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利·寶·閣

**Li Bao Ge Group Limited**

利寶閣集團有限公司

**KAFELAKU COFFEE INDUSTRIAL LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1869)**

## **JOINT ANNOUNCEMENT**

**(1) COMPLETION OF THE SALE AND PURCHASE AGREEMENT  
IN RELATION TO THE SALE AND PURCHASE OF THE SALE SHARES IN  
LI BAO GE GROUP LIMITED;  
(2) MANDATORY CONDITIONAL CASH OFFER  
BY SILVERBRICKS SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF THE OFFEROR TO  
ACQUIRE ALL THE ISSUED SHARES IN  
LI BAO GE GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY THE OFFEROR  
AND/OR PARTIES ACTING IN CONCERT WITH IT);  
AND  
(3) RESUMPTION OF TRADING**

**Joint Financial Advisers to the Offeror**



**元庫證券有限公司**

SILVERBRICKS SECURITIES CO. LTD.



**建泉融資有限公司**

VBG Capital Limited

**Offer Agent to the Offeror**



**元庫證券有限公司**

SILVERBRICKS SECURITIES CO. LTD.

## **THE SALE AND PURCHASE AGREEMENT**

The Board was notified by the Vendors that on 28 July 2023 (before trading hours), the Vendors (as vendors) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company as at the date of this joint announcement, for a total cash consideration of HK\$49,550,982 (being HK\$0.13 per Sale Share).

Completion took place immediately upon the signing of the Sale and Purchase Agreement on the Completion Date, being 28 July 2023.

## **MANDATORY CONDITIONAL CASH OFFER**

Immediately prior to Completion, the Offeror's Concert Group did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of this joint announcement, the Offeror's Concert Group is interested in an aggregate of 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror's Concert Group).

Silverbricks Securities and VBG Capital have been appointed as the Joint Financial Advisers to the Offeror in respect of the Offer. Silverbricks Securities will make the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.13 in cash**

As at the date of this joint announcement, there are 1,105,100,000 Shares in issue and the Company does not have any outstanding options, warrants or derivatives or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Principal terms of the Offer are set out in the section headed "Mandatory Conditional Cash Offer" of this joint announcement.

The Offer is conditional upon valid acceptances of the Offer Shares being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) which, together with Shares acquired or to be acquired before or during the Offer Period, will result in the Offeror's Concert Group holding more than 50% of the voting rights of the Company.

The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code.

Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.13 per Share, the Consideration, together with the value of the Offer, are valued at HK\$143,663,000. The Offer will be made to the Offer Shareholders. As the Offeror's Concert Group is interested in an aggregate of 381,161,400 Shares immediately after Completion, 723,938,600 Shares will be subject to the Offer. Based on the offer price of HK\$0.13 per Share, the maximum consideration of the Offer would be HK\$94,112,018.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer and will take appropriate steps (including but not limited to placement of Shares) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

#### **FINANCIAL RESOURCES AVAILABLE TO THE OFFEROR**

The Offeror will finance and satisfy the consideration payable under the Offer by the loan facility provided by Silverbricks Securities under the Loan Facility Agreement. The Offeror has entered into the Loan Facility Agreement under which the Offeror is required to pledge the Sale Shares and all the Offer Shares that may be acquired by the Offeror pursuant to the Offer as collateral during the Offer Period, or the maturity date under the Loan Facility Agreement, whichever is later. Silverbricks Securities and VBG Capital, being the Joint Financial Advisers to the Offeror, are satisfied that sufficient financial resources are and will remain available to the Offeror to satisfy the consideration payable on full acceptance of the Offer.

#### **DESPATCH OF COMPOSITE DOCUMENT**

It is the intention of the Offeror and the Company to combine the offer document and the offeree board circular into the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) further details on the terms of the Offer; (ii) a letter of recommendation from the Independent Board Committee in respect of the Offer; (iii) a letter of advice from the Independent Financial Adviser in respect of the Offer; and (iv) the form of acceptance and transfer for the Offer Shares, will be despatched to the Shareholders within 21 days from the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising all the non-executive Directors (namely, Mr. Chow Yiu Pong David, Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Offer Shareholders in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The Independent Financial Adviser to the Independent Board Committee will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Further announcement(s) will be made upon the appointment of the Independent Financial Adviser.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 28 July 2023 pending the publication of this joint announcement.

An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 August 2023.

