
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Li Bao Ge Group Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

KAFELAKU COFFEE INDUSTRIAL LIMITED

(Incorporated in the British Virgin Islands with limited liability)



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)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO 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)

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.

Independent Financial Adviser to the Independent Board Committee



Vinco Financial Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.
A letter from Joint Financial Advisers containing, among other things, details of the terms of the Offer is set out on pages 10 to 19 of this Composite Document.

A letter from the Board is set out on pages 20 to 27 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer is set out on pages 28 to 29 of this Composite Document.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer is set out on pages 30 to 51 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I "Further Terms and Procedures for Acceptance of the Offer" to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar, Boardroom Share Registrars (HK) Ltd., at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:00 p.m. on Thursday, 21 September 2023 or such later time and/or date as the Offeror may determine and announce, in accordance with the requirements under the Takeovers Code.

Shareholders should inform themselves of and observe any applicable legal, tax or regulatory requirements set out in the "Important Notice" section of this Composite Document. Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" in the "Letter from Joint Financial Advisers" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer. This Composite Document is issued jointly by the Offeror and the Company.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.starofcanton.com.hk> as long as the Offer remains open.

In case of any inconsistency, the English language texts of this Composite Document and the enclosed Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

31 August 2023

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Company and the Offeror in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document refer to Hong Kong time and dates.

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (*Note 1*) Thursday, 31 August 2023

Latest time and date for acceptance of the Offer on the first Closing Date (*Notes 2, 6 and 7*) by 4:00 p.m. on Thursday, 21 September 2023

First Closing Date (*Notes 2, 6 and 7*) Thursday, 21 September 2023

Announcement of the results of the Offer as at the first Closing Date, to be posted on the website of the Stock Exchange (*Notes 2, 6 and 7*) by 7:00 p.m. on Thursday, 21 September 2023

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the first Closing Date assuming the Offer becomes or is declared unconditional on the first Closing Date (*Notes 3 and 6*) Tuesday, 3 October 2023

Latest time and date for acceptance of the Offer that remains open for acceptances assuming the Offer becomes or is declared unconditional on first Closing Date (*Notes 4 and 6*) by 4:00 p.m. on Thursday, 5 October 2023

Final Closing Date (*Notes 4 and 6*) Thursday, 5 October 2023

Announcement of the results of the Offer as at the final Closing Date assuming the Offer becomes or is declared unconditional on the first Closing Date, to be posted on the website of the Stock Exchange and the Company by 7:00 p.m. on Thursday, 5 October 2023

EXPECTED TIMETABLE

Latest date for posting of remittances for
the amount due in respect of valid acceptances
received under the Offer on or before 4:00 p.m.
on the final Closing Date, being the latest time
and date on which the Offer remains open for
acceptances assuming the Offer becomes or
is declared unconditional on the first
Closing Date (*Notes 3 and 6*) Monday, 16 October 2023

Latest time and date by which the Offer can become
or be declared unconditional as to acceptances (*Note 5*) Monday, 30 October 2023

Notes:

1. The Offer is made on Thursday, 31 August 2023, the date of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least twenty one (21) days following the date on which this Composite Document was posted. The latest time for acceptance of the Offer is 4:00 p.m. on the first Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the first Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired or has become or is declared unconditional. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

All acceptances, instructions, authorisations and undertakings given by the Offer Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code. Please refer to "6. Right of Withdrawal" in Appendix I to this Composite Document for further information of the circumstances where acceptances may be withdrawn.

3. Subject to the Offer becoming unconditional, remittances in respect of the cash consideration for the Offer Shares (after deducting the Offer Shareholders' ad valorem stamp duty in respect of acceptances of the Offer) under the Offer will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar of the duly completed and signed Form of Acceptance and all the relevant documents to render the acceptance under the Offer complete and valid, and (ii) the date on which the Offer becomes or is declared unconditional in all respects.

EXPECTED TIMETABLE

4. In accordance with the Takeovers Code, where the Offer becomes or is declared unconditional in all respects, the Offer should remain open for acceptance for not less than fourteen (14) days thereafter. In such case, at least fourteen (14) days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offer, which will state the next closing date or, if the Offer has become or is at that time unconditional, that the Offer will remain open until further notice.
5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day of this Composite Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become unconditional as to acceptances, the Offer will lapse on Monday, 30 October 2023 unless extended by the Offeror with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offer can become or be declared unconditional in all respects is Monday, 30 October 2023.
6. The latest time and date for acceptance of the Offer and/or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning", in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and/or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. In such case, the latest time for acceptance of the Offer and/or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
7. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "6. Right of Withdrawal" in Appendix I to this Composite Document.

Save as mentioned above, if the latest time for the acceptance of the Offer and/or the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to date and time contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong date and time.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due from the Overseas Shareholder in respect of such jurisdiction.

The Offeror's Concert Group, the Company, Silverbricks Securities, VBG Capital, the Independent Financial Adviser, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, professional advisers and associates and any other persons involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed "Overseas Shareholders" in the "Letter from Joint Financial Advisers" and Appendix I to this Composite Document for details.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITION

In this Composite Document, 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”	21 September 2023, being the first 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
“Composite Document”	this composite offer and response document 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 relevant form(s) of acceptance and transfer) and the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITION

“Consideration”	the amount of HK\$49,550,982, being the consideration payable by the Offeror to the Vendors for the acquisition of the Sale Shares
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrance(s)”	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 delegate of such Executive Director
“Form of Acceptance”	the relevant form(s) of acceptance and transfer of the Offer Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	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 who have no direct or indirect interest in the Offer, which has been formed for the purpose of advising the Offer Shareholders in respect of the Offer
“Independent Financial Adviser” or “Vincos Financial”	Vincos Financial Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Offer

DEFINITION

“Independent Shareholder(s)” or “Offer Shareholder(s)”	Shareholders other than the Offeror’s Concert Group
“Joint Announcement”	the announcement dated 10 August 2023 jointly issued by the Company and the Offeror in relation to the Offer
“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 date of the Joint Announcement
“Latest Practicable Date”	30 August 2022, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on main board
“Loan Facility Agreement”	the interest bearing loan facility agreement entered into between Silverbricks Securities as lender and the Offeror as borrower dated 28 July 2023 in respect of the loan facility of up to HK\$95,000,000 made available by Silverbricks Securities to the Offeror to finance the consideration payable under the Offer, pursuant to which the Pledged Shares shall be deposited into its securities account opened with Silverbricks Securities as security
“Mr. Liang”	Mr. Liang Naiming (梁乃銘), an executive Director and the sole ultimate beneficial owner and the sole director of the Offeror as at the Latest Practicable Date
“Offer”	the mandatory conditional cash offer 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) pursuant to Rule 26.1 of the Takeovers Code
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from the date of publication of the Joint Announcement, namely, 10 August 2023 and ending on the Closing Date
“Offer Price”	HK\$0.13 per Offer Share under the Offer

DEFINITION

“Offer Share(s)”	any of the 723,938,600 Shares that are subject to the Offer
“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 in favour of Silverbricks Securities
“PRC”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Boardroom Share Registrars (HK) Ltd., the Hong Kong share registrar of the Company
“Relevant Period”	the period commencing on 10 February 2023, being the date falling six months preceding the date of commencement of the Offer Period (being 10 August 2023), up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the agreement dated 28 July 2023 entered into by and among the Vendors and the Offeror in relation to the sale and purchase of the Sale Shares
“Sale Shares”	an aggregate of 381,161,400 Shares sold by the Vendors to the Offeror pursuant to the terms and conditions of the Sale and Purchase Agreement, representing approximately 34.49% of the total issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITION

“Share(s)”	ordinary share(s) in issue 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 for and on behalf of the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“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

LETTER FROM JOINT FINANCIAL ADVISERS

Silverbricks Securities Company Limited
Units 1004–1006, 10/F.
China Merchants Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

VBG Capital Limited
21/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

31 August 2023

To the Independent Shareholders

Dear Sir/Madam,

**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)**

INTRODUCTION

Reference is made to the Joint Announcement dated 10 August 2023, where the Company and the Offeror jointly announced, among other things, that the Vendors and the Offeror entered into the Sale and Purchase Agreement dated 28 July 2023, pursuant to which the Vendors conditionally agreed to sell, and the Offeror conditionally agreed to acquire, the Sale Shares at the total consideration of HK\$49,550,982 (equivalent to HK\$0.13 per Sale Share), which was agreed between the Offeror and the Vendors after arm's length negotiations, taking into account the prevailing market price, the audited consolidated net liabilities value per Share as at 31 December 2022 of approximately HK\$0.060, the financial performance of the Group for the two years ended 31 December 2022 (including but not limited to the fact that (i) the revenue of the Group has decreased by approximately HK\$139 million from 31 December 2021 to 31 December 2022, representing an decrease of approximately 50.6%; and (ii) the Group recorded a loss attributable to the owners of the Company of approximately HK\$41.4 million and HK\$92.4 million (restated) for the year ended 31 December 2022 and 31 December 2021, respectively) and the business prospect of the Group.

As disclosed in the section headed "Conditions of the Sale and Purchase Agreement" in the Joint Announcement, Completion is conditional upon the satisfaction (or waiver by the Offeror, where applicable) of certain conditions. Completion took place on 28 July 2023.

LETTER FROM JOINT FINANCIAL ADVISERS

Before Completion, the Offeror's Concert Group doesn't have any interest in the Shares. Immediately upon Completion which took place on 28 July 2023 and as at the Latest Practicable Date, the Offeror's Concert Group owned in aggregate 381,161,400 Shares, representing 34.49% of the issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and agreed to be acquired by the Offeror's Concert Group). Silverbricks Securities is making the Offer for and on behalf of the Offeror.

This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offer, the information of the Offeror and the Offeror's intentions on the Group. Further details on the terms of the Offer and procedures of acceptance and settlement and acceptance period are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to consider carefully the information contained in sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from Vinco Financial" and the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

Silverbricks Securities is making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.13 in cash

The price of HK\$0.13 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, there were 1,105,100,000 Shares in issue and the Company did 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. Further details of the terms of the Offer and the procedures for acceptance and settlement and acceptance period are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

As at the Latest Practicable Date, none of the members of the Offeror's Concert Group has received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights and benefits attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this 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.

