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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)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY FOUR EXISTING SHARES
HELD ON THE RECORD DATE**

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter to the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of one Rights Share for every four existing Shares held on the Record Date at the Subscription Price of HK\$0.238 per Rights Share, to raise gross proceeds of approximately HK\$47.6 million (assuming no further issue or repurchase of Shares on or before the Record Date) before expenses, by way of the Rights Issue of 200,000,000 Rights Shares to the Qualifying Shareholders.

The Company will provisionally allot to the Qualifying Shareholders one Rights Share in nil-paid form for every four existing Shares in issue and held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$45.6 million (assuming no further issue or repurchase of Shares on or before the Record Date), which are intended to be applied for (i) repayment of the Group's indebtedness and interest expenses; (ii) payment of renovation and refurbishment costs incurred for recently opened restaurants and other existing restaurants; and (iii) general working capital for the Group.

UNDERWRITING AGREEMENT AND IRREVOCABLE UNDERTAKINGS

On 29 October 2019 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue.

Pursuant to the Underwriting Agreement, save for the Rights Shares which have been irrevocably and unconditionally undertaken to take up in the Undertakings, the Underwritten Shares were fully underwritten by the Underwriter on the terms and subject to the conditions set out therein.

As at the date of this announcement, Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain beneficially owns 301,225,120 Shares, 13,350,000 Shares, 59,324,960 Shares, 300,000 Shares, 59,324,960 Shares, and 59,324,960 Shares respectively, the number of Rights Shares to which Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain are respectively entitled under the Rights Issue are 75,306,280 Rights Shares, 3,337,500 Rights Shares, 14,831,240 Rights Shares, 75,000 Rights Shares, 14,831,240 Rights Shares and 14,831,240 Rights Shares respectively.

Each of Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain has irrevocably and unconditionally undertaken in the Undertakings in favour of the Company and the Underwriter, among other things, (i) to subscribe or procure the subscription of the Rights Shares which will respectively constitute their allotment of Rights Shares in respect of the Shares beneficially owned by them respectively pursuant to the terms of the Rights Issue; (ii) the Shares beneficially owned by them respectively will remain registered in their respective name(s) at the close of business on the Record Date as they are on the date of the Undertakings; (iii) to procure that the acceptances in respect of their respective Rights Shares shall be lodged with the Registrar or the Company, with payment in full therefor in cash by no later than the Latest Time for Acceptance or such later date as the Company may agree in writing; (iv) not to dispose of or transfer any Shares, or any interests therein, in any manner up to and including two Business Day after the Latest Time for Acceptance; and (v) not to acquire or subscribe for any Rights Shares (either in nil-paid or fully-paid forms) in excess of their respective entitlements according to their respective shareholdings in the Company as at the Record Date.

Accordingly, assuming no further issue or repurchase of Shares on or before the Record Date, the Controlling Shareholders will not trigger a general offer obligation as a result of the Rights Issue and no Whitewash Waiver will be applied for.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, among other matters, upon fulfillment of the conditions set out under the sub-section headed “Conditions of the Rights Issue” in the section headed “PROPOSED RIGHTS ISSUE” of this announcement. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter’s right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and/or nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.

TRADING ARRANGEMENTS

According to the expected timetable, the last day of dealing in the Shares on a cum-rights basis is Friday, 8 November 2019 and the Shares will be dealt in on an ex-rights basis from Monday, 11 November 2019. The Rights Shares are expected to be dealt in their nil-paid form from Friday, 22 November 2019 to Friday, 29 November 2019 (both dates inclusive). To qualify for the Rights Issue, any transfer of the Shares (together with the relevant share certificates) must be lodged for registration with the Registrar, by 4:30 p.m. on Tuesday, 12 November 2019.

The Latest Time for Acceptance is expected to be at 4:00 p.m. on Wednesday, 4 December 2019. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders in a general meeting under the Listing Rules.