## **WARNING**

**The Offer is conditional. If the total number of Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. on the Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) under the Offer, together with the Shares acquired or to be acquired before or during the Offer Period, does not result in the Offeror's Concert Group holding more than 50% of the voting rights of the Company, the Offer will not become unconditional. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders of the Offer to be made. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement. Shareholders and potential investors of the Company are reminded to read the Composite Document, especially the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, and consider their recommendations and advices in connection with the Offer.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.**

The Board was notified by the Vendors that on 28 July 2023 (before trading hours), the Vendors (as vendors) and the Offeror (as purchaser) entered into the Sale and Purchase Agreement pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company as at the date of this joint announcement, for the consideration of HK\$49,550,982 (being HK\$0.13 per Sale Share). Details of the Sale and Purchase Agreement are set out in the section headed “The Sale and Purchase Agreement” below in this joint announcement.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date:**

28 July 2023 (before trading hours)

### **Parties:**

- (i) Vendor 1: Bright Creator Limited;
- (ii) Vendor 2: Mr. Chan Chun Kit; and
- (iii) Offeror: Kafelaku Coffee Industrial Limited

As at the date of this joint announcement, the Offeror is wholly and beneficially owned by Mr. Liang Naiming. Mr. Liang is the sole director of the Offeror and an executive Director of the Company.

### **The Sale Shares**

The Sale Shares comprise a total of 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company as at the date of this joint announcement. Pursuant to the terms of the Sale and Purchase Agreement, the Sale Shares will be acquired by the Offeror free from all Encumbrances and together with all rights and benefits attached and accrued to them at the Completion Date.

### **Consideration for the Sale Shares**

The Consideration for the Sale Shares under Sale and Purchase Agreement is in the aggregate sum of HK\$49,550,982, being HK\$0.13 per Sale Share, which was agreed between the Offeror and the Vendors after arm’s length negotiations, taking into account the audited consolidated net asset value per Share as at 31 December 2022, the financial performance of the Group, and the business prospect of the Group.

The Consideration was settled by the Offeror to the Vendors in cash in Hong Kong dollars at Completion.

Other than the Consideration for the Sale Shares under Sale and Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror's Concert Group to the Vendors, the ultimate beneficial owners of Vendor 1 or their respective concert parties.

### **Completion of the Sale and Purchase Agreement**

Completion took place immediately upon the signing of the Sale and Purchase Agreement on the Completion Date, being 28 July 2023.

Immediately after Completion, neither the Vendors nor the ultimate beneficial owners of Vendor 1 owns any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

### **MANDATORY CONDITIONAL CASH OFFER**

#### **The Offer**

Immediately prior to Completion, the Offeror's Concert Group did not hold, own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion and as at the date of this joint announcement, the Offeror's Concert Group, will hold in an aggregate of 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make an Offer for all the issued Shares (other than those already owned or agreed to be acquired by it and parties acting in concert with it). Silverbricks Securities will make the Offer for and on behalf of the Offeror on the following basis:

**For each Offer Share ..... HK\$0.13 in cash**

As at the date of this joint announcement, there are 1,105,100,000 Shares in issue and the Company does not have any outstanding options, warrants or securities derivatives which are convertible or exchangeable into Shares, and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.13 per Share, the Consideration, together with the value of the Offer, are valued at HK\$143,663,000. The Offer will be made to the Offer Shareholders. As the Offeror's Concert Group is interested in an aggregate of 381,161,400 Shares immediately after Completion, 723,938,600 Shares will be subject to the Offer. As at the date of this joint announcement, none of the Offeror nor any person acting in concert with it has received any irrevocable commitment to accept or not to accept the Offer. Based on the offer price of HK\$0.13 per Share, the maximum consideration of the Offer would be HK\$94,112,018. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights and benefits attached thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, i.e. the date of the Composite Document. The Company has not declared and has no intention of declaring any dividend or making any distribution before the close of the Offer.

The Offeror is required to make the mandatory conditional cash Offer for all the issued Shares (other than those already owned or to be acquired by the Offeror's Concert Group) pursuant to Rule 26.1 of the Takeovers Code.