LETTER FROM JOINT FINANCIAL ADVISERS

Comparison of value

The Offer Price of HK\$0.13 per Offer Share represents:

- (a) a discount of approximately 46.5% over the closing price of HK\$0.243 per Share as quoted on Stock Exchange on Latest Practicable Date;
- (b) a discount of approximately 40.6% over the closing price of HK\$0.219 per Share as quoted on Stock Exchange on 30 June 2023;
- (c) a discount of approximately 47.8% over the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 31 July 2022;
- (d) a discount of approximately 47.8% over the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 27 July 2023, being the Last Trading Day;
- (e) a discount of approximately 48.0% over 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;
- (f) a discount of approximately 46.9% over 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;
- (g) a discount of approximately 43.0% over the average closing price of approximately HK\$0.228 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (h) a discount of approximately 44.1% over 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;
- (i) 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 Latest Practicable Date; and
- (j) a premium of approximately HK\$0.193 per Share over the unaudited consolidated net liabilities value of the Group of approximately HK\$0.063 per Share as at 30 June 2023 calculated based on the unaudited consolidated net liabilities value of the Group as at 30 June 2023 of approximately HK\$69,372,000 and 1,105,100,000 Shares in issue as at the Latest Practicable Date.

LETTER FROM JOINT FINANCIAL ADVISERS

Highest and lowest Share price

During the six-month period immediately preceding and including the date of the Joint Announcement: (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 Latest Practicable Date, there were 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 there is no change in the issued share capital of the Company from the date of the Joint Announcement up to the Closing Date and based on the Offer Price of HK\$0.13 per Offer Share, the Consideration, together with the value of the Offer, would be valued at HK\$143,663,000.

Immediately following 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 from the date of the Joint Announcement up to the Latest Practicable Date, 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 Latest Practicable Date up to the Closing Date and based on the Offer Price of HK\$0.13 per Offer Share. The Offeror will finance the Consideration and the consideration payable under the Offer by its internal resources and 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.

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

LETTER FROM JOINT FINANCIAL ADVISERS

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 before 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 (i.e. the date of this Composite Document).

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 (i.e. the date of this 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 is 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.

LETTER FROM JOINT FINANCIAL ADVISERS

Return of documents

If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the Offeror shall (or shall procure), as soon as possible but in any event within ten (10) days after the Offer has lapsed, return by ordinary post of the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Share(s) lodged with the Form of Acceptance in respect of the Offer to such Independent Shareholder at their own risks.

Hong Kong stamp duty

The Offer Shareholders' 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 Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the ad valorem stamp duty on behalf of the accepting Offer Shareholders and bear the Offeror's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

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 from the Overseas Shareholder in respect of such jurisdictions).

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.

LETTER FROM JOINT FINANCIAL 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.

Procedures for acceptance

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the BVI with limited liability as an investment holding company. As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM JOINT FINANCIAL ADVISERS

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 following the close of the Offer. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, to dispose of or to cease the existing business of the Group. The Offeror will, following the close 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 at the Latest Practicable Date, 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, as at the Latest Practicable Date, (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 Latest Practicable Date, 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.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board is currently made up of eight Directors, comprising (i) four executive Directors, being Mr. Chan Chun Kit, Ms. Chan Josephine Wai Sze, Ms. Zhu Xueqin and Mr. Liang Naiming; (ii) one non-executive Director, being Mr. Chow Yiu Pong David; and (iii) three independent non-executive Directors, being Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei. It is currently intended that all of the Directors (except Mr. Liang) will resign from the Board no earlier than the time permitted under Rule 7 of the Takeovers Code.

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 a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror intends to nominate new director(s) to the Board with effect after the close of the Offer. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new director(s) of the Company. 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.

LETTER FROM JOINT FINANCIAL ADVISERS

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 or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) 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.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken and will procure the new directors to be appointed to the Board to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to the section headed "Important Notice" contained in this Composite Document and the paragraph headed "7. Overseas Shareholders" in Appendix I to this Composite Document.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. None of the members of the Offeror's Concert Group, the Company, Silverbricks Securities, VBG Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof or in connection therewith.

LETTER FROM JOINT FINANCIAL ADVISERS

WARNING

Independent Shareholders and potential investors are advised to exercise caution when dealing in the Shares. Persons 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.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from the Board” and the “Letter from the Independent Board Committee” as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers, before deciding whether or not to accept the Offer.

Yours faithfully,

For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

For and on behalf of
VBG Capital Limited
Hui Ringo Wing Kun
Director

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chan Chun Kit

Ms. Chan Josephine Wai Sze

Ms. Zhu Xueqin

Mr. Liang Naiming

Registered office in the Cayman Islands:

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Directors:

Mr. Chow Yiu Pong David

Principal place of business

in Hong Kong:

Room B, 5/F

On Fat Industrial Building

12–18 Kwai Wing Road

Kwai Chung, New Territories

Hong Kong

Independent non-executive Directors:

Mr. Kan Sze King Kenneth

Mr. Lee Cheung Yuet Horace

Mr. Chan Ming Kei

31 August 2023

To the Independent Shareholders:

Dear Sir/Madam,

**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)**

INTRODUCTION

Reference is made to the Joint Announcement issued by the Offeror and the Company in relation to, among others, the Sale and Purchase Agreement and the Offer. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

On 28 July 2023 (before trading hours), the Vendors and the Offeror 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 the Sale and Purchase Agreement), for the consideration 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 prevailing market price, the audited consolidated net liabilities value per Share as at 31 December 2022 of approximately HK\$0.060, the financial performance of the Group for the two years ended 31 December 2022 (including but not limited to (i) the Group recorded a total revenue of approximately HK\$135.6 million for the year ended 31 December 2022, representing a decrease of approximately 50.6% as compared with approximately HK\$274.6 million for the year ended 31 December 2021; and (ii) the Group recorded a loss attributable to the owners of the Company of approximately HK\$41.4 million for the year ended 31 December 2022, whereas the Group recorded a loss attributable to the owners of the Company of approximately HK\$92.4 million (restated) for the year ended 31 December 2021) and the business prospect of the Group.

Completion took place on 28 July 2023. Each of the Vendors ceased to be a Shareholder immediately after Completion.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror's Concert Group was interested in an aggregate of 381,161,400 Shares, representing approximately 34.49% of the total issued share capital of the Company. Accordingly, Silverbricks Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Group, the Offeror's Concert Group and the Offer; (ii) the Letter from Joint Financial Advisers containing, among others, the details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.

An Independent Board Committee comprising all the non-executive Directors who have no direct or indirect interest in the Offer, 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 Rules 2.1 and 2.8 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.

LETTER FROM THE BOARD

CONFLICTS OF INTEREST

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Liang Naiming, being an executive Director. To avoid any conflict of interest, Mr. Liang will not join the remainder of the Board in the expression of his views on the Offer.

Vinco Financial, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser 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.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

PRINCIPAL TERMS OF THE OFFER

As disclosed in the “Letter from Joint Financial Advisers”, Silverbricks Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.13 in cash

As at the Latest Practicable Date, there were 1,105,100,000 Shares in issue and the Company did 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.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights and benefits attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this 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 Offer is conditional upon valid acceptances of the Offer Shares being received (and not, where permitted, withdrawn) by 4:00 p.m. on the first Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) in respect of Shares which, together with Shares acquired before 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.

LETTER FROM THE BOARD

Further details of the Offer are set out in the “Letter from Joint Financial Advisers” and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.

The Offer Price

Please see the paragraphs headed “Comparison of value” and “Highest and lowest Share price” in the “Letter from Joint Financial Advisers” for details of the Offer price.

Conditions of the Offer

Please see the paragraph headed “Conditions of the Offer” in the “Letter from Joint Financial Advisers” for details of the conditions of Offer.

Total value of the Offer

As at the Latest Practicable Date, there were 1,105,100,000 Shares in issue. On the basis of the Offer Price of HK\$0.13 per Sale Share, the Consideration, together with the value of the Offer, would be valued at HK\$143,663,000.

Immediately following Completion and on the basis that there are 723,938,600 Shares subject to the Offer, in the event that the Offer is accepted in full, the aggregate value of the Offer is HK\$94,112,018.

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Joint Financial Advisers” and Appendix I to this Composite Document and the accompanying Form of Acceptance.

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.

Financial and general information in relation to the Group are set out in “Appendix II – Financial Information of the Group” and “Appendix III – General Information of the Group” to this Composite Document.

LETTER FROM THE BOARD

In deciding whether or not to accept the Offer, the Independent Shareholders should consider the material uncertainty related to going concern as reported by the independent auditors on the consolidated financial statements of the Group for the years ended 31 December 2021 and 2022. Please refer to Appendix II to this Composite Document for further details.

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders that according to the annual reports of the Company for the years ended 31 December 2021 and 2022, Ting Ho Kwan & Chan CPA Limited (for 2021) and Ting Ho Kwan & Chan (for 2022), the reporting accountants and auditors of the Company, reported that there was material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. For further details, please refer to the paragraph headed "1. Summary of financial information of the Group" in Appendix II to this Composite Document. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the material uncertainties relating to going concern.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 ordinary shares, and there were 1,105,100,000 Shares in issue. The Company did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

The table below sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		Immediately upon Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Offeror and its concert parties				
<i>(Note 1)</i>	–	–	381,161,400	34.49
Vendors <i>(Note 2)</i>				
– Vendor 1	376,531,400	34.07	–	–
– Vendor 2	4,630,000	0.42	–	–
Directors (other than Mr. Liang and Mr. Chan)				
– Ms. Chan Josephine Wai Sze	3,275,000	0.30	3,275,000	0.30
– Mr. Chow Yiu Pong David <i>(Note 3)</i>	19,324,960	1.75	18,714,960	1.69
Other Offer Shareholders	701,338,640	63.46	701,948,640	63.52
Total	<u>1,105,100,000</u>	<u>100%</u>	<u>1,105,100,000</u>	<u>100%</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 Gain Investments Limited, which in turn is beneficially interested in 18,714,960 Shares, representing approximately 1.69% of the issued share capital of the Company.

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.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Joint Financial Advisers” and “Appendix IV – General Information of the Offeror” to this Composite Document.

