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新煮意控股有限公司
FOOD IDEA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8179)

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE AND
THE ISSUE OF PROMISSORY NOTE

INTRODUCTION

The Board is pleased to announce that on 22 October 2018 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, at the Consideration of HK\$76,000,000, which will be satisfied (i) as to HK\$55,749,408 by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.131 per Consideration Share by the Company to the Vendor; and (ii) as to the remaining amount of HK\$20,250,592 by the issue of the Promissory Note by the Purchaser to the Vendor, upon Completion.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) an accountants' report on the Target Group; (iii) a pro forma financial information on the Enlarged Group; (iv) a valuation report on the HK Subsidiary; and (v) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2018, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

INTRODUCTION

The Board is pleased to announce that on 22 October 2018 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares, at the Consideration of HK\$76,000,000, which will be satisfied (i) as to HK\$55,749,408 by the issue and allotment of the Consideration Shares at the Issue Price of HK\$0.131 per Consideration Share by the Company to the Vendor; and (ii) as to the remaining amount of HK\$20,250,592 by the issue of the Promissory Note by the Purchaser to the Vendor, upon Completion.

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date

22 October 2018 (after trading hours)

Parties

- (i) the Purchaser;
- (ii) the Vendor; and
- (iii) the Company. (collectively, the "**Parties**")

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Asset to be acquired

The Sale Shares, representing 100% of the issued share capital of the Target Company.

Consideration

The Consideration of HK\$76,000,000 shall be paid and satisfied upon Completion in the following manner:

- (i) as to HK\$55,749,408 by the issue and allotment of 425,568,000 Consideration Shares at the Issue Price of HK\$0.131 per Consideration Share by the Company to the Vendor; and
- (ii) as to the remaining amount of HK\$20,250,592 by the issue of the Promissory Note by the Purchaser to the Vendor.

Further details of the Consideration Shares and the Promissory Note are set out in the sections headed “The Consideration Shares” and “The Promissory Note” below respectively.

The Consideration was arrived based on normal commercial terms after arm’s length negotiations between the Purchaser and the Vendor and was determined with reference to the following factors:

- (i) the preliminary valuation of 100% equity interests of the HK Subsidiary, being the operating entity of Target Group of HK\$80,000,000 as at 30 September 2018 (the “**Valuation**”) prepared by an independent valuer based on the market approach;
- (ii) the financial and operating performance of the HK Subsidiary and latest financial position of the HK Subsidiary as shown in its audited financial statements for the year ended 31 March 2018;
- (iii) the business development and future prospects of the Target Group;
- (iv) the Guaranteed Profits (as defined below) as set out under the sub-section headed “Profit guarantee and compensation” below; and
- (v) the reasons for and benefits of the Acquisition as stated under the section headed “Reasons for and benefits of the Acquisition” below.

The Consideration represents a discount of 5% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Profit guarantee and compensation

Pursuant to the Agreement, the Vendor has irrevocably and unconditionally guaranteed to the Purchaser that the audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with the HKFRS shall be no less than HK\$10,000,000 (the “**Guaranteed Profits**”).

If the actual audited net profit after tax of the HK Subsidiary for the year ending 31 March 2019 as shown on its audited financial statements to be prepared in accordance with HKFRS (the “**Actual Profits**”) shall be less than the Guaranteed Profits, the Vendor shall compensate the Purchaser with an amount in respect of the shortfall calculated according to the following formula (the “**Compensation Sum**”):

$$\text{Compensation Sum} = \frac{(\text{Guaranteed Profits} - \text{Actual Profits})}{\text{Guaranteed Profits}} \times \text{Consideration}$$

For the avoidance of doubt, if the Actual Profits shall be negative, it shall be deemed to be zero. The maximum amount of the Compensation Sum payable by the Vendor shall not exceed the amount of the Consideration.

The Actual Profits shall be determined according to the audited financial statements of the HK Subsidiary for the year ending 31 March 2019 which shall be prepared in accordance with the HKFRS and reported by the auditor nominated by the Purchaser within 3 months after the said period or any other date as agreed by the Vendor and the Purchaser (the “**2019 Audit**”). The cost of appointing such auditor will be borne by the Purchaser.