### **Offer Price**

The offer price of the Offer of HK\$0.13 per Offer Share represents:

- a discount of approximately 47.8% on the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 27 July 2023, being the Last Trading Day;
- a discount of approximately 48.0% on the average closing price of approximately HK\$0.250 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 46.9% on the average closing price of approximately HK\$0.245 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- a discount of approximately 43.0% on the average closing price of approximately HK\$0.228 per Share as quoted on the Stock Exchange for the 30 consecutive trading days prior to and including the Last Trading Day;
- a discount of approximately 44.1% on the average closing price of approximately HK\$0.232 per Share as quoted on the Stock Exchange for the last 60 trading days immediately prior to and including the Last Trading Day; and

- a premium of approximately HK\$0.190 per Share over the audited consolidated net liabilities value of the Group of approximately HK\$0.060 per Share as at 31 December 2022 calculated based on the audited consolidated net liabilities value of the Group as at 31 December 2022 of approximately HK\$66,662,000 and 1,105,100,000 Shares in issue as at the date of this joint announcement.

### **Highest and lowest trading prices**

During the six-month period immediately preceding and including the Last Trading Day: (a) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.260 per Share on 24 April 2023 and 21 July 2023; and (b) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.198 per Share on 20 June 2023.

### **Total value of the offer**

As at the date of this joint announcement, there are 1,105,100,000 Shares in issue. The offer price of HK\$0.13 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. Assuming that there is no change in the issued share capital of the Company and based on the offer price of HK\$0.13 per Share, the Consideration, together with the value of the Offer, are valued at HK\$143,663,000.

Immediately after Completion and on the basis that there are 723,938,600 Shares subject to the Offer and assuming that there is no change in the issued share capital of the Company, in the event that the Offer is accepted in full, the aggregate value of the Offer is HK\$94,112,018.

### **Confirmation of financial resources**

The maximum amount of cash payable by the Offeror in respect of acceptances of the Offer is HK\$94,112,018, assuming there is no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offer. The Offeror intends to finance the consideration for the acceptance of the Offer by the loan facility provided by Silverbricks Securities under the Loan Facility Agreement, which will be secured by the Pledged Shares.

The Offeror confirms that the repayment of the interest on, or security for any liability (contingent or otherwise) of the loan facility under the Loan Facility Agreement will not depend on any significant extent on the business of the Company.

Silverbricks Securities and VBG Capital, as the Joint Financial Advisers to the Offeror in respect of the Acquisition and the Offer are satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration payable in respect of full acceptance of the Offer.



## **Conditions of the Offer**

The Offer is conditional upon valid acceptances of the Offer Shares being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) which, together with Shares acquired or to be acquired before or during the Offer Period, will result in the Offeror's Concert Group holding more than 50% of the voting rights of the Company.

The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code.

## **Effect of accepting the Offer**

By accepting the Offer, the Offer Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

Acceptance of the Offer by any Offer Shareholders will be deemed to constitute a warranty by such person that all the Shares to be sold by such person under the Offer are free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, that is, the date of posting of the Composite Document.

## **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the later of the date on which (i) the Offer becomes, or are declared unconditional in all respects; and (ii) the date on which the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

## **Hong Kong stamp duty**

The seller' ad valorem stamp duty at a rate of 0.13% of the market value of the Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller' ad valorem stamp duty on behalf of accepting Offer Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **Overseas Shareholders**

As the Offer to persons not being resident in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in respect of such jurisdictions).

If the receipt of the Composite Document by the Overseas Shareholders is prohibited by any applicable laws and regulations and may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, may not be despatched to such Overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Any acceptance of the Offer by such Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the applicable local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt. The Overseas Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

## **Taxation advice**

The Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company and their respective ultimate beneficial owners, directors, advisers, agents or associates, or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

## **DEALING AND INTERESTS IN SECURITIES OF THE COMPANY**

The Offeror confirms that, save as disclosed in (a) to (h) below, as at the date of this joint announcement:

- (a) save for the Sale Shares acquired by the Offeror, none of the members of the Offeror's Concert Group owned or had control or direction over any voting rights or rights over the Shares or convertible securities, warrants, options of the Company or any derivatives in respect of such securities;
- (b) none of the members of the Offeror's Concert Group had dealt for value in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the 6 months prior to the Last Trading Day up to and including the date of this Announcement;
- (c) save for the security arrangements involving the Pledged Shares under the Loan Facility Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (d) there are no agreements or arrangements to which any member of the Offeror's Concert Group, is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offer;
- (e) none of the members of the Offeror's Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) none of the members of the Offeror's Concert Group has received any irrevocable commitment to accept the Offer;

- (g) save for the Consideration paid by the Offeror to the Vendors under the Sale and Purchase Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the members of the Offeror's Concert Group to the Vendors, its ultimate beneficial owners or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares; and
- (h) there are no agreements or arrangements in relation to outstanding derivative in respect of the securities in the Company which has been entered into by the members of the Offeror's Concert Group.