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the section headed “Intentions of the Offeror regarding the Group” in the “Letter from Joint Financial Advisers” of this Composite Document. The Board is aware of (i) the Offeror’s intention 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 a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate); (ii) the Offeror’s intention to continue the existing principal business of the Group immediately following Completion; (iii) the Offeror’s intention to conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group and that subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income. However, save for the Cooperation Agreement (as defined in the “Letter from Joint Financial Advisers” to this Composite Document), as at the Latest Practicable Date, no investment or business opportunities has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. The Board is aware that the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cessation or disposal of existing business of the Group. The Board is also aware that the Offeror has no intention to redeploy any fixed assets and downscale or change the scale of the Group’s existing principal business.

The Board is willing to cooperate with the Offeror and act in the best interests of the Company and its Shareholders as a whole.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The Board is aware 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 Composite Document, the Offeror has not reached any final decision as to who will be nominated as new Director(s). Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

LETTER FROM THE BOARD

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, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) 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. All existing Directors have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Board is aware that the sole director of the Offeror has undertaken and will procure the proposed new Director(s) to be appointed by the Offeror to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. The Board is aware that the Offeror intends to maintain the listing of the Shares on main board 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.

ADVICE AND RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” set out in this Composite Document which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer. Your attention is also drawn to the “Letter from Vinco Financial” set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the terms of the Offer and as to the acceptance of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully “Appendix I – Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance for further details in respect of the terms and procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

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



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)

31 August 2023

To the Independent Shareholders:

Dear Sir/Madam,

**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)**

INTRODUCTION

We refer to the composite offer and response document dated 31 August 2023 and issued jointly by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Vinco Financial has been appointed, with our approval, as the Independent Financial Adviser to advise us in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer. Your attention is drawn to the “Letter from Vinco Financial” set out on pages 30 to 51 of this Composite Document which contains the details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “Letter from Joint Financial Advisers” set out on pages 10 to 19 of this Composite Document which contains, inter alia, information about the Offer, the “Letter from the Board” set out on pages 20 to 27 of this Composite Document and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and acceptance and settlement procedures for the Offer.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the terms and procedures for acceptance of the Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
The Independent Board Committee
Li Bao Ge Group Limited

Mr. Chow Yiu Pong David

Non-executive Director

**Mr. Kan Sze King
Kenneth**

*Independent non-executive
Director*

**Mr. Lee Cheung Yuet
Horace**

*Independent non-executive
Director*

Mr. Chan Ming Kei

*Independent non-executive
Director*

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms and conditions of the Offer, which has been prepared for the purpose of incorporation in this Composite Document:

VINCO 
Vinco Financial Limited

31 August 2023

*To the Independent Board Committee and the Independent Shareholders of
Li Bao Ge Group Limited*

Dear Sirs,

**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)**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms and conditions of the Offer and as to acceptance, details of which are set out in the Composite Document jointly issued by the Offeror and the Company to the Shareholders dated 31 August 2023 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement, on 10 August 2023 where the Company and the Offeror jointly announced, among other things, that the Vendors and the Offeror entered into the Sale and Purchase Agreement dated 28 July 2023, pursuant to which the Vendors conditionally agreed to sell, and the Offeror conditionally agreed to acquire, the Sale Shares at the total consideration of HK\$49,550,982 (equivalent to HK\$0.13 per Sale Share), which was agreed between the Offeror and the Vendors after arm's length negotiations, taking into account the prevailing market price, the audited consolidated net liabilities value per Share as at 31 December 2022 of approximately HK\$0.060, the financial performance of the Group for the two years ended 31 December 2022 (including but not limited to the fact that (i) the revenue of the Group has decreased by approximately HK\$139 million from 31 December 2021 to 31 December 2022, representing an decrease of approximately 50.6%; and (ii) the Group recorded a loss

LETTER FROM VINCO FINANCIAL

attributable to the owners of the Company of approximately HK\$41.4 million and HK\$92.4 million (restated) for the year ended 31 December 2022 and 31 December 2021, respectively) and the business prospect of the Group.

The Independent Board Committee, 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 has been formed to advise the Offer Shareholders in respect of the Offer, in particular as to whether the Offer is fair and reasonable and as to acceptance of the Offer. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Offer are fair and reasonable and as to acceptance so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company and the Offeror or any of their respective subsidiaries or their respective associates or any party acting, or presumed to be acting, in concert with any of them and as at the Latest Practicable Date, we did not have shareholding, directly or indirectly, in any of them (if applicable) and any of their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any entities within the Group or the Offeror or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any entities within the Group and the Offeror. We are not aware of any relationships or interest between us and the Company, the Offeror or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the terms of the Offer. We are eligible to give independent advice and recommendations on the terms of the Offer and as to acceptance thereof. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees from the Offeror and the Company, their subsidiaries, their associates or their respective substantial shareholders or associates.

During the past two years, there was no engagement between the Group or the Offeror and us. Accordingly, we consider that we are eligible to give independent advice and recommendations on the terms of the Offer and as to acceptance.

LETTER FROM VINCO FINANCIAL

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Composite Document and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. In rendering our opinion in the Composite Document, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) published financial reports of the Company for the three years ended 31 December 2022; (ii) interim results announcement for the six months ended 30 June 2023 (the “**Interim Results Announcement 2023**”); (iii) the Loan Facility Agreement; (iv) the Sale and Purchase Agreement; (v) the Joint Announcement; and (vi) other information as set out in the Composite Document. Furthermore, we have researched and analysed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer. We have assumed that all information, facts, opinions and representations made or referred to in the Composite Document were true, accurate and complete at the time they were made and continued to be true, accurate, and complete up to date throughout the Offer Period and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as well as those in our letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide reasonable basis for our opinion and recommendations. The Directors have confirmed that they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in this Composite Document, including this letter, misleading. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. Shareholders will be notified of material changes in this Composite Documents, including this letter, as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date. We have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in this Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

LETTER FROM VINCO FINANCIAL

In formulating our opinions, we have not considered the taxation implications on the Offer Shareholders arising from the holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the holding of or dealing in of the Offer Shares. In particular, Offer Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee solely in connection with their consideration of the Offer and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the terms of the Offer, we have considered the following principal factors and reasons set out below:

1. Information on the Group

Principal activities

According to the management of the Company, the Group is principally engaged in the operation of chain restaurants in Hong Kong and the PRC.

Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2022 and the unaudited consolidated financial results of the Group for the six months ended 30 June 2022 and 2023, as extracted from the relevant annual reports of the Company and the Interim Results Announcement 2023 respectively:

	For the six months		For the year		
	ended 30 June		ended 31 December		
	2023	2022	2022	2021	2020
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	93,456	74,857	135,552	274,566	236,397
Loss for the year/period	(4,108)	(26,217)	(43,094)	(100,138)	(40,425)

LETTER FROM VINCO FINANCIAL

	As at 30 June 2023	As at 31 December		
	2023	2022	2021	2020
	(unaudited)	(audited)	(audited) (restated)	(audited) (restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	124,767	141,924	200,796	325,364
Total liabilities	(194,139)	(208,586)	(245,234)	(270,646)
Net (liabilities)/assets	(69,372)	(66,662)	(44,438)	54,718

2023H1 vs 2022H1

With reference to the Interim Results Announcement 2023, the Group was principally engaged in the operation of food catering services through a chain of Chinese restaurants. For the six months ended 30 June 2023 (“**2023H1**”), the Group’s revenue derived from operation of restaurants in Mainland China was approximately HK\$84.8 million and it was approximately HK\$8.7 million in Hong Kong, representing approximately 90.7% and 9.3% of total revenue respectively. The revenue of the Group increased by approximately 24.8% from approximately HK\$74.9 million for the six months ended 30 June 2022 (“**2022H1**”) to approximately HK\$93.5 million in 2023H1. Such increase was mainly due to the relax of COVID-19 restrictions and economy recovery after COVID-19 in Shenzhen during the 2023H1.

The Group recorded a decrease in net loss from approximately HK\$26.2 million in 2022H1 to approximately HK\$4.1 million in 2023H1. Such decrease in loss was mainly due to the improved revenue from the increase of customers after the COVID-19 pandemic and the reopening of the borders between Hong Kong and China.

The Group’s total assets and total liabilities as at 30 June 2023 amounted to approximately HK\$124.8 million and HK\$194.1 million, respectively. The Group’s consolidated net liabilities amounted to approximately HK\$69.4 million as at 30 June 2023, compared to that of approximately HK\$66.7 million as at 31 December 2022 due to the net loss as mentioned above. The gearing ratio as at 30 June 2023, which represents the ratio of total borrowings (including bank borrowings and lease liabilities) of the Group divided by the total (deficit)/equity, changed to -157.6% from -182.4% as at 31 December 2022. It is noted that such change was because the lease liabilities decreased by approximately HK\$10.7 million while the total deficit changed as mentioned above.

LETTER FROM VINCO FINANCIAL

FY2022 vs FY2021

With reference to the annual report for the year ended 31 December 2022 (the “**Annual Report 2022**”), the Group was principally engaged in the operation of food catering services through a chain of Chinese restaurants. For the year ended 31 December 2022 (“**FY2022**”), the Group’s revenue derived from operation of restaurants in Mainland China was approximately HK\$109.0 million and it was approximately HK\$26.6 million in Hong Kong, representing approximately 80.4% and 19.6% of total revenue respectively. The revenue of the Group decreased by approximately 50.6% from approximately HK\$274.6 million for the year ended 31 December 2021 (“**FY2021**”) to approximately HK\$135.6 million in FY2022. Such decrease was mainly due to (i) the fifth wave of the COVID-19; (ii) the accelerated downtrend of the Hong Kong economy; (iii) severe government restriction measures on public gatherings in Hong Kong and Mainland China; and (iv) closure of three Chinese restaurants and one Thai restaurant in FY2022.

The Group recorded a decrease in net loss from approximately HK\$100.1 million in FY2021 to approximately HK\$43.1 million in FY2022. Such decrease was mainly attributable to the combined effects of (i) no record of impairment losses on the intangible assets of approximately HK\$28.7 million; (ii) no record of impairment losses on the amount due from a non-controlling Shareholder of approximately HK\$9.9 million; (iii) the increase in aggregate operating losses of the operations of the Group’s restaurants by approximately HK\$7.8 million; (iv) the record of impairment losses on property, plant and equipment of approximately HK\$6.0 million; and (v) the gain on early termination of leases by approximately HK\$24.9 million.

