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## **FIRST NATURAL FOODS HOLDINGS LIMITED**

**第一天然食品有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

### **MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE NOTES**

#### **ACQUISITION OF PROFIT STREAM FROM MACAU GAMING BUSINESS**

##### **THE ACQUISITION**

The Board is pleased to announce that, on 27 November 2013 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Company has conditionally agreed to acquire and accept, the entire issued share capital of the Target Company and the Shareholder's Loan at a total Consideration of HK\$400,000,001. The Consideration will be settled as to HK\$1 by means of cash and the remaining HK\$400 million by the issuance of the Convertible Notes.

As at the date of this announcement, the principal asset of the Target Company is its interests under, and entitlements to, the Profit Transfer from the Junket. The Junket is one of the leading gaming promoters in Macau which has been rapidly expanding since its incorporation. It currently operates seven VIP rooms across major casinos in Macau, including StarWorld Casino, Wynn Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino, and Venetian Casino. Based on the information provided by the Vendor, the unaudited net profit of the Junket for the ten months ended 31 October 2013 amounted to approximately HK\$462,080,000.

\* For identification purposes only

The Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) consider that the Acquisition is an investment with minimal risk but strong upside potential and is in the interests of the Company and the Shareholders as a whole for the following reasons:

- (i) Taking into account the Profit Guarantee to be provided by the Vendor which will be 100% secured by the Convertible Notes, the Acquisition will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK\$25 million per year on average (representing approximately a guaranteed minimum yield of 6.25% per annum) over a period of 16 years.
- (ii) The Acquisition represents a conservative but appropriate strategic move of the Group with strong growth potential in view of the attractive prospect of the gaming industry in Macau and the competitive strength of the Junket.
- (iii) The Acquisition is expected to have positive impact on the financial results and cash flow position of the Company.
- (iv) The principal risks associated with the Acquisition have been satisfactorily dealt with by the terms of the Sale and Purchase Agreement and the Acquisition represents an investment with minimal risk.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios in respect of the Acquisition are greater than 25% but less than 100% for the purpose of Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the date of this announcement, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung has been established to advise and give recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares). An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Inventive Star and its associates are required to abstain from voting at the SGM in respect of the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

#### **GENERAL**

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice convening the SGM, will be despatched to the Shareholders on or before 18 December 2013.

**As completion of the Sale and Purchase Agreement is subject to the fulfillment (or waiver, as the case may be) of a number of conditions (which are detailed in this announcement), the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 27 November 2013 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Company has conditionally agreed to acquire and accept, the entire issued share capital of the Target Company and the Shareholder's Loan.

As at the date of this announcement, the principal asset of the Target Company is its interests under, and entitlements to, the Profit Transfer. Taking into account the Profit Guarantee to be provided by the Vendor (subject to and upon Completion), which will be 100% secured by the Convertible Notes (please see the paragraph headed "The Sale and Purchase Agreement — Profit Guarantee" of this announcement) and the attractive prospect of the gaming industry in Macau (please see the paragraph headed "Reasons and benefits for the Acquisition — Attractive prospect of the gaming industry in Macau") the Acquisition will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK\$25 million per year on average (representing approximately a guaranteed minimum yield of 6.25% per annum on average) with substantial upside potential over a period of 16 years.

Details of the Acquisition are set out as follows:

#### **THE SALE AND PURCHASE AGREEMENT**

Date: 27 November 2013

Parties: the Company (as the Purchaser); and  
Ms. Cui Limei (as the Vendor)

Ms. Cui Limei is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

### **Assets to be acquired**

The Sale Share, being one (1) share of US\$1.00 in the share capital of the Target Company, representing the entire issued share capital of Target Company; and the Shareholder's Loan, in the amount of HK\$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement.

As at the date of this announcement, the principal asset of the Target Company is its interests under, and entitlements to, the Profit Transfer. Subject to and upon Completion, the Company will, through the Target Company, be entitled to receive the Profit Stream under the Profit Transfer.

