have, an interest for the purpose of the SFO.*
10. *Ms. Chan Bik Yuk Mariana is the spouse of Mr. Lam and is deemed or taken to be interested in all the Shares in which Mr. Lam has, or is deemed to have, an interest for the purpose of the SFO.*
11. *Mr. Fong Man Wai is the spouse of Ms. Tsui Yuk Yi and is deemed or taken to be interested in all the Shares in which Ms. Tsui Yuk Yi has, or is deemed to have, an interest for the purpose of the SFO.*
12. *Ms. Yu Lai Chu Eileen is the spouse of Mr. Tam Chie Sang and is deemed or taken to be interested in all the Shares in which Mr. Tam Chie Sang has, or is deemed to have, an interest for the purpose of the SFO.*
13. *Sincere Expand Limited is an investment-holding company incorporated in the BVI and wholly-owned by Richmax Investment (H.K.) Limited. Each of Mr. David Chu and Mr. Cheung Yuen Chan owns approximately 46.67% and 40% issued shares of Richmax Investment (H.K.) Limited, respectively. As such, each of Richmax Investment (H.K.) Limited, Mr. David Chu and Mr. Cheung Yuen Chau is deemed, or taken to be, interested in all the Shares held by Sincere Expand Limited for the purposes of the SFO.*
14. *Ms. Tsang Siu Lan is the spouse of Mr. David Chu and is deemed or taken to be interested in all the Shares in which Mr. David Chu has, or is deemed to have, an interest for the purpose of the SFO.*
15. *Ms. Phyllis Woon Kink Cheng is the spouse of Mr. Cheung Yuen Chau and is deemed or taken to be interested in all the Shares in which Mr. Cheung Yuen Chau has, or is deemed to have, an interest for the purpose of the SFO.*

Other Information (Continued)

Directors' Rights to Acquire Shares or Debt Securities

Save as disclosed under the sub-section headed "Disclosure of Interests" above, at no time during the three months ended 31 March 2018 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' 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 report. 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 report, 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

Other Information (Continued)

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 report, Mr. Ho, one of the Controlling Shareholders, held 80% of the interest in the company which operates a Chinese restaurant named "Hong Wo Kok Restaurant" located in Hung Hom, Kowloon, Hong Kong (the "Hung Hom Restaurant"). The Hung Hom Restaurant is a Chinese restaurant that serves Chinese cuisine 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 Hung Hom Restaurant 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 addition, the Directors confirm that the Group has no present intention to acquire the Hung Hom Restaurant in near future.

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

Prince Café (太子茶餐廳) and Prince Noodles Shop (太子牛腩粉麵)

As at the date of this report, Ms. Tsui Y. Y., one of the Controlling Shareholders, has been operating a cha chaan teng named Prince Café (太子茶餐廳) (the "Prince Café") located in Lei Yue Mun, Kowloon, Hong Kong and a noodles shop named Prince Noodles Shop (太子牛腩粉麵) (the "Noodles Shop") located in Causeway Bay, Hong Kong as a sole proprietor. The Prince Café is a Hong Kong-style café that serves Asian and Western foods in a casual environment which commenced business in April 2014. The Noodles Shop is a Hong Kong-style restaurant that serves Cantonese noodles in a casual environment which commenced business in March 2014.

Other Information (Continued)

As disclosed in the Prospectus, the Directors were of the view that there is a clear delineation between the business of the Prince Café and the Noodles Shop 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 Café and the Noodles Shop in near future.

Ms. Tsui Y. Y. has undertaken to the Group that as long as she retains any interest in the Prince Café and the Noodles Shop, 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 report, 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 café 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,

Other Information (Continued)

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 report.

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 report, 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.

Other Information (Continued)

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 three months ended 31 March 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 three months ended 31 March 2018, 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 and is responsible for overseeing the operations of the Group during such period. In view of the fact that Mr. Chan has been operating and managing the Group since 1998, the Board believes that it is in the best interests of the Group to have Mr. Chan taking up both roles for effective management and business development. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Although Mr. Chan performs both roles of chairman and chief executive officer, the division of responsibilities between the two roles is clearly established. While the chairman is responsible for supervising the functions and performance of the Board, the chief executive officer is responsible for the management of the Group's business. The Board considers that the balance of power and authority for the present arrangement will not be impaired given the appropriate delegation of the power of the Board to the senior management of the Company for the day-to-day management of the Group, and the effective functions of the independent non-executive Directors representing at least one-third of the Board such that no one individual has unfettered power of decisions. This structure will also enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the "**Code of Conduct**"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the three months ended 31 March 2018.

Other Information (Continued)

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

Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the three months ended 31 March 2018.

The Company did not redeem any of its listed securities during the three months ended 31 March 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 three months ended 31 March 2018 and there were no outstanding share options under the Share Option Scheme as at 31 March 2018.

Compliance Advisor's Interests

As at 31 March 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 the GEM to the 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.

Other Information (Continued)

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 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 first quarterly financial results of the Group for the three months ended 31 March 2018 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 May 2018

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 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>.