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利寶閣

Li Bao Ge Group Limited

利寶閣集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1869)

- (1) DISCLOSEABLE TRANSACTION IN RELATION TO OLYMPIAN CITY TENANCY RENEWAL OFFER LETTER;**
(2) DISCLOSEABLE TRANSACTION IN RELATION TO MOKO TENANCY AGREEMENT; AND
(3) MAJOR TRANSACTION IN RELATION TO SHENZHEN TENANCY RENEWAL AGREEMENT

(1) DISCLOSEABLE TRANSACTION IN RELATION TO OLYMPIAN CITY TENANCY RENEWAL OFFER LETTER

On 5 June 2019, Orient Century Limited (a subsidiary of the Company) as tenant and Olympian City 2 Management Company Limited as the agent of the landlord entered into the Olympian City Tenancy Renewal Offer Letter for renewal of tenancy in respect of the Olympian Restaurant Premises for a term of 5 years from 1 April 2019 to 31 March 2024 (both days inclusive).

(2) DISCLOSEABLE TRANSACTION IN RELATION TO MOKO TENANCY AGREEMENT

On 8 April 2019, Orient Century Limited (a subsidiary of the Company) as tenant and Sun Hung Kei Real Estate Agency Limited as the attorney for the owner entered into the MOKO Tenancy Agreement in respect of the MOKO Restaurant Premises for a term of 5 years from 8 April 2019 to 7 April 2024 (both days inclusive).

(3) MAJOR TRANSACTION IN RELATION TO SHENZHEN TENANCY RENEWAL AGREEMENT

On 26 July 2019, Li Bao Ge (Shenzhen) Catering Company Limited* (利寶閣(深圳)餐飲有限公司) (a subsidiary of the Company) as tenant and Kerry Development (Shenzhen) Co., Ltd.* (嘉里置業(深圳)有限公司) as landlord entered into the Shenzhen Tenancy Renewal Agreement for renewal of tenancy in respect of the Shenzhen Restaurant Premises for a term of 6 years from 1 August 2019 to 31 July 2025 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 “Leases”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Agreements with effect from the beginning of its accounting period on 1 January 2019. Accordingly, the lease transactions under the Agreements are regarded as acquisitions of assets by the tenants (i.e. lessees) for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Olympian Restaurant Premises under the Olympian City Tenancy Renewal Offer Letter exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders’ approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the MOKO Restaurant Premises under the MOKO Tenancy Agreement exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders’ approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Shenzhen Restaurant Premises under the Shenzhen Tenancy Renewal Agreement exceed 25% but are less than 100%, the transaction contemplated thereunder constitutes a major transaction and is subject to the reporting, announcement and Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the transaction contemplated under the Shenzhen Tenancy Renewal Agreement and would be required to abstain from voting for the resolution to approve the transaction, should the transaction be put forward to the shareholders to approve at a general meeting of the Company. Zhao Tian, the controlling shareholder of the Company, which is interested in 479,200,000 Shares, representing 59.90% of the issued share capital of the Company as at the date of this announcement, has approved the transaction by a written shareholder’s approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, the Company is exempted from the requirement to convene a shareholders’ meeting for the approval of the transaction and no extraordinary general meeting will be convened for the purpose of considering, ratifying and approving the transaction pursuant to Rule 14.44 of the Listing Rules. The Company expects to issue a circular containing, among others, further information on the transaction contemplated under the Shenzhen Tenancy Renewal Agreement to its shareholders on or before 24 September 2019.

(1) DISCLOSEABLE TRANSACTION IN RELATION TO OLYMPIAN CITY TENANCY RENEWAL OFFER LETTER

On 5 June 2019, Orient Century Limited (a subsidiary of the Company) as tenant and Olympian City 2 Management Company Limited as the agent of the landlord entered into the Olympian City Tenancy Renewal Offer Letter for renewal of tenancy in respect of the Olympian Restaurant Premises for a term of 5 years from 1 April 2019 to 31 March 2024 (both days inclusive).