### **Consideration**

The consideration for the sale and purchase of the Sale Share and the assignment and transfer of the Shareholder's Loan is Hong Kong Dollars Four Hundred Million only (HK\$400,000,000) and Hong Kong Dollar One only (HK\$1) respectively, which shall be payable in full on Completion in the following manner:

- (i) as to HK\$1 by means of cash; and
- (ii) as to HK\$400 million by issuing to the Vendor or her nominee(s) the Convertible Notes.

The Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, the Profit Transfer, the Profit Guarantee and the prospect of the Junket and the Target Company.

### **Conditions**

Completion is subject to the satisfaction (or waiver) of all of the following conditions:

- (i) the Company being satisfied in reliance on the representations, warranties and undertakings given by the Vendor to the Company and upon inspection and investigation as to:
  - (a) the financial, contractual, taxation and trading positions of the Target Company; and
  - (b) the entitlement under the Profit Transfer pursuant to the Profit Transfer Agreement, the Loan Agreement and other arrangements (contractual or otherwise) in relation thereto;

- (ii) the Vendor having complied fully with the obligations under all pre-completion matters and otherwise having performed all of the covenants and agreements required to be performed by her prior to Completion under the Sale and Purchase Agreement;
- (iii) the Company having received a legal opinion in form and substance satisfactory to the Company from a firm of Macau legal advisers appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder in relation to such matters as it may require, including in relation to the legality of the Profit Transfer;
- (iv) the representations, warranties and undertakings given by the Vendor to the Company remaining true and correct as at the Completion Date with respect to facts and circumstances as at the Completion Date;
- (v) the passing of the necessary resolutions by the Shareholders at the SGM to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereby, including but not limited to the issue of the Convertible Notes, the allotment and issue of the Conversion Shares, and all other consents and acts required under the Listing Rules and other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;
- (vi) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (vii) Bermuda Monetary Authority granting necessary approvals for the allotment and issue of the Conversion Shares and all other necessary approval being obtained, if necessary;
- (viii) the Company being satisfied that there has not been any Material Adverse Change (or Effect) in respect of the Junket since the date of the Sale and Purchase Agreement;
- (ix) DICJ having approved the Profit Transfer for the 12-month period ending on 31 December 2014;
- (x) the Target Company and the Junket having agreed upon the commencement date of the Profit Transfer which shall not be later than 1 January 2014; and
- (xi) all other necessary consents, licences and approvals required to be obtained on the part of the Company and/or the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect.

The Sale and Purchase Agreement shall be terminated automatically if any of the above conditions is not satisfied or waived (by the Company as to the above conditions (i) to (iv) and conditions (vii) to (xi) (so far as it relates to the Vendor) or by the Vendor as to the conditions (xi) (so far as it relates to the Company)) on or before the Long Stop Date and none of the parties shall have any claim against the other save in respect of any antecedent breaches of the Sale and Purchase Agreement. Conditions (v) and (vi) above shall not be waivable.

## Completion

Completion will take place on the 5th Business Day after the last of the above conditions is satisfied (or waived as the case may be).

## Profit Guarantee

Subject to Completion, the Vendor irrevocably and unconditionally guarantees to the Company that the Profit Stream for each guaranteed period mentioned below (each a “**Guaranteed Period**”) commencing from 1 January 2014 and ending on 31 December 2029 shall not be less than the amount set opposite to the relevant Guaranteed Period in the table below (each the “**Guaranteed Profit Share**”):

<b>Guaranteed Period</b>	<b>Guaranteed Profit Share</b>
1 January 2014–31 December 2014	HK\$24,000,000
1 January 2015–31 December 2017	HK\$72,000,000
1 January 2018–31 December 2021	HK\$100,000,000
1 January 2022–31 December 2025	HK\$102,000,000
1 January 2026–31 December 2029	HK\$102,000,000

If the aggregate actual Profit Stream received by the Company for one or more Guaranteed Periods shall be equal to or more than HK\$400,000,000, the Profit Guarantee shall forthwith terminate and cease to have further force and effect.

If the actual Profit Stream received by the Company in a relevant Guaranteed Period plus the surplus amount of the actual Profit Stream of all previous Guaranteed Periods over and above the applicable Guaranteed Profit Share, is less than the amount of relevant Guaranteed Profit Share, the Vendor shall pay to the Company the difference between such actual Profit Stream and the Guaranteed Profit Share (the “**Shortfall**”).