GENERAL

The Prospectus Documents containing, among other things, the Prospectus setting out details of the Rights Issue, the PAL and the EAF, are expected to be despatched to the Qualifying Shareholders on Wednesday, 20 November 2019. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.starofcanton.com.hk>) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of approximately HK\$47.6 million (assuming no further issue or repurchase of Shares on or before the Record Date) before expenses, by way of the Rights Issue of 200,000,000 Rights Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.238 per Rights Share.

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every four (4) existing Shares held on the Record Date
Subscription Price	:	HK\$0.238 per Rights Share
Number of Shares in issue as at the date of this announcement	:	800,000,000 Shares
Number of Rights Shares	:	200,000,000 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)

Aggregate nominal value of the Rights Shares to be issued	:	HK\$2,000,000 (assuming no further issue or repurchase of Shares on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue	:	1,000,000,000 Shares (assuming no further issue or repurchase of Shares on or before the date of completion of the Rights Issue)
Amount to be raised	:	gross proceeds of approximately HK\$47.6 million (assuming no further issue or repurchase of Shares on or before the Record Date) before expenses

The Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares as at the date of this announcement.

Assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue, the aggregate number of nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 25% of the Company's issued share capital as at the Record Date and 20% of the Company's issued share capital as enlarged by the Rights Issue. The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

Qualifying Shareholder

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by 4:30 p.m. on Tuesday, 12 November 2019. It is expected that the last day of dealing in the Shares on a cum-rights basis is Friday, 8 November 2019 and the Shares will be dealt in on an ex-rights basis from Monday, 11 November 2019.

It is expected that the Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders on Wednesday, 20 November 2019. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only.

Overseas Shareholders and Non-Qualifying Shareholders

Overseas Shareholders on the Record Date may not be eligible to take part in the Rights Issue as explained below.

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If based on legal opinions provided by the legal adviser(s) to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to such Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. If any Overseas Shareholders are excluded from the Rights Issue, the Company will send copies of the Prospectus to such Non-Qualifying Shareholders for their information only, but will not send any PALs or EAFs to them. The results of the enquiries and the basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue, will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Non-Qualifying Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders will be made available for excess application on EAFs by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution and consult their professional advisers when dealing in the Shares.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 13 November 2019 to Tuesday, 19 November 2019 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Subscription Price

The Subscription Price is HK\$0.238 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 10.19% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 8.32% to the theoretical ex-rights price of HK\$0.2596 per Share based on the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (c) a discount of approximately 9.85% to the average closing price of HK\$0.264 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 9.85% to the average closing prices of HK\$0.264 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined by the Directors and the Underwriter with reference to prevailing Share price and the market environment. After taking into consideration the reasons for the Rights Issue as stated in the section headed “INFORMATION ON THE GROUP, REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” below, the Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The net subscription price per Rights Share will be approximately HK\$0.228.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every four (4) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares in their fully-paid form.

Fractional entitlements

The entitlements of Qualifying Shareholders will be rounded down to the nearest whole number and fractional entitlements to Rights Shares will not be provisionally allotted to the Shareholders. The nil-paid Rights Shares representing the aggregate of all the fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee or nominees appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold by the nominee or nominees on the Company’s behalf in the market as soon as practicable after the commencement of dealing in the nil-paid Rights Shares and the net proceeds of such sale will be retained by the Company for its own benefit. Any Rights Shares in respect of the unsold fractional entitlements will first be made available for valid excess applications by the Qualifying Shareholders and the balance (if any) will be underwritten by the Underwriter. No odd lot matching services will be provided.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (i) any unsold entitlements to the Right Shares of the Non-Qualifying Shareholders had they been Qualifying Shareholders;
- (ii) aggregation of fractions of the Rights Shares which are not sold; and
- (iii) any nil-paid Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No preference will be made to the Rights Shares subscribed through applications by PAL(s) or the existing number of Shares held by Qualifying Shareholders. No preference will be given to top up odd lots to whole board lots.