Key Terms of the Olympian City Tenancy Renewal Offer Letter

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| Date | : | 5 June 2019 |
| Parties | : | (i) Olympian City 2 Management Company Limited, as the agent of the landlord; and (ii) Orient Century Limited (a subsidiary of the Company) as tenant. |

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the agent, the landlord and their respective ultimate beneficial owner(s) are the Independent Third Parties.

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| Premises | : | Shop No. UG01 on Upper Ground Floor, Olympian City 2, 18 Hoi Ting Road, West Kowloon, Hong Kong |
| Term | : | 5 years from 1 April 2019 to 31 March 2024 (both days inclusive) |
| Total aggregate value of consideration payable | : | HK\$38,020,000 in aggregate for the term of 5 years, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Olympian City Tenancy Renewal Offer Letter (exclusive of rates, management fees and air-conditioning charges and other outgoings) |
| Formal agreement | : | The Olympian City Tenancy Renewal Offer Letter is legally binding upon the parties upon execution, and the parties have entered into a formal agreement pursuant to the terms of the Olympian City Tenancy Renewal Offer Letter on 17 July 2019. |

The value (unaudited) of the right-of-use asset recognised by the Company under the Olympian City Tenancy Renewal Offer Letter amounted to approximately HK\$33,647,000, which is the present value of total consideration payable at the inception of the lease term under the tenancy renewal offer letter/formal agreement in accordance with HKFRS 16. Discount rate of 5.01% is applied to compute the present value of total consideration payable under the Olympian City Tenancy Renewal Offer Letter.

(2) DISCLOSEABLE TRANSACTION IN RELATION TO MOKO TENANCY AGREEMENT

On 8 April 2019, Orient Century Limited (a subsidiary of the Company) as tenant and Sun Hung Kei Real Estate Agency Limited as the attorney for the owner entered into the MOKO Tenancy Agreement in respect of the MOKO Restaurant Premises for a term of 5 years from 8 April 2019 to 7 April 2024 (both days inclusive).

Key Terms of the MOKO Tenancy Agreement

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| Date | : | 8 April 2019 |
| Parties | : | (i) Sun Hung Kei Real Estate Agency Limited as the attorney for the owner; and (ii) Orient Century Limited (a subsidiary of the Company) as tenant. |

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the attorney for the owner, the landlord and their respective ultimate beneficial owner(s) are the Independent Third Parties.

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| Premises | : | Shop No. 453 on Level 4 of the Commercial Accommodation of the development at 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong (known as the MOKO Shopping Mall) |
| Term | : | 5 years from 8 April 2019 to 7 April 2024 (both days inclusive) |
| Total aggregate value of consideration payable | : | Not less than HK\$16,697,124 in aggregate for the term of 5 years, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the MOKO Tenancy Agreement (exclusive of rates, management fees and air-conditioning charges and other outgoings) |

The value (unaudited) of the right-of-use asset recognised by the Company under the MOKO Tenancy Agreement amounted to approximately HK\$15,055,000, which is the present value of total consideration payable plus estimated reinstatement cost with the lease at the inception of the lease term under the tenancy agreement in accordance with HKFRS 16. Discount rate of 5.01% is applied to compute the present value of total consideration payable under the MOKO Tenancy Agreement.

(3) MAJOR TRANSACTION IN RELATION TO SHENZHEN TENANCY RENEWAL AGREEMENT

On 26 July 2019, Li Bao Ge (Shenzhen) Catering Company Limited* (利寶閣(深圳)餐飲有限公司) (a subsidiary of the Company) as tenant and Kerry Development (Shenzhen) Co., Ltd.* (嘉里置業(深圳)有限公司) as landlord entered into the Shenzhen Tenancy Renewal Agreement for renewal of tenancy in respect of the Shenzhen Restaurant Premises for a term of 6 years from 1 August 2019 to 31 July 2025 (both days inclusive).

Date : 26 July 2019

Parties : (i) Kerry Development (Shenzhen) Co., Ltd.* (嘉里置業(深圳)有限公司) as landlord; and

(ii) Li Bao Ge (Shenzhen) Catering Company Limited* (利寶閣(深圳)餐飲有限公司) (a subsidiary of the Company) as tenant.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the landlord and its ultimate beneficial owner(s) are the Independent Third Parties.