The Group’s total assets and total liabilities as at 31 December 2022 amounted to approximately HK\$141.9 million and HK\$208.6 million, respectively. The Group’s consolidated net liabilities amounted to approximately HK\$66.7 million as at 31 December 2022, compared to that of approximately HK\$44.4 million as at 31 December 2021 due to the net loss as mentioned above but offset by placing of new shares of approximately HK\$21.1 million in FY2022. The gearing ratio as at 31 December 2022, which represents the ratio of total borrowings (including bank borrowings and lease liabilities) of the Group divided by the total (deficit)/equity, changed to -182.4% from -373.3% as at 31 December 2021. It is noted that such change was because the lease liabilities decreased by approximately HK\$40.3 million while the total deficit changed as mentioned above.

FY2021 vs FY2020

With reference to the annual report for the year ended 31 December 2021 (the “**Annual Report 2021**”), in FY2021, the Group’s revenue derived from operation of restaurants in Mainland China was approximately HK\$197.6 million and it was approximately HK\$76.9 million in Hong Kong, representing approximately 72.0% and 28.0% of total revenue respectively. The revenue of the Group increased by approximately 16.2% from approximately HK\$236.4 million for the year ended 31 December 2020 (“**FY2020**”) to approximately HK\$274.6 million in FY2021. The Directors consider such

LETTER FROM VINCO FINANCIAL

increases in revenue for Hong Kong was mainly due to slight improvement in consumer confidence level for dine in especially in the second half of 2021 and for Shenzhen was mainly due to recovery of economic activities after stabilisation of the pandemic in PRC.

The Group recorded an increase in net loss from approximately HK\$40.4 million in FY2020 to approximately HK\$100.1 million in FY2021. Such increase was mainly attributable to the combined effects of (i) the increase in aggregate operating losses of the Group's restaurant operations by approximately HK\$6.4 million; (ii) the record of impairment losses on intangible assets of approximately HK\$28.7 million; and (iii) the record of impairment losses on amount due from a non-controlling shareholder of approximately HK\$9.9 million.

The Group's total assets and total liabilities as at 31 December 2021 amounted to approximately HK\$200.8 million and HK\$245.2 million, respectively. The Group's consolidated net liabilities amounted to approximately HK\$44.4 million as at 31 December 2021, compared to a net asset of approximately HK\$54.7 million as at 31 December 2020 mainly due to the net loss as mentioned above. The gearing ratio as at 31 December 2021, which represents the ratio of total borrowings (including bank borrowings and lease liabilities) of the Group divided by the total (deficit)/equity, changed to -373.3% from 349.2% as at 31 December 2020. It is noted that such change was because the lease liabilities decreased by approximately HK\$27.5 million while the Group's net assets turned to net liabilities, which was mentioned above.

Material uncertainty related to going concern

With reference to the Annual Report 2022, the auditors of the Group expressed that they draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$43,094,000 during the year ended 31 December 2022. As of that date, the Group had net liabilities of approximately HK\$66,662,000 and its current liabilities exceeded its current assets by approximately HK\$79,780,000. As stated in note 3.1, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

With reference to the Annual Report 2021, the auditors of the Group expressed that they draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$99,054,000 during the year ended 31 December 2021. As of that date, the Group had net liabilities of approximately HK\$39,000,000 and its current liabilities exceeded its current assets by approximately HK\$77,307,000. As stated in note 3.1, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

LETTER FROM VINCO FINANCIAL

With reference to the Interim Results Announcement 2023, as mentioned above, we consider that despite the improvement in the financial results for 2023H1, the Group continued to record loss in 2023H1, net current liabilities of approximately HK\$79,206,000 as at 30 June 2023 and net liabilities of approximately HK\$69,372,000 and it remains unsure whether the Group can improve its financial performance and position consistently in the long run.

For further details, please refer to the paragraph headed “1. Summary of financial information of the Group” in Appendix II to this Composite Document. The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the material uncertainties relating to going concern.

Prospects and outlook of the Group

With reference to the Annual Report 2022, the decrease in revenue in FY2022 was mainly due to (i) the fifth wave of the COVID-19; (ii) the accelerated downtrend of the Hong Kong economy; (iii) severe government restriction measures on public gatherings in Hong Kong and Mainland China; and (iv) closure of three Chinese restaurants and one Thai restaurant in FY2022, which was mentioned above. The catering industry still faces huge challenges and the business environment remained weak as compared to that before the fifth wave of the COVID-19. The Directors anticipate that the Group’s business will face various challenges in the foreseeable future. The Group’s key risk exposures and uncertainties are summarised as follows: (i) the Hong Kong and Mainland China economies may be further worsened as a result of the unfavourable development of the China-US trade war and the Ukraine war, which would negatively affect the consumption sentiments of the general public and consequently the retail and catering sectors; (ii) the continuous rise in interest rates in Hong Kong may affect the consumers’ spending sentiments which will adversely affect the business of the Group’s restaurants in the year to come; (iii) the Group’s future success relies heavily on its ability to constantly offer menu items, creatively-designed banquet and dining services based on changing market trends and changing tastes, dietary habits, expectations and other preferences of the Group’s target customers. As such, significant costs to survey and research customer trends and preferences and to develop and market new menu items, banquet and dining services may be required, this may place substantial burden on the Group’s managerial and financial resources; (iv) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate; and (v) there may be labour shortage in the future and intensive competition for qualified individuals in the food and beverage industry.

LETTER FROM VINCO FINANCIAL

According to Statistical Digest of the Services Sector (2023 Edition) published by Census and Statistics Department of Hong Kong Special Administrative Region (https://www.censtatd.gov.hk/en/data/stat_report/product/B1080007/att/B10800072023AN23B0100.pdf), the value of restaurant receipts and gross output has been decreasing since 2018. The value of receipts dropped from approximately HK\$119,555 million in 2018 to approximately HK\$86,833 million in 2022. The gross output dropped from approximately HK\$110,728 million in 2018 to approximately HK\$81,310 million in 2021 (The data for 2022 was not disclosed in the publication).

According to an article “Hong Kong dining group Castelo Concepts fails to make pension fund contributions to 140 employees, regulator says” published on SCMP on 28 July 2023 (<https://www.scmp.com/business/article/3229312/dining-group-castelo-concepts-fails-make-pension-fund-contributions-140-employees-regulator-says>), Castelo Concepts, the dining group that closed nine of its eateries across Hong Kong after creditors pressed its investors into liquidation, did not make Mandatory Provident Fund (MPF) contributions for 140 of its employees between April and June in 2023, which owned a number of restaurants, since they closed nine restaurants on 27 July 2023. The dining group is one of the companies still struggling with financial wounds in the wake of the Covid-19 pandemic and anti-government street protests that began in 2019. In view of shut down of one of the long-established restaurant groups in Hong Kong, the catering industry in Hong Kong is generally facing the ongoing difficulties such as: (i) slow recovery of tourism; and (ii) recession worries. The above factors would lower the total receipts of restaurants because of the uncertainties in the future and cut down of personal spending of customers.

In addition, according to an article “China’s outlook is clouded by a confluence of factors. Gradual rate cuts struggle to offset negative structural issues. Hong Kong is also downgraded due to external headwinds” published on 11 July 2023 by the DBS (https://www.dbs.com.sg/treasures/templatedata/article/generic/data/en/GR/072023/230711_insights_china_hk.xml), the research team expected that China GDP forecast to 5% and 4.5% respectively in 2023/24, from 5.5% and 5.0% previously. Based on subdued high frequency economic data including industrial profits alongside meetings with various industry leaders in Shanghai/Beijing, the slowdown has been intensifying lately. The confluence of short term and long-term factors clouds the outlook in the second half of 2023. Gradual interest rate cut in China is difficult to offset negative structural factors. It further discussed that given PBOC’s interest rate cuts have just begun and the Fed is not done hiking rates, further weakening of the RMB and will likely trigger capital outflows exerting downward pressure on the onshore A-share market and Hang Seng Index. Historical facts suggest this will likely be the case. The 5.7% depreciation of the RMB against the USD in 2018 contributed to a 14% drop in HSI on the back of Sino-US tensions. This round the relationship between US and China is much intense than 2018 on multiple fronts. Industry such as energy, real estate, and airlines, which tend to borrow more in USD, are particularly susceptible to RMB weakness. Based on the above, such uncertainties would hinder the economic growth, which would also affect the personal spending on catering.

LETTER FROM VINCO FINANCIAL

Based on the factors mentioned above, having considered (i) material uncertainties related to the Group's going concern; and (ii) catering industry is still subject to the uncertain market conditions, we are of the view that the Group might continue to operate in a challenging environment in the coming years, the Offer can provide the Offer Shareholders with an opportunity to realise their share investments in the Company when the Group has been recording net liabilities as at 31 December 2021, 2022 and 30 June 2023, respectively.

The Offer represents an opportunity for Independent Shareholders to realise their investments. Further analysis on the Offer Price is set out in the paragraph headed "Principal terms of the Offer – The Offer" below.

2. Information on the Offeror and the Group

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.

Information on the Offeror

The Offeror was incorporated in the BVI with limited liability as an investment holding company. As at the Latest Practicable Date, 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 Latest Practicable Date, 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.

LETTER FROM VINCO FINANCIAL

Intention of the Offeror regarding the Group and listing status of the Company

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 the close of the Offer. As at the Latest Practicable Date, the Offeror has no intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, to dispose of or to cease the existing business of the Group. 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 at the Latest Practicable Date, 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 Latest Practicable Date, 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.

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 or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) 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.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror has undertaken and will procure the new directors to be appointed to the Board to jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Proposed change of Board composition

As at the Latest Practicable Date, the Board is currently made up of eight Directors, comprising (i) four executive Directors, being Mr. Chan Chun Kit, Ms. Chan Josephine Wai Sze, Ms. Zhu Xueqin and Mr. Liang Naiming; (ii) one non-executive Director, being Mr. Chow Yiu Pong David; and (iii) three independent non-executive Directors, being Mr. Kan Sze King Kenneth, Mr. Lee Cheung Yuet Horace and Mr. Chan Ming Kei. It is currently intended that all of the Directors (except Mr. Liang) will resign from the Board no earlier than the time permitted under Rule 7 of the Takeovers Code.