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the Latest Lodging Date.

Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Tuesday, 12 November 2019.

Share certificates and refund cheques for the Rights Shares

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at Shareholders' own risk on or before Thursday, 12 December 2019. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted by ordinary post at Shareholders' own risk on or before Thursday, 12 December 2019.

Each Shareholder (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares.

Application for listing and dealing arrangements

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms. No part of the securities of the Company is listed or dealt in or for which listing or permission to deal is being or is proposed to be sought on any other stock exchange (other than the Stock Exchange). The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 10,000 Shares in one board lot).

Dealings in the Rights Shares in their nil-paid and fully paid forms will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing of all necessary resolution(s) by the Board to approve the Rights Issue;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only, on or before the Prospectus Posting Date;

- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealing in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter in writing), and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (v) each condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the Listing Approval) having been satisfied not later than the business day prior to the first day of dealings in the nil-paid Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (vi) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (viii) the compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement by the times specified;
- (ix) the compliance with and performance of all the undertakings and obligations by the relevant party under each of the Undertakings by the times specified;
- (x) all relevant approvals having been obtained from all relevant governmental authorities (where applicable) as the case may require in connection with the Rights Issue by the relevant time that such consent and approval is required and such approvals not being withdrawn or revoked prior to the Latest Time for Termination;

conditions as set out in (i), (ii), (iii), (iv), (v), (vi), (vii), (ix), and (x) (where applicable) are incapable of being waived. In the event of the said conditions not being fulfilled or waived on or before the respective dates aforesaid, being no later than 9 December 2019, or such later date or dates as may be agreed between the Company and the Underwriter in writing, or if the Underwriting Agreement shall be rescinded pursuant to the terms in the Underwriting Agreement, all obligations and liabilities of the parties to the Underwriting Agreement shall forthwith cease and determine and no party shall have any claim against the other (save for any antecedent breaches thereof).

THE UNDERWRITING AGREEMENT

On 29 October 2019 (after trading hours of the Stock Exchange), the Company and the Underwriter entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date : 29 October 2019

Underwriter : Emperor Securities

The Underwriter is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO.

The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons.

Total number of Rights Shares underwritten by the Underwriter : 76,787,500 Rights Shares (having taken into account the irrecoverable Undertakings from Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong, and Sky Gain and assuming no Shares will be issued or repurchased by the Company on or before the Record Date)

Commission : The Underwriter shall receive 3% of the aggregate Subscription Price of the respective maximum number of Underwritten Shares underwritten by it

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors considers that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not otherwise taken up.

Irrevocable Undertakings from Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain

As at the date of this announcement, Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain beneficially owns 301,225,120 Shares, 13,350,000 Shares, 59,324,960 Shares, 300,000 Shares, 59,324,960 Shares, and 59,324,960 Shares respectively, the number of Rights Shares to which Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain are respectively entitled under the Rights Issue are 75,306,280 Rights Shares, 3,337,500 Rights Shares, 14,831,240 Rights Shares, 75,000 Rights Shares, 14,831,240 Rights Shares and 14,831,240 Rights Shares respectively.

Each of Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain has irrevocably and unconditionally undertaken in the Undertakings in favour of the Company and the Underwriter, among other things, (i) to subscribe or procure the subscription of the Rights Shares which will respectively constitute their allotment of Rights Shares in respect of the Shares beneficially owned by them respectively pursuant to the terms of the Rights Issue; (ii) the Shares beneficially owned by them respectively will remain registered in their respective name(s) at the close of business on the Record Date as they are on the date of the Undertakings; (iii) to procure that the acceptances in respect of their respective Rights Shares shall be lodged with the Registrar or the Company, with payment in full therefor in cash by no later than the Latest Time for Acceptance or such later date as the Company may agree in writing; (iv) not to dispose of or transfer any Shares, or any interests therein, in any manner up to and including two Business Day after the Latest Time for Acceptance; and (v) not to acquire or subscribe for any Rights Shares (either in nil-paid or fully-paid forms) in excess of their respective entitlements according to their respective shareholdings in the Company as at the Record Date.