There is no understanding, arrangement and agreement or special deal (as defined under Rule 25 of the Takeovers Code) between each of the Vendors, Vendor 1's ultimate beneficial owners and parties acting in concert with any of them on one hand, and any member of the Offeror's Concert Group on the other hand.

There is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2)(a) any member of the Offeror's Concert Group; or (b) the Company, its subsidiaries or associated companies.

#### **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this joint announcement, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 ordinary shares, and there are 1,105,100,000 Shares in issue. The Company does not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares as at the date of this joint announcement.

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and prior to the Offer:

	Immediately prior to Completion		Immediately upon Completion and prior to the Offer	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Offeror and its concert parties (Note 1)</b>	–	–	381,161,400	34.49
<b>Vendors (Note 2)</b>				
– Vendor 1	376,531,400	34.07	–	–
– Vendor 2	4,630,000	0.42	–	–
<b>Directors (other than Mr. Liang and Mr. Chan)</b>				
– Ms. Chan Josephine Wai Sze	3,275,000	0.30	3,275,000	0.30
– Mr. Chow Yiu Pong David (Note 3)	19,324,960	1.75	19,324,960	1.75
Other Offer Shareholders	<u>701,338,640</u>	<u>63.46</u>	<u>701,338,640</u>	<u>63.46</u>
Total	<u><u>1,105,100,000</u></u>	<u><u>100%</u></u>	<u><u>1,105,100,000</u></u>	<u><u>100%</u></u>

*Notes:*

1. The Offeror is a company incorporated in the BVI with limited liability, which is wholly owned by Mr. Liang.
2. Immediately prior to Completion, Vendor 1 and Vendor 2 were the beneficial owners of 376,531,400 Shares and 4,630,000 Shares, representing approximately 34.07% and 0.42% of the issued share capital of the Company, respectively. Vendor 1 is beneficially owned as to 50% by each of Vendor 2 and Ms. Liu Siu Kuen (“**Mrs. Chan**”), respectively. Mrs. Chan is the spouse of Vendor 2.
3. Mr. Chow Yiu Pong David is interested in 37.5% of the issued share capital of Sky Gains Investment Limited, which in turn is beneficially interested in 19,324,960 Shares, representing approximately 1.75% of the issued share capital of the Company.

## INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares were listed on GEM of the Stock Exchange on 30 June 2016 and transferred to the main board of the Stock Exchange on 5 September 2018. The Group is principally engaged in the operation of chain restaurants in Hong Kong and the PRC.

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2021 and 31 December 2022, prepared in accordance with the relevant accounting principles and financial regulations applicable to the International Financial Report Standards:

	As at/for the financial year ended	
	31 December 2021	31 December 2022
	(audited)	(audited)
	(HK\$'000)	(HK\$'000)
Revenue	274,566	135,552
Loss before tax	(101,288)	(46,217)
Loss for the year/period	(100,138)	(43,094)
Net liabilities	(44,438)	(66,662)

## INFORMATION ON THE OFFEROR

The Offeror was incorporated in the BVI with limited liability as an investment holding company. As at the date of this joint announcement, the Offeror is wholly and beneficially owned by Mr. Liang. Mr. Liang, an executive Director, is the sole director of the Offeror and Kafelaku Coffee International Holding Limited 貓屎咖啡國際控股有限公司 (“**Kafelaku Coffee International Holding**”). On 18 November 2022, the Company entered into a cooperation agreement (the “**Cooperation Agreement**”) with Kafelaku Coffee International Holding, of which a joint venture company will be set up in order to open chain storers for civet coffee in the PRC. On 23 June 2023, Mr. Liang was appointed as an executive Director. As at the Last Trading Day and up to the date of this joint announcement, no joint venture company has been established under the Cooperation Agreement.

Mr. Liang, aged 61 is currently the executive chairman of Guangzhou Coffee Industry Association, the vice president of Guangdong Federation of Commerce and the chairman of Guangdong Chamber of Commerce. Mr. Liang served as the general manager of Zhuhai Zhuofu Computer Technology Co., Ltd. from 1993 to 2001 and the chairman of Guangzhou Bangmeishu Coffee Co., Ltd. from 2003 to 2018. Mr. Liang founded a famous brand of Kafelaku Coffee in 2011 and has been the chairman of Guangzhou Kafelaku Coffee Chain Co., Ltd. since 2011.