The Compensation Sum shall be settled by the Vendor with the Purchaser by way of set off against the Promissory Note and any remaining balance shall be paid by the Vendor in cash. The Vendor shall settle and pay all relevant amount that is payable within 14 Business Days upon the issuance of the 2019 Audit. For the avoidance of doubt, no interest shall accrue or payable to the holder of the Promissory Note in respect of any amount under the Promissory Note being set off and all such interests of the remaining amount of the Promissory Note, if any, will only be accrued upon the full settlement of all relevant amount payable by the Vendor (the “**PN Interest Arrangement**”).

The Guaranteed Profits was arrived at after arm’s length negotiations between the Parties with reference to (i) historical financial performance of the Target Group with profit-making record; (ii) the business development and future prospect of the Target Group; and (iii) prospect of wine industry in Hong Kong.

Conditions Precedent

Completion shall be conditional upon and subject to:

- (a) the completion of the due diligence review and investigation on the Target Group (which includes but not limited to, the legal and financial due diligence review) conducted by the Purchaser to its reasonable satisfaction;
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) the Agreement and the sale and purchase of the Sale Shares contemplated thereunder having been approved by the Shareholders at the EGM in accordance with the Applicable Laws;
- (d) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective Parties (including but not limited to, the necessary consent from the Stock Exchange and banks);
- (e) the Purchaser has been provided with the unaudited consolidated management accounts of the Target Group for the financial period ended 30 September 2018; and
- (f) the representations, warranties and undertakings provided by the Vendor set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

As at the date of this announcement, no condition precedent has been fulfilled or waived. The Purchaser may waive the conditions precedent (a) and (e) at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by Purchaser) on or before 2:00 p.m. on the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

Completion

Completion shall take place at 2:00 p.m. on the Completion Date after all the conditions of the Agreement have been fulfilled (or waived as the case may be) or such date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price of HK\$0.131 each, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a premium of approximately 10.08% over the closing price per Share of HK\$0.119 as quoted on the Stock Exchange on 22 October 2018, being the date of the Agreement;
- (ii) a premium of approximately 6.68% over the average closing price per Share of HK\$0.1228 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement; and
- (iii) a premium of approximately 1.08% over the average closing price per Share of HK\$0.1296 as quoted on the Stock Exchange for the ten consecutive trading days immediately preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 20.0% of the number of issued Shares as at the date of this announcement and represent approximately 16.7% of the number of issued Shares as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the General Mandate and will be allotted and issued on the date of Completion. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. The General Mandate will almost be fully utilized upon the allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

THE PROMISSORY NOTE

Set out below are the principal terms of the Promissory Note:

Issuer:	The Purchaser
Principal amount:	HK\$20,250,592
Interest:	4% per annum from the date of issue of the Promissory Note, subject to the PN Interest Arrangement (as applicable) set out under the subsection headed “Profit guarantee and compensation” above
Maturity:	2 years from the date of issue of the Promissory Note (the “ Maturity Date ”)
Repayment:	due and repayable on the Maturity Date
Transferability:	The Promissory Note may only be transferable and assignable by the Parties to any party with prior written approval of the Parties
Early repayment:	the Purchaser may pay to the Vendor prior to the Maturity Date any outstanding principal amount (together with the accrued interests) of the Promissory Note

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in British Virgin Islands with limited liability, which is wholly owned by the Vendor. The Target Company is an investment holding company and the Target Group is principally engaged in trading of wine products in Hong Kong.