If at any time during the subsistence of the Profit Guarantee, in the reasonable opinion of the Company, there shall have occurred any Material Adverse Change (or Effect) or any development involving a prospective Material Adverse Change (or Effect), the Company shall be entitled by giving the Vendor not less than fourteen days’ written notice to demand for the payment of the total Guaranteed Profit Share for the remaining Guaranteed Period.

As security for the Profit Guarantee, the Convertible Notes, when issued, will be deposited with and retained by the Company. If the Vendor shall at any time have failed to pay (a) the Shortfall or (b) the Guaranteed Profit Share for the remaining Guaranteed Period, the Company shall be entitled to repurchase and the Vendor shall sell to the Purchaser such principal amount of the Convertible Notes at the consideration of HK\$1 and/or forfeit such part of the Cash Security (as defined below) which together will be equal to the amount of

Shortfall or the Guaranteed Profit Share for the remaining Guaranteed Period (as the case may be) due and owing from the Vendor within three Business Days after serving a written notice thereof to the Vendor as compensation for the Vendor's said default. The Convertible Notes will only be released to the Vendor in the following manner:

- (a) if the Vendor shall have deposited cash (the "**Cash Security**") to the Company as alternative security for the Profit Guarantee, the Company will release an equivalent principal amount of the Convertible Notes to the Vendor provided that such right may only be exercisable by the Vendor after 12 months from the issue of the Convertible Notes; and/or
- (b) if the actual Profit Stream received by the Company for a particular Guaranteed Period shall have reached or exceeded the relevant Guaranteed Profit Share, the Company will release to the Vendor such part of the Convertible Notes and/or Cash Security (without interest), which together will be equal to the amount of the relevant Guaranteed Profit Share; and/or
- (c) if the Profit Guarantee shall terminate and cease to have further force and effect, the Company will release to the Vendor the whole of the Convertible Notes that are still outstanding together with all the remaining Cash Security (without interest) (if any).

The Profit Guarantee was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net profit of the Junket for the ten months ended 30 October 2013 of approximately HK\$462 million; (ii) the prospect of the Junket and the Target Company; and (iii) the guaranteed period of 16 years as agreed by the Vendor.

The Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) consider that the Profit Guarantee which will be 100% secured by the Convertible Notes will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK\$25 million per year on average (representing approximately a guaranteed minimum yield of 6.25% per annum) over a period of 16 years. Further analysis is discussed in the section headed "Reasons and benefits for the Acquisition" below.

### **Convertible Notes**

Pursuant to the Sale and Purchase Agreement, the Company will issue to the Vendor or her nominee(s) the Convertible Notes in the principal amount of HK\$400 million upon Completion as partial settlement of the Consideration. The principal terms of the Convertible Notes are summarized as follows:

Issuer:	the Company
Noteholder(s):	the Vendor (or her nominee(s))
Principal Amount:	HK\$400 million
Interest:	Nil

- Maturity: 192 months from the date of issuance of the Convertible Notes
- To the extent not previously converted, purchased or cancelled, the Convertible Notes outstanding on the Maturity Date shall be mandatorily converted into Conversion Shares at the Conversion Price in effect on the Maturity Date.
- Early Redemption: The Company may not redeem the Convertible Notes at its option.
- Conversion Price: The initial Conversion Price will be HK\$1 per Conversion Share, which represents:
- (a) a discount of approximately 77.68% to the closing price of HK\$4.48 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
  - (b) a discount of approximately 77.83% over the average closing price of HK\$4.51 per Share as quoted on the Stock Exchange for five (5) consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement;
  - (c) a discount of approximately 48.98% over the average closing price of HK\$1.96 per Share as quoted on the Stock Exchange for one hundred and eighty (180) consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement; and
  - (d) a premium of 150% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net asset value of HK\$0.40 per Share as at 30 June 2013; (ii) the audited net asset value of HK\$0.40 per Share as at 31 December 2012; (iii) the offer price of HK\$1 per Share under the Offer; (iv) the thin liquidity of the Shares; and (v) the future business prospects of the Group after the completion of the Acquisition. Further analysis is discussed in the section headed "Reasons and benefits for the Acquisition" below.