## **INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

The Offeror intends to continue the employment of the existing management and employees of the Group (except for a proposed change to the members of the Board at such time permitted under the Listing Rules and the Takeovers Code). The Offeror also intends to continue the existing principal business of the Group immediately following Completion. The Offeror will, following the completion of the Offer, review the operation and business activities of the Group to formulate a long-term business strategy for the Group. Subject to the results of such review, the Offeror may explore other business and/or seek to expand the geographical coverage of the principal business of the Group. However, as of the date of this joint announcement, no opportunities have been identified and Mr. Liang has no intention to change the Company's business focus or alter the geographical coverage of the principal business of the Group. Save for the Offeror's intention regarding the Group as set out above, (i) the Offeror has no intention to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business; and (ii) save for the Cooperation Agreement, as at the date of this joint announcement, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understandings or negotiation in relation to the injection of any assets or business into the Group.

It is expected that the Offeror may require all of the Directors (except Mr. Liang) to resign from the Board, and the Offeror intends to nominate new director(s) to the Board with effect from the earliest time permitted under the Takeovers Code. As at the date of this joint announcement, the Offeror has not reached any final decision as to who will be nominated as new Director(s). Any changes to the members of the Board will be made in compliance with the Takeovers Codes and the Listing Rules and further announcement(s) will be made as and when appropriate.

## **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. Therefore, it should be noted that upon close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares. The Directors and the proposed new Director(s) to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Shares. The Offeror intends to maintain the listing of the Shares on the main board of the Stock Exchange and will take appropriate steps (including but not limited to placement of Shares) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee, comprising all the non-executive Directors (namely, Mr. Chow Yiu Pong David, Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei), has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Offeror Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The Independent Financial Adviser to the Independent Board Committee will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Further announcement(s) will be made upon the appointment of the Independent Financial Adviser.

## **DESPATCH OF THE COMPOSITE DOCUMENT**

It is the intention of the Offeror and the Company to combine the offer document and the offeree's board circular in the Composite Document to be posted.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among others, (i) further details on the terms of the Offer; (ii) a letter of recommendation from the Independent Board Committee in respect of the Offer; (iii) a letter of advice from the Independent Financial Adviser in respect of the Offer; and (iv) the form of acceptance and transfer for the Offer Shares, will be despatched to the Shareholders within 21 days after the date of this joint announcement or such later date as the Executive may approve. Further announcement(s) will be made when the Composite Document is despatched.

## **DISCLOSURE OF DEALINGS**

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company or the Offeror (including persons holding 5% or more of a class of relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are reminded to disclose their dealings in any relevant securities of the Company pursuant to the requirements of the Takeovers Code.



The full text of Note 11 of Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 28 July 2023 pending the publication of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 10 August 2023.

## **WARNING**

**The Offer is conditional. If the total number of Offer Shares in respect of the valid acceptances which the Offeror has received at or before 4:00 p.m. on the Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) under the Offer, together with the Shares acquired or to be acquired before or during the Offer Period, does not result in the Offeror’s Concert Group holding more than 50% of the voting rights of the Company, the Offer will not become unconditional. The Independent Board Committee has yet to consider and evaluate the Offer. This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders of the Offer to be made. The Directors make no recommendation as to the fairness or reasonableness of the Offer or as to the acceptance of the Offer in this joint announcement. Shareholders and potential investors of the Company are reminded to read the Composite Document, especially the letter from the Independent Board Committee and the letter from the Independent Financial Adviser, and consider their recommendations and advices in connection with the Offer.**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.**

## **DEFINITIONS**

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

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement
“acting in concert” or “concert parties”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the date to be stated in the Composite Document as the closing date of the Offer or any subsequent closing date as may be announced by the Offeror in accordance with the Takeovers Code
“Company”	Li Bao Ge Group Limited, a company incorporated in the Cayman Islands with limited liability whose ordinary shares are listed on the main board of the Stock Exchange (stock code: 1869)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion took place, being 28 July 2023