Accordingly, assuming no further issue or repurchase of Shares on or before the Record Date, the Controlling Shareholders will not trigger a general offer obligation as a result of the Rights Issue and no Whitewash Waiver will be applied for.

Rescission and Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties or undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, or there is any matter which would reasonably be expected to give rise to a material breach or claim, and in each case the same is (in the absolute opinion of the Underwriter) material in the context of the Rights Issue; or
- (B) there shall be:
 - (i) any introduction of any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any event, series of events or circumstances resulting in or likely to result in (whether or not foreseeable) any change in (whether or not permanent) local, national or international financial, political, military, industrial, economic, legal, fiscal, taxation, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in the PRC, Hong Kong and the Cayman Islands which develop, occur, happen, come into effect, exist or come to the knowledge of the Underwriter;
 - (iii) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, any local, national or international event or change of a political, military, financial, economic or other nature, any local, national or international outbreak or escalation of hostilities or armed conflict affecting local securities markets, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in the PRC, Hong Kong and the Cayman Islands;
 - (iv) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs;
 - (v) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Underwriting Agreement;
 - (vi) any adverse change in the circumstances of the Company or any member of the Group;
 - (vii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise;

- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 7 consecutive Business Days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements in connection with the Rights Issue or for such events as required under the Listing Rules not caused by any default or breach of the Listing Rules by the Company;
- (ix) the occurrence of any Specified Event which is incapable of being waived by the Underwriter, or
- (x) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the sole and absolute opinion of the Underwriter:–

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue;

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches thereof) and the Rights Issue shall not proceed.

EXPECTED TIMETABLE OF THE RIGHTS ISSUE

Set out below is the expected timetable of the implementation of the Rights Issue:

Last day of dealing in the Shares on cum-rights basis.	Friday, 8 November 2019
First day of dealings in the Shares on ex-rights basis	Monday, 11 November 2019
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue.	4:30 p.m. on Tuesday, 12 November 2019
Register of members of the Company closes for determining entitlements under the Rights Issue (both dates inclusive). . .	Wednesday, 13 November 2019 to Tuesday, 19 November 2019
Record Date for the Rights Issue.	Tuesday, 19 November 2019
Despatch of the Prospectus Documents (including PALs and EAFs)	Wednesday, 20 November 2019
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 22 November 2019
Latest time for splitting of PALs.	4:30 p.m. on Tuesday, 26 November 2019
Latest time of dealings in nil-paid Rights Shares	4:00 p.m. on Friday, 29 November 2019
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 4 December 2019
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Monday, 9 December 2019
Announcement of the allotment results of the Rights Issue. . . .	Wednesday, 11 December 2019
Despatch of refund cheques for wholly or partially unsuccessful applications for excess Rights Shares on or before.	Thursday, 12 December 2019
Despatch of certificates for the fully-paid Rights Shares on or before.	Thursday, 12 December 2019
Commencement of dealings in the fully-paid Rights Shares.	9:00 a.m. on Friday, 13 December 2019

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares from the date of this announcement up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue:

Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue			
			Assuming all Shareholders have taken up the Rights Shares		Assuming only Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain take up their Rights Shares and the Underwriter take up all the Underwritten Shares	
	<i>No. of Approximate Shares</i>	<i>Approximate %</i>	<i>No. of Approximate Shares</i>	<i>Approximate %</i>	<i>No. of Approximate Shares</i>	<i>Approximate %</i>
Bright Creator (<i>Notes 1&3</i>)	301,225,120	37.65%	376,531,400	37.65%	376,531,400	37.65%
Mr. Chan (<i>Notes 1&3</i>)	13,350,000	1.67%	16,687,500	1.67%	16,687,500	1.67%
Sun Foo Sing (<i>Notes 2&3</i>)	59,324,960	7.42%	74,156,200	7.42%	74,156,200	7.42%
Mr. Lam (<i>Notes 2&3</i>)	300,000	0.04%	375,000	0.04%	375,000	0.04%
Mr. Wong (<i>Note 4</i>)	59,324,960	7.42%	74,156,200	7.42%	74,156,200	7.42%
Sky Gain (<i>Note 5</i>)	59,324,960	7.42%	74,156,200	7.42%	74,156,200	7.42%
Universal Palm Limited (<i>Note 6</i>)	23,540,000	2.94%	29,425,000	2.94%	23,540,000	2.35%
Prof. Wong Lung Tak Patrick (<i>Note 7</i>)	4,250,000	0.53%	5,312,500	0.53%	4,250,000	0.42%
Ms. Yuen Wan Yee Betty (<i>Note 7</i>)	100,000	0.01%	125,000	0.01%	100,000	0.01%
Subtotal	520,740,000	65.10%	650,925,000	65.10%	643,952,500	64.40%
Public Shareholders						
The Underwriter, sub-underwriter(s) and/or subscriber(s) procure by it	-	-	-	-	76,787,500	7.68%
Other Public Shareholders	279,260,000	34.90%	349,075,000	34.90%	279,260,000	27.92%
TOTAL	800,000,000	100.00%	1,000,000,000	100.00%	1,000,000,000	100.00%

Notes:

- Bright Creator beneficially owns 301,225,120 Shares. Mr. Chan and his spouse Ms. Liu Siu Kuen respectively owns 50% issued shares of Bright Creator. Mr. Chan beneficially owns 13,350,000 Shares. Mr. Chan is an executive Director, the chairman of the Board and the chief executive officer of the Company.
- Sun Foo Sing beneficially owns 59,324,960 Shares. 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, respectively. Mr. Lam beneficially owns 300,000 Shares. Mr. Lam is an executive Director and the compliance officer of the Company.
- Bright Creator, Mr. Chan and his spouse Ms. Liu Siu Kuen, Sun Foo Sing, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi are parties acting in concert.
- Mr. Wong beneficially owns 59,324,960 Shares. Mr. Wong is an executive Director.

5. Sky Gain beneficially owns 59,324,960 Shares. Each of Mr. Chow Yiu Pong David, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang owns 37.5%, 37.5% and 25% issued shares of Sky Gain, respectively. Mr. Chow Yiu Pong David is an executive Director.
6. Universal Palm Limited beneficially owns 23,540,000 Shares. Mr. Tsang Chiu Chun owns 100% issued shares of Universal Palm Limited. Mr. Tsang Chiu Chun is the director of a subsidiary of the Company.
7. Prof. Wong Lung Tak Patrick beneficially owns 4,250,000 Shares and Ms. Yuen Wan Yee Betty, the spouse of Prof. Wong Lung Tak Patrick, beneficially owns 100,000 Shares. Prof. Wong Lung Tak Patrick is an independent non-executive Director.

INFORMATION ON THE GROUP, REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. 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.

The Directors consider that the Rights Issue will provide an opportunity to raise capital for the Company whilst strengthening the capital base and the financial position of the Company. Accordingly, the Directors consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The gross proceeds and net proceeds from the Rights Issue will be approximately HK\$47.6 million and HK\$45.6 million respectively (assuming no further issue or repurchase of Shares on or before the Record Date). The net proceeds of the Rights Issue are intended to be applied for (i) repayment of the Group's indebtedness and interest expenses; (ii) payment of renovation and refurbishment costs incurred for recently opened restaurants and other existing restaurants; and (iii) general working capital for the Group.

TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any other equity fund raising activities during the 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders in a general meeting under the Listing Rules.