LETTER FROM VINCO FINANCIAL

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 a time no earlier than that permitted under the Listing Rules and the Takeovers Code or such later time as the Offeror considers to be appropriate). The Offeror intends to nominate new director(s) to the Board with effect after the close of the Offer. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new director(s) of the Company. 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.

Taking into consideration that (i) Ms. Liang's investments are different from the Group's principal business; (ii) though the Offeror intends to nominate new Director(s) to the Board after the close of the Offer, the Offeror has not identified any personnel for the purpose of appointment as at the Latest Practicable Date; (iii) it is unknown whether the new Director(s) to be appointed has sufficient experience in managing the Group's business; and (iv) the Offeror has yet to formulate a long-term business strategy for the Group, we are of the view that there is uncertainty on the future performance of the Group under the leadership of Mr. Liang and new Director(s) to be appointed.

3. Principal terms of the Offer

The Offer

With reference to the Letter from the Board, Silverbricks Securities is making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis:

For each Offer Share HK\$0.13 in cash

The price of HK\$0.13 for each Offer Share is the same as the price paid for each Sale Share by the Offeror to the Vendors pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, there were 1,105,100,000 Shares in issue and the Company did 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. Further details of the terms of the Offer and the procedures for acceptance and settlement and acceptance period are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

As at the Latest Practicable Date, none of the members of the Offeror's Concert Group has received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights and benefits attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e. the date of this Composite Document. The Company has

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not declared and has no intention of declaring any dividend or making any distribution before the close of the Offer.

Offer price

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

- (a) a discount of approximately 46.5% on the closing price of HK\$0.243 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 40.6% on the closing price of HK\$0.219 per Share as quoted on the Stock Exchange on 30 June 2023;
- (c) a discount of approximately 47.8% on the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on 31 July 2022;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) a discount of approximately 44.1% over 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;
- (i) 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 Latest Practicable Date; and

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- (j) a premium of approximately HK\$0.193 per Share over the unaudited consolidated net liabilities value of the Group of approximately HK\$0.063 per Share as at 30 June 2023 calculated based on the unaudited consolidated net liabilities value of the Group as at 30 June 2023 of approximately HK\$69,372,000 and 1,105,100,000 Shares in issue as at the Latest Practicable Date.

Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing prices and the trading liquidity of the Shares as quoted on the Stock Exchange during the period commencing from 27 July 2022 up to the Latest Practicable Date (the “**Review Period**”). We consider that the duration of the Review Period, being more than one year prior to the commencement of the Offer Period, would be adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices and such comparison is relevant for the assessment of the fairness and reasonableness of the offer price. The chart below illustrates the daily closing price of the Shares during the Review Period (“**Closing Price**”) versus the Offer Price of HK\$0.13 per Share:



Events:

- A – published “interim results announcement for the six months ended 30 June 2022” on 30 August 2022
- B – published announcement “profit alert – reduction in loss” on 27 March 2023
- C – published “annual results announcement for the year ended 31 December 2022” on 29 March 2023

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D – (i) Last Trading Day (27 July 2023) and (ii) trading halt on 28 July 2023

E – (i) published the Joint Announcement and (ii) resumption of trading on 10 August 2023

As shown in the above chart, we noted a fluctuation in Closing Prices throughout the Review Period between HK\$0.198 per Share, being the lowest Closing Price recorded on 20 June 2023, and HK\$0.420 per Share, being the highest Closing Price recorded on 2 August 2022. The Offer Price of HK\$0.13 represents a discount of approximately 69.0% to the highest Closing Price during the Review Period and a discount of approximately 34.3% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was approximately HK\$0.254 per Share, which means the Offer Price has a discount of approximately 48.8% to the average Closing Price during the Review Period. We also noted that the Offer Price of HK\$0.13 has been below the Closing Prices of the Shares during the entire Review Period.

During the Review Period, the closing price of the Shares has fluctuated and experienced an overall downward trend, decreasing from HK\$0.420 per Share on 2 August 2022 to HK\$0.198 per Share on 20 June 2023, representing a decrease of approximately 52.9%. The Closing Price dropped from at HK\$0.420 per Share on 2 August 2022 to HK\$0.250 per Share on 26 September 2022 and it spiked to HK\$0.355 per Share on 14 October 2022. The Closing Price exhibited a mild downtrend and decreased from HK\$0.355 per Share on 14 October 2022 to HK\$0.201 per Share on 2 February 2023. We have enquired with the Company and were advised that they are not aware of any particular reason for the price movement. After that, the closing price of the Shares demonstrated an overall steady trend and fluctuated between the range of HK\$0.21 per Share and HK\$0.26 per Share during the period of 21 June 2023 up to the Latest Practicable Date.

Despite the fact that throughout the Review Period, the Shares closed at price levels above the Offer Price, and the Offer Price represents a considerable discount of approximately 48.8% to the average Closing Price of the Shares; taking into account that (i) the Offer Price represents 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; (ii) the Share price from 2 August 2022 to 20 June 2023 has demonstrated an overall downward trend and with very thin trading volume (reference to the section headed “Trading liquidity of the Shares during the Review Period” below); and (iii) there is no guarantee that the Share price will sustain at a level higher than the Offer Price during and after the Offer Period based on our analysis on the Group’s financial performance and prospects as mentioned in the above section headed “1. Information on the Group – “Material uncertainty related to going concern” and “Prospect and outlook of the Group”, we consider that the Offer Price at HK\$0.13 is fair and reasonable. However, Independent Shareholders should consider the overall perspective of the various factors contained in different sections of this letter before making their decision on the acceptance of the Offer.

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Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Company during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer. Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

Trading liquidity of the Shares during the Review Period

	Total volume of the Shares traded	Number of trading days	Average daily volume (Shares)	Approximate % of average daily trading volume to the then total number of issued Shares as at end of respective month/period (Note 2)	Approximate % of average daily trading volume to total number of Shares held by public Shareholders (Note 3)
2022					
July (commencing from 27 July 2022)	Nil	2	Nil	Nil	Nil
August	30,957,900	23	1,345,996	0.13%	0.22%
September	8,200,000	21	390,476	0.04%	0.06%
October	144,346,240	20	7,217,312	0.72%	1.19%
November	101,452,500	22	4,611,477	0.46%	0.76%
December	89,310,000	20	4,465,500	0.40%	0.63%
2023					
January	75,500,000	18	4,194,444	0.38%	0.59%
February	143,270,000	20	7,163,500	0.65%	1.01%
March	30,405,000	23	1,321,957	0.12%	0.19%
April	35,552,500	17	2,091,324	0.19%	0.29%
May	33,720,000	21	1,605,714	0.15%	0.23%
June	19,140,000	21	911,429	0.08%	0.13%
July	64,290,000	18	3,571,667	0.32%	0.49%
August	81,560,000	15	5,437,333	0.49%	0.75%

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Notes:

1. Trading in the Shares on the Stock Exchange was halted from 28 July 2023 to 9 August 2023 (both dates inclusive) pending the release of the Joint Announcement.
2. Based on Shares in issue as at the end of respective month/period.
3. Based on Shares held by the public as at the end of respective month/period.

In order to determine whether the Offer Price would be attractive to the Offer Shareholders to participate in the Offer, we noted as shown in the table above the highest average daily volume was approximately 7,217,312 Shares in October 2022, representing approximately 0.72% and 1.19% of the total number of Shares and Shares held by public Shareholders respectively. We noted that the trading liquidity of the Shares were thin during the Review Period, with all months less than 2.00% to the then total number of issued Shares as at the end of respective month/period or the number of shares held by public Shareholders.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an assured opportunity for the Independent Shareholders to realise their investment at a fixed price, particular for those who hold a large number of the Shares, to dispose of some or all of them at the Offer Price if they so wish, without creating a significant downward pressure on the trading price of the Shares.

Comparison to comparable companies

In order to assess the fairness and reasonableness of the Offer Price, we took into consideration the reference to price-to-earnings ratio (“**PE Ratio**”) and price-to-book multiple (“**PB Ratio**”), which are two of the most commonly used benchmarks in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the company determined by the open market. However, given that (i) the Group was loss-making; and (ii) the Group recorded net liabilities, an analysis of the PE Ratio and PB Ratio may not be practicable and meaningful for comparison purpose in assessing the fairness and reasonableness of the Offer.

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Alternatively, we attempt to carry out the comparable analysis using other price multiples, namely price-to-sales ratio (“**PS Ratio**”), enterprise value (“**EV**”) to earnings before taxes, interest, depreciation and amortization (“**EBITDA**”) ratio (the “**EV/EBITDA Ratio**”) and EV-to-sales (the “**EV/Sales Ratio**”), also being commonly used as valuation methods. The Group recorded an EBITDA of approximately HK\$3.8 million in FY2022, being its latest financial year, and its enterprise value was approximately HK\$138.3 million. Thus, we are of the view that PS Ratio, EV/Sales Ratio and EV/EBITDA Ratio are alternatives for comparable analysis.

Taking into account (i) the business model and principal activities of the Group; (ii) the Group’s revenue derived from operation of restaurants in Mainland China represented more than 70% of the total sales in the 2023H1, FY2023 and FY2022, respectively, we have set out to identify comparable companies with the selection criteria of (i) being listed on the Stock Exchange; (ii) principally engaged in the operation of chain restaurants in Hong Kong and the PRC; and (iii) their shares are not suspended on the Stock Exchange as at the Latest Practicable Date. Based on the above three criteria, we have identified 18 comparable companies with market capitalisations as at the Last Trading Day ranging from approximately HK\$89.6 million to HK\$197.2 billion, while the Company’s market capitalisation as at the Last Trading Day is approximately HK\$275.2 million. Given limited number of comparable companies, we consider that selecting comparable companies without considering the comparable companies’ market capitalisation would be difficult in forming a fair list to assess the Offer Price. In order to provide a meaningful and representative sample size for comparison of the Offer Price, we set the selection criteria of the comparable companies with market capitalisation below HK\$1 billion in order to obtain a meaningful sample size of not less than two comparable companies. Based on the aforesaid selection criteria, we have identified an exhaustive list of 10 comparable companies listed on the Stock Exchange (“**Comparable Companies**”) based on our selection criteria. Although the Comparable Companies exhibit differences in market capitalisation, operations, financial positions, trading prospect, target market, product mix and capital structure as compared with the Company, we consider that the Comparable Companies to be fair and representative samples for comparison purpose as the Comparable Companies are selected by the abovementioned criteria.