“Composite Document”	the composite offer and response document to be jointly issued by the Offeror and the Company to the Independent Shareholders in connection with the Offer in compliance with the Takeovers Code containing, among other things, details of the Offer (accompanied by the forms of acceptance and transfer) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the amount of HK\$49,550,982, being consideration payable by the Offeror to the Vendors for the acquisition of the Sale Shares
“Director(s)”	the director(s) of the Company
“Encumbrances”	any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third-party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising Mr. Chow Yiu Pong David, Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei, being all the non-executive Directors, which has been formed for the purpose of advising the Offer Shareholders in respect of the Offer

“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer
“International Financial Report Standards”	international accounting standards issued by the International Accounting Standards Board
“Joint Financial Advisers”	Silverbricks Securities and VBG Capital, the joint financial advisers to the Offeror
“Last Trading Day”	27 July 2023, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facility Agreement”	the agreement of the loan facility in relation to the Offer provided by Silverbricks Securities entered between the Offeror as the borrower and Silverbricks Securities as the lender dated 28 July 2023
“Mr. Liang”	Mr. Liang Naiming, an executive Director and the sole director and the sole ultimate beneficial shareholder of the Offeror
“Offer”	the mandatory conditional cash offer to be made by Silverbricks Securities, for and on behalf of the Offeror, to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror’s Concert Group)
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing from the date of this joint announcement, and ending on the Closing Date
“Offer Shares”	any of the 723,938,600 Shares that are subject to the Offer
“Offer Shareholder(s)” or “Independent Shareholder(s)”	holder(s) of Share(s), other than the Offeror’s Concert Group

“Offeror”	Kafelaku Coffee Industrial Limited, a company incorporated in the BVI with limited liability, being the purchaser under the Sale and Purchase Agreement. Mr. Liang is the sole director and sole ultimate beneficial shareholder of the Offeror
“Offeror’s Concert Group”	the Offeror, Mr. Liang and parties acting in concert with any of them
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company is/are outside Hong Kong
“Pledged Shares”	the Sale Shares and all the Offer Shares that may be acquired by the Offeror pursuant to the Offer, pledged by the Offeror under the Loan Facility Agreement
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale and Purchase Agreement”	the agreement for the sale and purchase of Sale Shares dated 28 July 2023 and entered into by and among the Vendors and the Offeror in relation to the sale and purchase of the Sale Shares
“Sale Shares”	381,161,400 Shares conditionally agreed to be sold by the Vendors and conditionally agreed to be acquired by the Offeror pursuant to the terms and conditions of the Sale and Purchase Agreement, representing approximately 34.49% of the entire issued share capital of the Company as at the date of this joint announcement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in issued of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Silverbricks Securities”	Silverbricks Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers to the Offeror and the agent making the Offer on behalf of the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“VBG Capital”	VBG Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Financial Advisers to the Offeror
“Vendor 1”	Bright Creator Limited, a company incorporated in Hong Kong with limited liability, and is beneficially owned by each of Mr. Chan Chun Kit who is an executive Director and Ms. Liu Siu Kuen as to 50% respectively. Bright Creator Limited, immediately prior to Completion, was interested in 376,531,400 Shares, representing approximately 34.07% of the total issued share capital of the Company
“Vendor 2”	Mr. Chan Chun Kit, an executive Director and chairman of the Company, and 50% beneficial owner of the Vendor 1, was the legal and beneficial owner of 1,000,000 Sale Shares and the beneficial owner of 3,630,000 Sales Shares deposited in CCASS. The aggregate Sale Shares directly and beneficially owned by Mr. Chan Chun Kit immediately prior to Completion represent approximately 0.42% of the entire issued share capital of the Company
“Vendors”	collectively, Vendor 1 and Vendor 2
“%”	per cent.

By order of the board of directors of  
**Kafelaku Coffee Industrial Limited**  
**Liang Naiming**  
*Sole Director*

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

Hong Kong, 10 August 2023

*As at the date of this joint announcement, the executive Directors are Mr. Chan Chun Kit, Ms. Chan Josephine Wai Sze, Ms. Zhu Xueqin and Mr. Liang Naiming; the non-executive Director is Mr. Chow Yiu Pong David; and the independent non-executive Directors are Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement, other than that relating to the Offeror's Concert Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than that expressed by the sole director of the Offeror in his capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*

*As at the date of this joint announcement, Mr. Liang Naiming is the sole director of the Offeror. As the sole director of the Offeror, Mr. Liang Naiming accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Vendors, the Directors and the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than that expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.*