The Conversion Price is subject to adjustments upon the occurrence of, among others, consolidation or subdivision of Shares in the share capital of the Company, capitalization of profits or reserves, capital distributions, rights issues of Shares or other securities, issue of shares or other securities. In such event, the Company may appoint a licensed financial adviser to consider whether the adjustments to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, including but not limited to the holders of the Convertible Notes.

- Conversion rights: Subject to the conversion restriction, each Convertible Note shall entitle the holder to convert such Convertible Notes into Shares credited as fully paid at any time during the Conversion Period.
- Conversion restriction: Conversion at the option of a Noteholder provided that the conversion rights shall only be exercisable:
- (a) so long as the minimum public float of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained in accordance with the Listing Rules; and
  - (b) provided that any exercise by the Noteholder and parties acting in concert (within the meaning ascribed to it under the Takeovers Code) with it does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the Noteholder and parties acting in concert with it.
- Ranking of Conversion Shares: The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other Shares in issue as at the relevant date of conversion.
- Voting: Noteholder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of it/they being the holder(s) of the Convertible Notes.
- Transferability: Except with the written consent of the Company, the Convertible Notes shall not be transferrable during a period of one year from the date of issuance of the Convertible Note(s) (“**Lock Up Period**”). The Convertible Notes or interests in such Convertible Notes (and any part thereof) shall then be freely transferrable provided that they may not be transferred by the Noteholders to any connected person of the Company without written consent of the Company and compliance of any applicable Listing Rules.

Conversion Share: Assuming the issue of the Convertible Notes is completed and based on the initial Conversion Price of HK\$1 per Conversion Share, a number of 400,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 99.94% of the issued share capital of the Company as at the date of this announcement and approximately 49.99% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

The Conversion Shares will be issued and allotted under the specific mandate of the Company. The Directors proposed to seek approval from the Independent Shareholders at the SGM to issue the Conversion Shares.

Listing: No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Lock Up: During the Lock Up Period, the Vendor can neither transfer nor exercise any conversion rights attaching to the Convertible Notes.

## **EFFECT OF THE ISSUE OF THE CONVERTIBLE NOTES ON SHAREHOLDING STRUCTURE**

The existing and enlarged shareholding structure of the Company immediately before and after the allotment and issue of the Conversion Shares is set out below (assuming no further Shares are issued before the allotment and issue of the Conversion Shares):

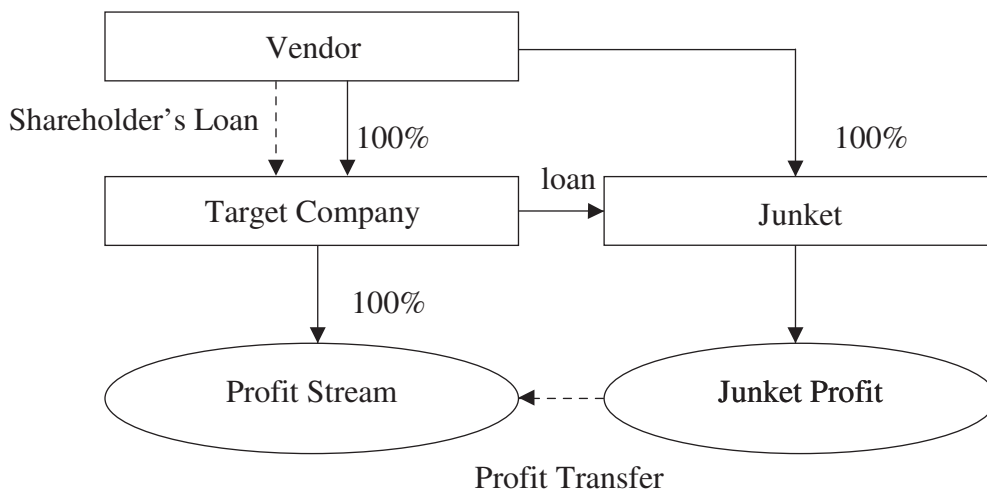
<b>Shareholders</b>	<b>As at the date of this announcement</b>		<b>After allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes (Note)</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Inventive Star	300,182,154	75.00	300,182,154	37.51
Ms. Cui Limei (the Vendor)	—	—	400,000,000	49.99
Public Shareholders	100,064,120	25.00	100,064,120	12.50
<b>Total</b>	<b>400,246,274</b>	<b>100.00</b>	<b>800,246,274</b>	<b>100.00</b>