The Target Group generates revenue from the sales and distribution of wine products through operations of the HK Subsidiary. The HK Subsidiary commenced wine products trading business in October 2008 with a focus in selling Australian wine brands. The HK Subsidiary offers a wide spectrum of wine products ranging from entry-level to luxury fine wine. The HK Subsidiary has established an extensive sales and distribution network in Hong Kong ranging from grocery store, local restaurant, wine shop to online platform. The sales channels of the HK Subsidiary include retail sales and wholesales to distributors, direct customers and on-line customers etc.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the key financial data of the HK Subsidiary, being the operating entity of the Target Group, extracted from its audited financial statements for the years ended 31 March 2017 and 31 March 2018:

	For the year ended 31 March 2017	For the year ended 31 March 2018
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	48,969	51,555
Net profit before taxation	5,184	7,069
Net profit after taxation	5,040	5,917

According to the audited financial statements of the HK Subsidiary, the HK Subsidiary recorded net assets of approximately HK\$6.9 million as at 31 March 2018.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) catering services; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; (iv) money lending business; and (v) wine trading.

As disclosed in the annual report of the Company for the year ended 31 December 2017, in order to expand the Group's existing operations and diversify its businesses and income base to maximise the interests of the Group and the Shareholders as a whole, the Group has been reviewing its operations and proactively seeking potential investment opportunities.

The Group commenced its wine trading business in the first half of 2018. As disclosed in the interim report of the Company for the six months ended 30 June 2018, the Board believes the development of the wine trading business represents a good opportunity for the Group to further develop its distribution and catering business and will help diversify the businesses of the Group. The Group's wine trading business achieved positive results following its commencement and accounted for around 20% of the Group's total revenue for the six months ended 30 June 2018. It recorded segment revenue of approximately HK\$15.8 million and segment profit of approximately HK\$1.9 million for the six month ended 30 June 2018. As such, it is the intention of the Group to further strengthen its sales capability in wine trading with an aim to take advantage of the steady growth of the wine industry. The Board believes that further expansion of wine trading business through the Acquisition will broaden the income stream of the Group and is in the interests of the Company and the shareholders as a whole.

To facilitate the development of Hong Kong as a wine trading and distribution hub to meet the growing demands in Asia, the Hong Kong government has removed all import duties and administrative controls for wine in February 2008. Further, to facilitate the movement of wine imports into the PRC through Hong Kong, the Customs and Excise Department of Hong Kong and the General Administration of Customs of the PRC signed in 2010 the "Cooperation Arrangement on Customs Facilitation Measures for Wine Entering the Mainland through Hong Kong". Under such customs facilitation measures, registered wine companies are allowed to import wine products into designated ports of the PRC with enhanced customs clearance arrangements, including duty pre-valuation whilst the wines are in Hong Kong and compression of clearance time at ports of the PRC. Since November 2017, the customs clearance arrangement would be extended from 5 to all 42 custom districts in the PRC, which further facilitated the movement of wine re-exports into the PRC.

Hong Kong's wine imports have expanded significantly since the elimination of import duties in February 2008. With reference to the research released on 6 September 2018 by the Hong Kong Trade Development Council, in January-June 2018, imports of wine amounted to HK\$6.2 billion, more than three times of the value of HK\$1.6 billion in 2007. Furthermore, according to the statistics of Euromonitor International, a global independent provider of strategic market research, for 2017 to 2022, wine sales in Asia is forecasted to grow 6.7% per annum in value terms and 3.1% per annum in volume terms. Wine sales in the PRC is estimated to be the key driver, which is forecasted to grow 10.4% per annum in value terms and 5.0% per annum in volume terms.

The Target Group generates its revenue from the sales and distribution of wine products through operations of the HK Subsidiary. With approximately 10 years of operating history in wine products trading, the HK Subsidiary has established stable business relationship with customers and suppliers. The longest relationship that the HK Subsidiary has with its customers and suppliers exceeds 5 years. The net profit before taxation of the HK Subsidiary increased from approximately HK\$5.2 million for the year ended 31 March 2017 to approximately HK\$7.1 million for the year ended 31 March 2018, representing an increase of over 36%. Based on the foregoing, the Directors consider that the Acquisition would provide another income stream to the Group.

In light of (i) future prospect of the wine business; and (ii) the role of Hong Kong in wine business as trading and distribution hub for wine products; and (iii) the established business presence and proven profit-making record of the HK Subsidiary, the Directors consider that the Target Group will have a promising prospect and will provide another income stream to the Group. In this regard, the Directors consider that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to expand in the wine trading business with growth potential and to generate diversified income and additional cashflow through the Acquisition.