Premises : Suite 01, 2/F, Tower 3, Kerry Plaza, 1-1 Zhong Xin Si Road, Futian District, Shenzhen, the PRC (中國深圳市福田區中心四路1-1號嘉里建設廣場三座第二層01室)

Term : 6 years from 1 August 2019 to 31 July 2025 (both days inclusive)

Total aggregate value of consideration payable : RMB\$55,194,547 in aggregate for the term of 6 years, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Shenzhen Tenancy Renewal Agreement (exclusive of VAT, management fees and air-conditioning charges and other outgoings)

The value (unaudited) of the right-of-use asset recognised by the Company under the Shenzhen Tenancy Renewal Agreement amounted to approximately HK\$48,005,000, which is the present value of total consideration payable at the inception of the lease term under the tenancy renewal agreement in accordance with HKFRS 16. Discount rate of 9.67% is applied to compute the present value of total consideration payable under the Shenzhen Tenancy Renewal Agreement.

INFORMATION ON THE GROUP

The Group is principally engaged in the operation of a chain of Chinese restaurants in Hong Kong and the PRC. The Group currently operates five 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)”. In addition, the Group also operates a Jingchuanhu cuisine restaurant in Hong Kong under the brand name of “Beijing House (京香閣)”, a full-service small-scale Cantonese restaurant under the brand name of “Star of Canton Dim Sum Tea House (利寶閣點心茶居)” in Shenzhen, the PRC, and a Thai restaurant under the Group’s own brand of “La Maison D’ Elephant (象屋)” in Hong Kong. All of the Group’s restaurants were strategically situated in landmark shopping arcades or commercial complex at prime locations. The Group maintains a business philosophy of offering quality food and services at reasonable prices under elegant and comfortable dining environment. All of the Group’s restaurants target at mid-to-high end spending customers.

REASONS AND BENEFITS FOR THE AGREEMENTS

The Directors believe that the Premises are located at prime locations. With reference to past operation experience, the Directors believe that the restaurants located at the respective Premises are strategically located which presents continuous business opportunities. The terms of the Agreements were arrived at after arm’s length negotiation and the rentals were determined with reference to the prevailing market rental of similar comparable properties in the nearby areas. The Directors considered that the terms of the Agreements were entered into on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with HKFRS 16 “Leases”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises under the Agreements with effect from the beginning of its accounting period on 1 January 2019. Accordingly, the lease transactions under the Agreements are regarded as acquisitions of asset by the tenants (i.e. lessees) for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Olympian Restaurant Premises under the Olympian City Tenancy Renewal Offer Letter exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders’ approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the MOKO Restaurant Premises under the MOKO Tenancy Agreement exceed 5% but are less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction and is subject to the announcement requirement under Chapter 14 of the Listing Rules but exempt from Shareholders’ approval requirement under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use of the Shenzhen Restaurant Premises under the Shenzhen Tenancy Renewal Agreement exceed 25% but are less than 100%, the transaction contemplated thereunder constitutes a major transaction and is subject to the reporting, announcement and Shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the transaction contemplated under the Shenzhen Tenancy Renewal Agreement and would be required to abstain from voting for the resolution to approve the transaction, should the transaction be put forward to the shareholders to approve at a general meeting of the Company. Zhao Tian, the controlling shareholder of the Company, which is interested in 479,200,000 Shares, representing 59.90% of the issued share capital of the Company as at the date of this announcement, has approved the transaction by a written shareholder's approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, the Company is exempted from the requirement to convene a shareholders' meeting for the approval of the transaction and no extraordinary general meeting will be convened for the purpose of considering, ratifying and approving the transaction pursuant to Rule 14.44 of the Listing Rules. The Company expects to issue a circular containing, among others, further information on the transaction contemplated under the Shenzhen Tenancy Renewal Agreement to its shareholders on or before 24 September 2019.