*Note:* The above scenario is set out for illustrative purpose only and will never occur. The conversion of the Convertible Notes is subject to the conversion restrictions under the Convertible Notes regarding Takeovers Code implications and public float requirements under the Listing Rules.

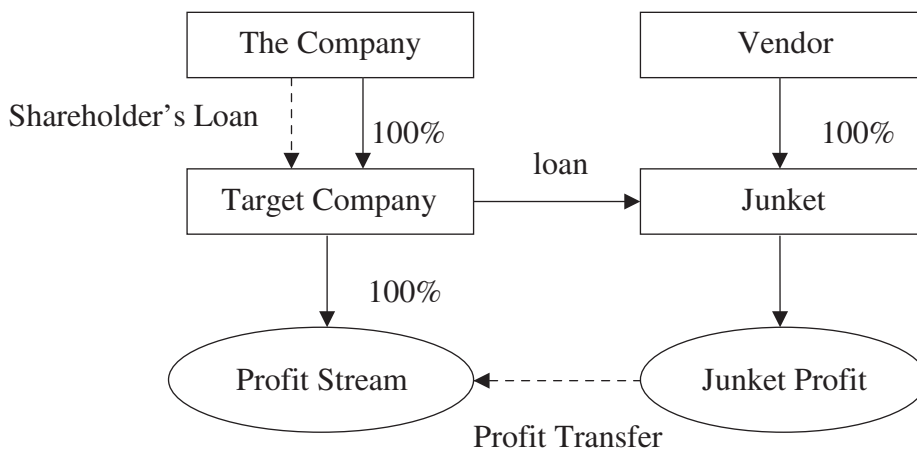
As at the date of this announcement, the Company has no outstanding convertible securities or options which are convertible or exchangeable into Shares. The Acquisition and the issue of the Convertible Notes will not result in a change of control of the Company.

**GROUP STRUCTURE BEFORE AND AFTER COMPLETION OF THE ACQUISITION**

The diagram below shows the shareholding structure of the Target Company immediately before Completion:



The diagram below shows the shareholding structure of the Target Company immediately after Completion:



## **POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION**

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

As the value of the Consideration to be reflected in the Group's financial statements will depend on the fair value of the Convertible Notes as of the Completion Date, certain financial impacts on the profit or loss and the financial position of the Group arising from the Acquisition can only be ascertained on or after the Completion Date.

The Acquisition does not require any material cash outlay as the consideration for the Sale Share is to be satisfied by the issuance of Convertible Notes with principal amount of HK\$400 million which shall be mandatorily converted into Conversion Shares on the Maturity Date while the Consideration for the Shareholder's Loan of HK\$1 will be settled by cash. In view of the aforesaid and the steady cash flow to be derived from the Profit Stream, which will be amounted to at least HK\$25 million per year on average for a period of 16 years, it is expected that the Acquisition would result in a positive effect to the trading and liquidity positions and cash flow of the Group.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company was incorporated on 30 May 2013 and is an investment holding company. Its issued share capital is US\$1.00 which is fully paid up by the Vendor.

Since its incorporation, the Target Company has not conducted any business or undertaken any activity except the making of the contractual arrangements with the Junket in relation to the Profit Transfer.