GENERAL

The Prospectus Documents containing, among other things, the Prospectus setting out details of the Rights Issue, the PAL and the EAF will be despatched to the Qualifying Shareholders on Wednesday, 20 November 2019. A copy of the Prospectus will also be made available on the websites of the Company (<http://www.starofcanton.com.hk>) and the Stock Exchange (www.hkexnews.hk). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL or EAF to them.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, among other matters, upon fulfillment of the conditions set out under the sub-section headed "Conditions of the Rights Issue" in the section headed "PROPOSED RIGHTS ISSUE" of this announcement. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter's right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and/or nil-paid Rights Shares. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisers.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"acting in concert"	has the same meaning ascribed thereto under the Takeovers Code
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Bright Creator"	Bright Creator Limited (暉緯有限公司), a company incorporated in Hong Kong on 9 June 2000 with limited liability which is owned as to 50% and 50% by Mr. Chan and his spouse Ms. Liu Siu Kuen respectively, and one of the Controlling Shareholders
"Business Day(s)"	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Li Bao Ge Group Limited (利寶閣集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares are listed on the main board of the Stock Exchange (Stock Code: 1869)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholder(s) (having the meaning ascribed to it in the Listing Rules) of the Company, including Bright Creator, Mr. Chan and his spouse Ms. Liu Siu Kuen, Sun Foo Sing, Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
“Emperor Securities” or “Underwriter”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	Tuesday, 29 October, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Lodging Date”	Tuesday, 12 November 2019 or such other date as the Underwriter and the Company may agree, being the latest time for lodging transfer of Shares in order to be qualified for the Rights Issue

“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 4 December 2019 or other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 9 December 2019, being the third Business Day after the Latest Time for Acceptance, or such other time or date as may be agreed between the Company and the Underwriter in writing
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Chun Kit, one of the Controlling Shareholders, an executive Director, the chairman of the Board and the chief executive officer of the Company
“Mr. Lam”	Mr. Lam Kwok Leung Peter, one of the Controlling Shareholders, an executive Director and the compliance officer of the Company
“Mr. Wong”	Mr. Wong Ka Wai, an executive Director
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Director(s), based on the enquiry made or legal advice obtained, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF

“Prospectus Posting Date”	Wednesday, 20 November 2019 or such other date as may be agreed in writing between the Underwriter and the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 19 November 2019 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every four (4) Shares in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and to be set out in the Prospectus Documents
“Rights Share(s)”	new Share(s) to be allotted and issued pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Sky Gain”	Sky Gain Investments Limited (天盈投資有限公司), a company incorporated in Hong Kong on 21 October 2005 with limited liability which is owned as to 37.5%, 37.5% and 25% by Mr. Chow Yiu Pong David, Mr. Chow Chor Ting Anthony and Mr. Tam Chie Sang respectively. Mr. Chow Yiu Pong David is an executive Director
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Shares
“Specified Event”	an event occurring or matter arising on or after the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties and/or undertakings contained in the relevant provision of the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	the subscription price of HK\$0.238 per Rights Share
“Sun Foo Sing”	Sun Foo Sing Development Limited (新富星發展有限公司), a company incorporated in Hong Kong on 24 August 2001 with limited liability which is owned as to 50%, 25%, 10%, 7.5% and 7.5% by Mr. Ho Wood Yam, Mr. Tsui King Foo, Mr. Lam, Mr. Tsui Chi Kit and Ms. Tsui Yuk Yi respectively, and one of the Controlling Shareholders
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 29 October 2019 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	76,787,500 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Undertakings”	the irrevocable undertakings dated the date of Underwriting Agreement given by Bright Creator, Mr. Chan, Sun Foo Sing, Mr. Lam, Mr. Wong and Sky Gain respectively in favour of the Company and the Underwriter among other things, to subscribe for their respective full entitlement of the Rights Shares
“Whitewash Waiver”	a waiver from the Executive Director of the Corporate Finance Division of the SFC (or any of his delegate(s)) pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Controlling Shareholders to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Controlling Shareholders and any parties acting in concert with it
“%”	per cent.

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

Hong Kong, 29 October 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.