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Company	Stock code	Market capitalisation as at the Last Trading Day	PS Ratio <i>(Note 1)</i>	EV/ Sales Ratio <i>(Notes 2, 3)</i>	EV/ EBITDA Ratio <i>(Notes 2, 4, 5)</i>
Longhui International Holdings Limited	1007	89,560,634	1.15	1.18	N/A
Tang Palace (China) Holdings Limited	1181	763,979,525	0.75	0.47	N/A
Shanghai XNG Holdings Limited	3666	146,060,046	0.42	0.32	2.22
Carrianna Group Holdings Company Limited	126	620,686,971	0.91	3.11	66.30
Tao Heung Holdings Limited	573	811,478,400	0.34	0.29	2.76
Future Bright Holdings Limited	703	173,575,606	0.61	2.08	N/A
Tsui Wah Holdings Limited	1314	313,292,272	0.37	0.13	0.44
Fulum Group Holdings Limited	1443	278,200,000	0.17	0.25	1.25
Welif Technology Limited	1703	166,750,000	0.55	0.36	1.89
Tai Hing Group Holdings Limited	6811	965,183,040	0.36	0.26	1.21
		Maximum	1.15	3.11	66.30
		Minimum	0.17	0.13	0.44
		Average	0.56	0.84	10.87
		Median	0.48	0.34	1.89
The Group <i>(Note 6)</i>	1869	143,663,000	1.06	1.02	36.74

Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

1. The PS Ratio of the Comparable Companies is calculated based on their respective market capitalisation as at the Last Trading Day divided by the total revenue of the Comparable Companies as disclosed in their respective latest published annual reports.
2. The EV is calculated based on the market capitalisation as at the Last Trading Day added by the preferred shares (if any), debts and minority interest value of the respective companies, and then subtracted by the cash and cash equivalents as at their latest full financial year as disclosed in their respective latest published annual reports.
3. The EV/Sales Ratio of the Comparable Companies is calculated based on their respective EV (as defined in note 2) divided by their total revenue as disclosed in their respective latest published annual reports.

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4. The EV/EBITDA Ratio the Comparable Companies is calculated based on their respective EV divided by the earnings before taxes, interest, depreciation and amortization as disclosed in their respective latest published annual reports.
5. N/A represents negative EDITDA of respective Comparable Companies.
6. The implied market capitalisation and EV of the Group are calculated based on the Offer Price. The Group's sales and EBITDA were based on its annual report for the year ended 31 December 2022.

As illustrated in the table set out above, we note that (i) the PS Ratio of the Comparable Companies ranged from approximately 0.17 times to approximately 1.15 times, with an average of approximately 0.56 times and a median of approximately 0.48 times; (ii) the EV/Sales Ratio of the Comparable Companies ranged from approximately 0.13 times to approximately 3.11 times, with an average of approximately 0.84 times and a median of approximately 0.34 times; and (iii) the EV/EBITDA Ratio of the Comparable Companies ranged from approximately 0.44 times to approximately 66.30 times, with an average of approximately 10.87 times and a median of approximately 1.89 times. Although (i) the Group's implied PS Ratio of approximately 1.06 times is above the average and median of the Comparable Companies; and (ii) implied EV/Sales Ratio of approximately 1.02 times is above the average and median of the Comparable Companies; and (iii) implied EV/EBITDA Ratio of approximately 36.74 times is above the average and median of the Comparable Companies, the Group's implied PS Ratio, implied EV/Sales and implied EV/EBITDA are within the range of the P/S Ratio, EV/Sales Ratio and EV/EBITDA Ratio of the Comparable Companies. In fact, as it is merely one of the factors taken into consideration in assessing the fairness and reasonableness of the Offer Price, we have also considered below various principal factors as overall basis to justify its fairness and reasonable:

- (i) the implied PS Ratio of the Company is within the range of the PS Ratio of the Comparable Companies;
- (ii) the implied EV/Sales Ratio of the Company is within the range of the EV/Sales Ratio of the Comparable Companies;
- (iii) the implied EV/EBITDA Ratio of the Company is within the range of the EV/EBITDA Ratio of the Comparable Companies;
- (iv) the Offer Price represents 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;
- (v) the Group incurred net losses and had not declared any dividend in the past three years which suggest that the Group is operating in a challenging business environment; and

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- (vi) despite the fact that the Shares were traded above the Offer Price throughout the Review Period, the Group recorded net current liabilities and net liabilities as at 31 December 2021, 2022 and 30 June 2023 respectively, which implies that the Offer Price represents a premium to the net current liabilities and net liabilities.

Recommendation

Having taken into consideration of the principal factors and reasons regarding the major terms of the Offer, in particular:

- (i) In view of (a) the consecutive loss-making performance of the Group for the past three financial years; and (b) the net liabilities positions recorded by the Group as at 31 December 2021 and 2022 and 30 June 2023, respectively, it is uncertain as to whether the Group can make a turnaround in operating results and financial position and to address the uncertainties relating catering industry in the near future;
- (ii) despite that the Offer Price represents a discount to the closing price throughout the Review Period, the Share price from 2 August 2022 to 20 June 2023 has demonstrated an overall downward trend and with very thin trading volume throughout the Review Period and there is no guarantee that the Share price will sustain at a level higher than the Offer Price during and after the Offer Period based on our view on the Group might continue to operate in a challenging environment in the coming years and remains uncertain as discussed in the “Material uncertainty related to going concern” and “Prospects and outlook of the Group” above;
- (iii) the Group’s implied PS Ratio, EV/Sales Ratio and EV/EBITDA Ratio based on the Offer Price per Offer Share are within the range of the Comparable Companies, although these ratios are above the average and median of PS Ratio, EV/Sales Ratio and EV/EBITDA Ratio of the Comparable Companies, various principal factors should be considered as overall basis in assessing the fairness and reasonableness of the Offer Price as discussed in the “Comparison to comparable companies” above;
- (iv) the Offer represents an opportunity for Shareholders to realise their investment at a fixed price since Shareholders may not be able to dispose large quantities of Shares without exerting downward pressure on the price of Shares in the open market given the low liquidity of the Shares; and
- (v) despite the deep discount of the Offer Price to the closing price of the Shares on the Last Trading Day and the Latest Practicable Date, in view of the net liabilities of the Group of approximately HK\$69.4 million as at 30 June 2023, the Independent Shareholders would not be able to recover any of their investments should the Company eventually be liquidated,

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we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nonetheless, we note that the Share price has been trading above the Offer Price since the date of the Joint Announcement and up to the Latest Practicable Date. As such, for those Independent Shareholders who intend to accept the Offer, we would remind them to closely monitor the market price and liquidity of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Offer.

For those Independent Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the market prices of the Shares as a result of the thin trading in the Shares.

For those Independent Shareholders who consider to retain their Shares, in full or in part, we would remind them that there is no guarantee that the prevailing Share price will sustain at a level higher than the Offer Price during and after the Offer Period.

As each individual Independent Shareholder would have different investment objectives and/or circumstances, we would recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, Independent Shareholders read carefully the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance.

The Offer Shareholders should be aware that the Offer is subject to the satisfaction of the condition as set out in the section headed “Conditions of the Offer” in the Letter from the Joint Financial Adviser. Accordingly, the Offer may or may not become unconditional.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Boardroom Share Registrars (HK) Ltd. at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, by post or by hand, marked “Li Bao Ge Group Limited – Offer” on the envelope, in any event not later than 4: 00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked “Li Bao Ge Group Limited – Offer” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “Li Bao Ge Group Limited – Offer” the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by

HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked "Li Bao Ge Group Limited – Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "Li Bao Ge Group Limited – Offer" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to Joint Financial Advisers and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (e) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.13% of the market value of the Offer 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 by the Offeror to the relevant Independent Shareholder on accepting the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (h) The address of the Registrar is Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

2. SETTLEMENT

- (a) Provided that valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or transfer receipt(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each accepting Shareholder, less the seller's ad valorem stamp duty payable by him/her/it, will be despatched to such Shareholder by ordinary post at his/her/its own risk 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 is 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.
- (b) Settlement of the consideration to which any Shareholders are entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the Takeovers Code, or unless the Offer is extended or revised with the consent of the Executive.
- (b) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The Offer is conditional upon the Offeror having received valid acceptances in respect of the Offer Shares which, together with the Shares already owned by the Offeror and persons acting in concert with it before or during the Offer, will result in the Offeror and persons acting in concert with it holding more than 50% of the voting rights in the Company. Pursuant to the Takeovers Code, where the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than fourteen (14) days thereafter. The Offeror will make an announcement as and when the Offer becomes or is declared unconditional.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended.

The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror's Concert Group before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror's Concert Group.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror's Concert Group has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph 1(e) of this Appendix I, and which have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by any Independent Shareholder shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In compliance with Rule 17 of the Takeovers Code, which provides that the Independent Shareholders who have tendered acceptances to the Offer shall be entitled to withdraw his/her/its acceptance of the Offers after twenty one (21) days from the first Closing Date if the Offers have not by then become unconditional as to acceptance.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholders at his/her/its own risks.

7. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Overseas Shareholders).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

8. 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.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror's Concert Group, the Company, Silverbricks Securities, VBG Capital, the Independent Financial Adviser, the Registrar, the company secretary of the Company, any of their respective ultimate beneficial owners, directors, officers, agents, professional advisers and other parties involved in the Offer do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror, Silverbricks Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares under the Offer are free from all third party rights and Encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.
- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror's Concert Group, the Company or its ultimate beneficial owners, directors, officers, agents, professional advisers or any other persons involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advices.
- (k) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of audited consolidated financial information for each of the three years ended 31 December 2020, 2021 and 2022 (as extracted from the relevant annual reports of the Company) and the unaudited condensed consolidated financial information for the six months ended 30 June 2023 (as extracted from the interim results announcement of the Company).