### **The Profit Transfer**

On 8 July 2013, the Target Company entered into the Profit Transfer Agreement and the Loan Agreement with the Junket, pursuant to which the Target Company has agreed to keep available to the Junket a loan facility of up to the maximum aggregate amount of HK\$18 million (or such other amount as may be agreed by the parties thereto in writing) and to provide consultancy service to the Junket to support the operation of its VIP rooms. In return, the Junket has agreed to transfer the Profit Stream, being 5% (five percent) of the Junket Profit, to the Target Company with effect from a date to be mutually agreed by the Junket and the Target Company. Although DICJ has approved the Profit Transfer for the period ending 31 December 2013, the Target Company and the Junket have not yet agreed on the commencement date of the Profit Transfer.

As a safeguard for the Target Company against any understatement of the Junket Profit, pursuant to the Loan Agreement, the Junket is obliged to furnish the Target Company, within the first seven (7) days of each month, with financial information of the VIP rooms, including a statement on (i) a net profit or loss; (ii) rolling chips turnover; (iii) cash position; and (iv) administrative expenses, for the preceding calendar month and a director's certificate to the effect that such furnished financial information does not contain any untrue statement of a material fact or will omit any material fact which would make the statements and information contained therein misleading. At the request of the Target Company, the Junket is also obliged to provide it with full access to the operating data on any selected

day(s) and/or period(s) within a profit sharing period. The Target Company will also be entitled to audit the books and records of the Junket and will have the right to claim compensation if the result of such audit differs in a material way from the financial information provided by the Junket.

In the event that any of the VIP rooms operated by the Junket are terminated by the relevant covered casino or have otherwise changed in a materially adverse manner during the term of the Loan Agreement, the Target Company shall have the option to require the Junket to repay all or a portion of the outstanding principal amount of the loan facility based on the affected operating revenue.

The Profit Transfer Agreement will be automatically renewed on a yearly basis and the Loan Agreement will be valid up to 31 December 2017 and will then be automatically renewed for subsequent terms of four (4) years each unless it is terminated by the parties pursuant to the terms thereof. The Profit Transfer is subject to the annual approval of DICJ and pursuant to the Profit Transfer Agreement, the parties have agreed to make the necessary applications and promptly provide all relevant documents and information to DICJ or other competent authorities in Macau (where applicable) in order to allow, make effect and legalize the Profit Transfer in every fiscal year.

### **Financial information of the Target Company**

As the Target Company has not yet commenced any business nor received any Profit Stream, according to the unaudited accounts of the Target Company, no profit has been recorded since its incorporation and up to 31 October 2013. The net asset value of the Target Company as at 31 October 2013 was HK\$8.

### **INFORMATION ON THE VENDOR**

The Vendor, namely Ms. Cui Limei, is the sole shareholder of the Junket and the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star.

As informed by the Vendor, the Vendor has extensive experience and knowledge in the Asian gaming industry.

### **INFORMATION ON THE JUNKET**

The Junket, namely Hang Seng Sociedade Unipessoal Limitada, was incorporated on 30 March 2011 as a single shareholder private company with limited liability under the laws of Macau.

The Junket commenced its gaming promotion business to offer solely the game of VIP Baccarat in Macau in July 2011 with only one VIP room and 12 VIP table games at StarWorld Casino and has since then been expanding quickly. Up to the date of this announcement, the Junket has evolved to become one of the leading gaming promoters in Macau with seven VIP rooms across most of the major casinos in Macau, including StarWorld Casino, Wynn Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino,

and Venetian Casino offering 86 VIP table games exclusively for VIP or premium players. Based on the information provided by the Vendor, the performance of the Junket Profit since its commencement of business in July 2011 and up to October 2013 is summarized below:

	<b>Junket Profit</b> <i>HK\$ (approximately)</i>
From 28 July 2011 to 31 December 2011	305,530,000
From 1 January 2012 to 31 December 2012	453,410,000
From 1 January 2013 to 31 October 2013	462,080,000

The following are certain significant milestones of the Junket since its inception of business:

<b>Time</b>	<b>Achievements</b>
2011	July      Opening of the first VIP gaming room at StarWorld Casino
	December    Opening of the VIP gaming room at Wynn Casino
2012	March      Opening of the VIP gaming room at Galaxy Casino
2013	January     Opening of the VIP gaming room at Sands Cotai Central Casino
	April        Opening of the second VIP gaming room at Wynn Casino Opening of the VIP gaming room at MGM Casino Monthly rolling turnover exceeded HK\$20 billion
	May         Opening of the VIP gaming room at Venetian Casino
	July         Monthly rolling turnover exceeded HK\$30 billion
	October     Monthly rolling turnover exceeded HK\$39 billion