Furthermore, as the Consideration is satisfied through the issue of the Consideration Shares and the Promissory Note, it will not impose immediate cashflow burden to the Group. In addition, the existence of the Guaranteed Profits and compensation mechanism will effectively reduce the Consideration in the event of shortfall in the Guaranteed Profits. As such, it provides extra protection to the Group regarding the risk of the Target Group not sustaining its initial performance and growth.

In view of the above, the Directors are of the view that the terms and conditions of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Consideration Shares upon Completion:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares upon Completion	
	<i>Number of Shares</i>	<i>Approximately % (Note 3)</i>	<i>Number of Shares</i>	<i>Approximately % (Note 3)</i>
Director				
Yu Ka Ho (<i>Note 1</i>)	256	–	256	–
Substantial Shareholder				
KMW Investments Limited (<i>Note 2</i>)	254,863,200	11.98	254,863,200	9.98
The Vendor	–	–	425,568,000	16.67
Public Shareholders	<u>1,872,991,187</u>	<u>88.02</u>	<u>1,872,991,187</u>	<u>73.35</u>
Total	<u><u>2,127,854,643</u></u>	<u><u>100</u></u>	<u><u>2,553,422,643</u></u>	<u><u>100</u></u>

Notes:

1. Mr. Yu Ka Ho is an executive Director.
2. KMW Investments Limited is wholly and beneficially owned by Mr. Wong Ryan Tai Cheong.
3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

GEM LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100% under the GEM Listing Rules, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and shareholder's approval requirements under Chapter 19 of the GEM Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Acquisition at the EGM.

GENERAL

A circular containing, among other things, (i) further information on the Acquisition; (ii) an accountants' report on the Target Group; (iii) a pro forma financial information on the Enlarged Group; (iv) a valuation report on the HK Subsidiary; and (v) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2018, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of 100% of the issued share capital of the Target Company pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 22 October 2018 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition
“Applicable Laws”	in respect of any person, any laws, rules, regulations, directives, decrees, treaties, or orders of any authority (including but not limited to the GEM Listing Rules), that are applicable to and binding on such person
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Food Idea Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on GEM (stock code: 8179)

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the third Business Days after the date of fulfillment (or waiver) of all the conditions set out in the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$76,000,000
“Consideration Shares”	425,568,000 new Shares to be issued to the Vendor at an issue price of HK\$0.131 per new Share as part of the Consideration
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group upon Completion, together with the Target Group
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 8 June 2018. Under this general mandate, the Directors are allowed to allot and issue up to 425,570,928 Shares. As at the date of this announcement, no Shares have been issued and allotted under the General Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	the financing reporting standards and interpretations including: (a) Hong Kong Financial Reporting Standards; (b) Hong Kong Accounting Standards; and (c) Interpretations issued by the Hong Kong Institute of Certified Public Accountants

“HK Subsidiary”	Palinda Wines (H.K.) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.131 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“Long Stop Date”	31 March 2019 or such later date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Note”	the promissory note in the principal amount of HK\$20,250,592 to be issued by the Purchaser in favour of the Vendor as part of the Consideration
“Purchaser”	Arrow Vision Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
“Sale Shares”	6,000 ordinary shares of the Target Company, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Palinda Holding Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor immediately prior to Completion
“Target Group”	the Target Company and the HK Subsidiary
“Vendor”	Ms. Huang Wei, an individual who to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party
“%”	per cent.

By order of the Board
Food Idea Holdings Limited
Wong Hoi Yu
Chairman and executive Director

Hong Kong, 22 October 2018

As at the date of this announcement, the Board comprises Mr. Wong Hoi Yu and Mr. Yu Ka Ho as executive Directors, and Mr. Chu Sin Bun Jacky, Mr. Kwan Wai Yin, William and Mr. Tam Lok Hang as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting and on the Company’s website at <http://www.foodidea.com.hk>.