The Company acknowledges that the notification and announcement and/or Shareholder's approval in respect of the Transactions as required under Chapter 14 of the Listing Rules had been delayed due to its inadvertent oversight. The failure to make timely disclosure was due to misunderstanding of the application of the HKFRS 16 which became effective since 1 January 2019 and the corresponding implications under the Listing Rules.

REMEDIAL ACTIONS

The Company acknowledges its inadvertent non-compliance with the Listing Rules in relation to the adoption of HKFRS 16. To prevent similar non-compliance in relation to the adoption of HKFRS 16 from occurring in the future, the Company has taken the following measures and actions: (i) the Company's responsible management with assistance from external accounting professionals and legal advisers of the Company shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules in relation to the Group's lease arrangements; (ii) the Company should conduct an internal training session to explain the implications of the Listing Rules in relation to HKFRS 16 and the reporting procedures for notifiable transactions under the Listing Rules in respect of lease arrangements prior to execution; and (iii) the Company should, as and when appropriate and necessary, seek its external legal, accounting or other professional advice as to any action required to be taken in relation to any proposed lease transactions or events in the future. Going forward, the Company will make disclosure in a timely manner to ensure compliance with the Listing Rules in this regard.

DEFINITION

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| “Agreements” | Olympian City Tenancy Renewal Offer Letter, MOKO Tenancy Agreement and Shenzhen Tenancy Renewal Agreement |
| “Board” | board of Directors |
| “Company” | Li Bao Ge Group Limited (利寶閣集團有限公司), a company incorporated in the Cayman Islands on 1 September 2015 as an exempted company with limited liability and the shares are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | a party independent of and not connected with the Company and its connected persons |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MOKO Restaurant Premises” | the premises situated at Shop No. 453 on Level 4 of the Commercial Accommodation of the development at 193 Prince Edward Road West, Mongkok, Kowloon, Hong Kong (known as the MOKO Shopping Mall), for the Group’s operation of a Thai cuisine restaurant |
| “MOKO Tenancy Agreement” | the tenancy agreement dated 8 April 2019 entered into between Orient Century Limited (a subsidiary of the Company) as tenant and Sun Hung Kei Real Estate Agency Limited as the attorney for the owner |
| “Olympian City Tenancy Renewal Offer Letter” | the tenancy renewal offer letter dated 5 June 2019 entered into between Orient Century Limited (a subsidiary of the Company) as tenant and Olympian City 2 Management Company Limited as the agent of the landlord |
| “Olympian Restaurant Premises” | the premises situated at Shop No. UG01 on Upper Ground Floor, Olympian City 2, 18 Hoi Ting Road, West Kowloon, Hong Kong, for the Group’s operation of a full-service Chinese restaurant |
| “PRC” | the People’s Republic of China, which for the purposes of this announcement only, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC, unless otherwise specified |

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| “Premises” | Olympian Restaurant Premises, MOKO Restaurant Premises and Shenzhen Restaurant Premises |
| “Shareholder(s)” | holder(s) of shares of the Company |
| “Shenzhen Restaurant Premises” | the premises situated at Suite 01, 2/F, Tower 3, Kerry Plaza, 1-1 Zhong Xin Si Road, Futian District, Shenzhen, the PRC (中國深圳市福田區中心四路1-1號嘉里建設廣場三座第二層01室), for the Group’s operation of a full-service Chinese restaurant |
| “Shenzhen Tenancy Renewal Agreement” | the tenancy renewal agreement dated 26 July 2019 entered into between Li Bao Ge (Shenzhen) Catering Company Limited* (利寶閣(深圳)餐飲有限公司) (a subsidiary of the Company) as tenant and Kerry Development (Shenzhen) Co., Ltd.* (嘉里置業(深圳)有限公司) as landlord |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the transactions contemplated under the Agreements |
| “Zhao Tian” | Zhao Tian Ventures Limited (兆添創投有限公司), the controlling shareholder of the Company holding 59.90% of the entire issued share capital of the Company |
| “%” | per cent. |

By order of the Board
Li Bao Ge Group Limited
Chan Chun Kit
Chairman

Hong Kong, 4 September 2019

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

* For identification purposes only