	For the year ended 31 December			For six months ended
	2020	2021	2022	30 June 2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited and restated)	(audited)	(unaudited)
Revenue	236,397	274,566	135,552	93,456
Operating (loss)/profit	(30,159)	(36,500)	(44,269)	664
(Loss) before income tax	(40,850)	(101,288)	(46,217)	(3,622)
Income tax credit/(expenses)	74	1,150	3,123	(486)
Loss for the year/period	(40,776)	(100,138)	(43,094)	(4,108)
Total comprehensive loss for the year/period	(37,562)	(99,156)	(43,293)	(2,710)
(Loss)/profit for the year/period attributable to:				
– Owners of the company	(39,817)	(92,430)	(41,352)	(4,105)
– Non-controlling interests	(959)	(7,708)	(1,742)	(3)
	(40,776)	(100,138)	(43,094)	(4,108)
Total comprehensive (loss)/income for the year/period attributable to:				
– Owners of the company	(36,850)	(91,369)	(41,913)	(2,930)
– Non-controlling interests	(712)	(7,787)	(1,380)	220
	(37,562)	(99,156)	(43,293)	(2,710)
Basic loss per share (HK cent)	(3.98)	(9.24)	(4.12)	(0.37)
Dividend per Share	Nil	Nil	Nil	Nil

No dividend was paid or proposed by the Company during each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

Save as disclosed above, the Group did not have any item of income or expense which was material for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

The Group reassessed its accounting policy for property, plant and equipment with respect to the class of crockery, utensils and linens in 2022. The Group had previously capitalised the initial expenditure incurred for crockery, utensils and linens with no depreciation was provided thereon and recognised the cost of subsequent replacement for these items in profit or loss when incurred. For the year ended 31 December 2022, the Directors, to cope with the recent economic environment and prevailing industry practices, determined to recognise all expenditures for crockery, utensils and linens in profit or loss when incurred. For details, please refer to pages 179-182 of the annual report of the Company published on 25 April 2023. Save as disclosed above, there has been no change in the Group's accounting policies which would result in the figures in its consolidated financial statements being not comparable to a material extent.

The consolidated financial statements of the Group for each of the two financial years ended 31 December 2020 and 2021 were audited by Ting Ho Kwan & Chan CPA Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2022 were audited by Ting Ho Kwan & Chan.

Saved for the material uncertainty related to going concern disclosed below, the auditor's reports issued by the auditors of the Group, in respect of the audited consolidated financial statements of the Group for the two years ended 31 December 2021 and 31 December 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

The auditors of the Group expressed that they draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$43,094,000 during the year ended 31 December 2022. As of that date, the Group had a net liabilities of approximately HK\$66,662,000 and its current liabilities exceeded its current assets by approximately HK\$79,780,000. As stated in note 3.1, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The auditors of the Group expressed that they draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$99,054,000 during the year ended 31 December 2021. As of that date, the Group had net liabilities of approximately HK\$39,000,000 and its current liabilities exceeded its current assets by approximately HK\$77,307,000. As stated in note 3.1, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

No modified or qualified opinion, emphasis of matter or material uncertainty related to going concern had been issued by the auditors of the Group in respect of the Group's audited consolidated financial statements for the financial year ended 31 December 2020.

2. FINANCIAL STATEMENTS OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the last published audited accounts, together with the significant accounting policies stated therein and the accompanying notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 (the “**2023 Interim Financial Information**”) has been set out on pages 2 to 12 of the 2023 interim results announcement of the Company for the six months ended 30 June 2023 which was posted on 30 August 2023 on the Stock Exchange's website. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0830/2023083000450.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”) has been set out on pages 130 to 256 of the annual report of the Company for the year ended 31 December 2022 which was posted on 25 April 2023 on the Stock Exchange's website. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042502071.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”) has been set out on pages 130 to 252 of the annual report of the Company for the year ended 31 December 2021 which was posted on 13 May 2022 on the Stock Exchange's website. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051301938.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) has been set out on pages 61 to 124 of the annual report of the Company for the year ended 31 December 2020 which was posted on 27 April 2021 on the Stock Exchange's website. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700569.pdf>

The 2023 Interim Financial Information, 2022 Financial Statements, the 2021 Financial Statements, and the 2020 Financial Statements (but not any other part of the annual reports of the Company for three years ended 31 December 2020, 2021 and 2022 and the interim results announcement of the Company for the six months ended 30 June 2023 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

4. INDEBTEDNESS

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

Borrowings

The Group had bank borrowings of approximately HK\$19.2 million, bearing interest rates at prime rate minus 2.5% per annum and were guaranteed by HKSAR, certain of the existing and former controlling shareholders of the Company.

Lease liabilities

As at 30 June 2023, the Group had total lease liabilities amounting to approximately HK\$90.1 million.

Contingent liabilities

As at 30 June 2023, the Group had one material contingent liabilities. For details, please refer to the paragraph headed “4. Material Litigation” in Appendix III to this Composite Document.

Saved as disclosed above, as at the close of business on 30 June 2023, the Group did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitments, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and the Offeror's Concert Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those 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 Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

	Shares	Amount <i>HK\$</i>
Authorised share capital:		
Ordinary shares of HK\$0.01 each	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	<u>1,105,100,000</u>	<u>11,051,000</u>

All of the Shares currently in issue are fully paid up or credited as fully paid and rank *pari passu* in all respects with each other, including all rights in respect of dividends, voting rights and capital. The Shares are listed on main board and none of the securities of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

No Shares have been issued by the Company since 31 December 2022 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company had not entered into any agreement to issue any Shares or warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests in securities

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or as required to be disclosed under the Takeovers Code, were as follows:

Name of Director	Capacity/Nature of interest	No. of Shares (Note 1)	Approximately (%) of interest in the Company
Chan Wai Sze Josephine	Beneficial owner	3,275,000 (L)	0.29%
Chow Yiu Pong David	Interest of controlled corporation (Note 2)	18,714,960 (L)	1.69%
Mr. Liang	Interest of controlled corporation (Note 3)	381,161,400 (L)	34.49%

Notes:

- (1) "L" denotes long position and "S" denotes short position.
- (2) Sky Gain Investments Limited ("**Sky Gain**") was held by Mr. Chow Yiu Pong David ("**Mr. Chow**") as to 37.5%. Therefore, Mr. Chow was deemed, or taken to be, interested in 18,714,960 Shares held by Sky Gain for the purpose of the SFO.
- (3) The Offeror was wholly owned by Mr. Liang. Therefore, Mr. Liang is deemed, or taken to be, interested in 381,161,400 Shares held by the Offeror for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO to (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, entered in the register as referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code; or (d) required to be disclosed under the Takeovers Code.

(b) Substantial shareholders

As at the Latest Practicable Date, the interests and short positions of Shareholders (not being Directors or the chief executives of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code were as follows:

Name of Shareholder	Capacity/Nature of interest	No. of Shares (Note 1)	Approximately (%) of interest in the Company
The Offeror (Note 2)	Beneficial owner	381,161,400 (L)	34.49%
Sincere Expand Limited (Note 3)	Beneficial owner	66,912,500 (L)	6.05%
Richmax Investment (H.K.) Limited (Note 3)	Interest of controlled corporation	66,912,500 (L)	6.05%
	Beneficial owner	16,750,000 (L)	1.51%
Mr. Cheung Yuen Chau (Note 3)	Interest of controlled corporation	83,662,500 (L)	7.57%
Mr. David Chu (Note 3)	Interest of controlled corporation	83,662,500 (L)	7.57%
Ms. Tsang Siu Lan (Note 4)	Interest of spouse	83,662,500 (L)	7.57%
Ms. Phyllis Woon Kink Cheng (Note 5)	Interest of spouse	83,662,500 (L)	7.57%

Notes:

1. "L" denotes long position and "S" denotes short position.
2. The Offeror was wholly owned by Mr. Liang. Therefore, Mr. Liang is deemed, or taken to be, interested in 381,161,400 Shares held by the Offeror for the purpose of the SFO.

3. Sincere Expand Limited was wholly owned by Richmax Investment (H.K.) Limited (“**Richmax**”). Each of Mr. David Chu (“**Mr. Chu**”) and Mr. Cheung Yuen Chau (“**Mr. Cheung**”) held approximately 46.67% and 40% issued shares of Richmax respectively. As such, each of Richmax, Mr. Chu and Mr. Cheung was deemed, or taken to be, interested in all the Shares held by Sincere Expand Limited for the purposes of the SFO.
4. Ms. Tsang Siu Lan was the spouse of Mr. Chu and was deemed, or taken to be, interested in all the Shares in which Mr. Chu had, or was deemed to have, an interest for the purpose of the SFO.
5. Ms. Phyllis Woon Kink Cheng was the spouse of Mr. Cheung and was deemed, or taken to be, interested in all the Shares in which Mr. Cheung had, or was deemed to have, an interest for the purpose of the SFO.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to section 336 of the SFO or required to be disclosed under the Takeovers Code.

(c) Interests in the Offeror

As at the Latest Practicable Date, save as Mr. Liang, none of the Company nor any of its Directors had any interest in the shares of the Offeror or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(d) Additional disclosure of interests in the Company and arrangements in connection with the Offer

As at the Latest Practicable Date:

- (1) save for (i) the Sale and Purchase Agreement entered into among the Vendors and the Offeror, (ii) the sale of 300,000 Shares by Sky Gain Investments Limited (ultimately owned by Chow Yiu Pong David) at the price of HK\$0.25 per Share on 10 August 2023, (iii) the sale of 300,000 Shares by Sky Gain Investments Limited (ultimately owned by Chow Yiu Pong David) at the price of HK\$0.25 per Share on 11 August 2023, and (iv) the sale of 10,000 Shares by Sky Gain Investments Limited (ultimately owned by Chow Yiu Pong David) at the price of HK\$0.26 per Share on 11 August 2023, none of the Directors have dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;
- (2) none of the Directors and the Company have dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror during the Relevant Period;

- (3) save as disclosed in the paragraph headed “3. Disclosure of Interests” in this appendix, the Directors did not have any interest in the Shares, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into the Shares;
- (4) save for Ms. Chan Josephine Wai Sze (who intends to accept the Offer) and Mr. Chow Yiu Pong David (who intends not to accept the Offer), the Directors did not have any beneficial shareholdings in the Company which would entitle them to accept or reject the Offer;
- (5) none of the subsidiary of the Company, pension fund of the Company or any of its subsidiaries or the person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers, owned or controlled any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (6) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (7) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any relevant securities in the Company during the Relevant Period;
- (8) none of the Company or any Directors had borrowed or lent any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares; and
- (9) there was no understanding, arrangement, agreement or special deal between any Shareholder on one hand and (a) the Offeror’s Concert Group; and (b) the Company, its subsidiaries or associated companies on the other hand.

4. MATERIAL LITIGATION

As announced by the Company on 6 January 2020, Excel Linker (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company received a Writ of Summons together with an indorsement of claim (the “**Indorsement**”) dated 31 December 2019 and a statement of claim (the “**Statement of Claim**”) dated 17 January 2020 issued in the High Court of The Hong Kong Special Administrative Region (the “**Court Action**”) by Foxhill Investments Limited as plaintiff (the “**Plaintiff**”) against Excel Linker (Hong Kong) Limited as defendant (the “**Defendant**”). It is stated in the Indorsement that the Plaintiff’s claim against the Defendant is in relation to the breach of the tenancy agreement dated 18 April 2018 (the “**Tenancy Agreement**”) for wrongfully failing and/or refusing to pay the rent and/or management fees and/or government rates in respect of the Premises located at Units 201–202 on the Second Floor of Infinitus Plaza, No.199 Des Voeux Road, Central, Hong Kong (the “**Premises**”) since 1 October 2019. As at 30 June 2023, the Group had recognised a payable of approximately HK\$11.2 million (31 December 2022: HK\$9.3 million) as the rent, management fee, penalty and related interest in relation to the Premises in the unaudited condensed consolidated financial statements. A provision of HK\$11.2 million has been made in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023. The Company is of the view that the Court Action did not and will not have any material adverse impact on the ordinary operation and financial positions of the Group. No trial in relation to the Court Action has been scheduled up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against any members of the Group.

5. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by any member of the Group within the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date:

- (i) the placing agreement dated 22 November 2022 (as amended and supplemented by a supplemental placing agreement dated 6 December 2022) and entered into between the Company as issuer and Wings Securities (HK) Limited as placing agent in relation to the placing, on a best effort basis, of up to 200,000,000 placing shares at the placing price of HK\$0.204 per placing share under general mandate.

6. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have been named in this Composite Document or who have given their opinion or advice, which are contained in this Composite Document:

Name	Qualification
Vinco Financial Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the Independent Financial Adviser to the Independent Board Committee in respect of the Offer

7. DIRECTORS' SERVICE CONTRACTS

On 1 May 2023, Mr. Chan Ming Kei, an independent non-executive Director, entered into a service contract with the Company for a period of one year from 1 May 2023 to 30 April 2024 (both dates inclusive), and will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company with a director's emolument of HK\$148,800 per annum. No variable remuneration is payable under such service agreement.

On 23 June 2023, Mr. Liang, an executive Director, entered into a service contract with the Company for a period of three years from 23 June 2023 to 22 June 2026 (both dates inclusive), and will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company with a director's emolument of HK\$86,400 per annum. No variable remuneration is payable under such service agreement.

On 1 July 2023, Mr. Chan Chun Kit, an executive Director, entered into a service contract with the Company for a period of one year from 1 July 2023 to 30 June 2024 (both dates inclusive), and will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company with a director's emolument of HK\$2,243,520 per annum. No variable remuneration is payable under such service agreement.

On 1 July 2023, Mr. Chow Yiu Pong David, a non-executive Director, entered into a service contract with the Company for a period of one year from 1 July 2023 to 30 June 2024 (both dates inclusive), and will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company with a director's emolument of HK\$86,400 per annum. No variable remuneration is payable under such service agreement.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (a) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period;
- (b) are continuous contracts with a notice period of 12 months or more; or
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. CONSENT

The experts named in the paragraph headed “6. Qualification of Experts” above have given and have not withdrawn their written consent to the issue of the Composite Document with the inclusion therein of the opinions, reports, advice, recommendations and/or letters and/or the references to their names and/or opinions, reports, advice, recommendations, and/or letters in the form and context in which they respectively appear.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on the website of the Company at <http://www.starofcanton.com.hk> and the website of the SFC at www.sfc.hk from the date of this Composite Document up to and including the Closing Date:

- (1) the second amended and restated memorandum and articles of association of the Company;
- (2) the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022;
- (3) the service contracts of the Directors as referred to in the section headed “7. Directors’ Service Contracts” in this Appendix III;
- (4) the “Letter from Joint Financial Advisers”, the text of which is set out on pages 10 to 19 of this Composite Document;
- (5) the “Letter from the Board”, the text of which is set out on pages 20 to 27 of this Composite Document;
- (6) the “Letter from the Independent Board Committee”, the text of which is set out on pages 28 to 29 of this Composite Document;

- (7) the “Letter from Vinco Financial”, the text of which is set out on pages 30 to 51 of this Composite Document;
- (8) the material contract referred to in the section headed “5. Material Contracts” in this Appendix III;
- (9) the written consent referred to in the section headed “8. Consent” in this Appendix III;
- (10) the Loan Facility Agreement;
- (11) the Sale and Purchase Agreement; and
- (12) this Composite Document.

10. MISCELLANEOUS

- (1) As at the Latest Practicable Date, none of the Directors had been or would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;
- (2) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (3) As at the Latest Practicable Date, as the Offeror is wholly owned by Mr. Liang, Mr. Liang has a material personal interest in each material contract entered into by the Offeror, being the Sale and Purchase Agreement and the Loan Facility Agreement. Save as disclosed, there was no material contracts entered into by the Offeror in which any Director has a material personal interest;
- (4) Please see the section headed “2. Market Prices” in the “General Information of the Offeror” set out in Appendix IV to this Composite Document for the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date; and
- (5) The registered office of Vinco Financial is situated at Unit 2602, 26/F, The Center, 99 Queen’s Road Central, Hong Kong.

1. RESPONSIBILITY STATEMENT

The sole director and sole shareholder of the Offeror, being Mr. Liang, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Group, Vendors or the Directors), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions 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 Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
28 February 2023	0.238
31 March 2023	0.238
28 April 2023	0.227
31 May 2023	0.239
30 June 2023	0.219
27 July 2023 (<i>being the Last Trading Day</i>)	0.249
31 July 2023	0.249
30 August 2023 (<i>being the Latest Practicable Date</i>)	0.243

Source: https://www.hkex.com.hk/Market-Data/Securities-Prices/Equities/Equities-Quote?sym=1869&sc_lang=en

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.260 per Share on 24 April 2023 and 21 July 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.198 per Share on 20 June 2023.

3. DISCLOSURE OF INTERESTS IN THE COMPANY OF THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date:

- (a) save for the Sale Shares held by the Offeror, none of the members of the Offeror's Concert Group owned or had control or direction over or have any interest in 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) save for the security arrangements involving the Pledged Shares under the Loan Facility Arrangement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, the Offeror's associates (as defined under the Takeovers Code) or any person acting in concert with the Offeror and any other person;
- (c) there were no agreements or arrangements to which any of the members 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 condition to the Offer;
- (d) none of the members of the Offeror's Concert Group had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code including shares, warrants, options, derivatives or convertible securities) in the Company;
- (e) none of the members of the Offeror's Concert Group had received any irrevocable commitment to accept or reject the Offer;
- (f) save for the consideration for the Sale Shares paid by the Offeror to the Vendors under the Sale and Purchase Agreement, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror's Concert Group to the Vendors, their respective ultimate beneficial owners or any party acting in concert with any one of them in connection with the Acquisition;
- (g) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror's Concert Group and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offer;
- (h) there was no understanding, arrangement or agreement which would constitute a special deal (as defined in Rule 25 of the Takeovers Code) between the Offeror's Concert Group, and the Vendors, their respective ultimate beneficial owners and parties acting in concert with them, on the other hand;

- (i) no benefit (other than statutory compensation) will be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and
- (j) save for the security arrangements involving the Pledged Shares under the Loan Facility Arrangement, there was no agreement, arrangement or understanding that any securities of the Company, acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

4. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period:

- (a) save for the Sale and Purchase Agreement, none of the members of the Offeror's Concert Group has dealt in or owned any Shares, warrants, options, derivatives or other securities convertible into Shares;
- (b) save for the security arrangements involving the Pledged Shares under the Loan Facility Arrangement, no person owning or controlling any shareholding in the Company with whom the Offeror's Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (c) save for the Sale and Purchase Agreement, none of the director(s) of the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (d) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror's Concert Group had borrowed or lent.

5. CONSENT AND QUALIFICATION OF PROFESSIONAL ADVISER

The following are the name and the qualification of the professional adviser whose letter, opinion or advice is contained or referred to in this Composite Document:

Name	Qualifications
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

Name	Qualifications
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, the financial adviser to the Offeror in respect of the Offer

Silverbricks Securities and VBG Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinion or advice and reference to its name in the form and context in which it appear.

As at the Latest Practicable Date, Silverbricks Securities and VBG Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. GENERAL

As at the Latest Practicable Date:

- (a) The registered office of the Offeror was situated at Mill Mall, Suite 6, Wickhams Cay 1, P.O. Box 3085, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror and Mr. Liang, the sole director and sole shareholder of the Offeror, was 26th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong;
- (b) The registered office of Silverbricks Securities was situated at Rooms 1004–1006, 10/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong;
- (c) The registered office of VBG Capital was situated at 21/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong;
- (d) The Offeror was wholly owned by Mr. Liang. The principal members of the Offeror’s Concert Group were the Offeror and Mr. Liang; and
- (e) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

7. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the website of the SFC (<http://www.sfc.hk>) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the “Letter from Joint Financial Advisers”, the text of which is set out on pages 10 to 19 of this Composite Document;
- (c) the written consent as referred to in the section headed “Consent and Qualification of Professional Adviser” in this Appendix IV;
- (d) the Loan Facility Agreement;
- (e) the Sale and Purchase Agreement; and
- (f) this Composite Document and the accompanying Form of Acceptance.