In addition to rising Junket Profit, the client base of the Junket has also recorded significant growth. According to the Vendor, as at 31 December 2011, being five months since the Junket has commenced operations, only around 200 client accounts were maintained by the Junket. However, the number of client accounts surged to around 650 as at 31 December 2012, representing an increase of approximately 225%. Since the Junket expands its clientele by utilizing the professional services of its employees and other collaborators and encouraging existing clients to introduce new clients, it is expected that such exponential marketing effect would contribute to the favorable increase in the Junket's client base and the Junket Profit in 2013 and the years ahead.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

The Company is an investment holding company and through its subsidiaries is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

As mentioned in the composite document of the Company dated 24 October 2013, Inventive Star, the then Offeror and the existing controlling Shareholder of the Company, had expressed its intention to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment business in the PRC and/or gaming business in Macau and/or worldwide. In line with this diversification initiative and strategy, Ms. Cui Lijie, the ultimate beneficial owner of Inventive Star, has introduced to the Company the Target Company as an appropriate acquisition target for the Group. Having considered and balanced the various factors mentioned below, the Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) consider the Acquisition is an investment with minimal risk but strong upside potential and is in the interests of the Company and the Shareholders as a whole:

### **(i) Nature of the Acquisition**

As mentioned in the section headed “Information of the Target Company” above, the Target Company has not conducted any business or undertaken any activity since its incorporation except the making of the contractual arrangements with the Junket in relation to the Profit Transfer. Hence, by acquiring the Target Company, the Company is in essence acquiring the Profit Stream that the Target Company is entitled to receive under the Profit Transfer. Taking into account the Profit Guarantee to be provided by the Vendor upon Completion which will be 100% secured by the Convertible Notes, the Acquisition will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK\$25 million per year on average (representing approximately a guaranteed minimum yield of 6.25% per annum on average) over a period of 16 years.

### **(ii) A conservative but appropriate strategic move of the Group**

The mechanism of the Profit Transfer provides an opportunity for the Group to share the return on the gaming business through the Profit Stream without substantial involvement in the daily operation of the Junket thereby minimizing the risk exposure of the Group, the Profit Guarantee further protects the Group against any monetary loss as the aggregate guaranteed profit is more or less equal to the Consideration. As the Group’s first strategic move into the gaming industry, the Acquisition is considered as a conservative yet appropriate investment given the Company’s lack of relevant experience in the gaming business in Macau.

### (iii) An investment with strong growth potential

The Acquisition also provides an opportunity for the Group to tap into the fast growing and lucrative gaming related business in Macau. The growth potential of the Profit Stream is strong in view of the following:

#### (a) Attractive prospect of the gaming industry in Macau

Macau is the world's largest gaming market calculated by gross gaming revenue (the "GGR") and the only area within China to offer legalized casino gaming. According to the statistics published by DICJ and the Las Vegas Convention and Visitors Authority, the GGR from games of fortune of the Macau market reached approximately HK\$295,281 million in 2012 and was approximately six times the size of the Las Vegas Strip market of the same year. The GGR from the game of VIP Baccarat, which is the major income source for most of the junket operators in Macau, has been escalating since 2008 with a compound annual growth rate ("CAGR") of approximately 30% and has accounted for approximately 69% of the total GGR of Macau in 2012. The GGR from gaming activities in Macau from 2008 to the third quarter of 2013 are set out in the table below:

#### GGR from gaming activities in 2008–3Q'2013 (HK\$ million)

	2008	2009	2010	2011	2012	CAGR	2013		
							1st Qtr.	2nd Qtr.	3rd Qtr.
Games of Fortune (Note)	105,604	115,892	182,857	260,065	295,281	29%	82,800	83,653	86,587
VIP Baccarat	71,623	77,509	131,697	190,414	204,709	30%	56,131	56,336	56,111
% of VIP Baccarat	68%	67%	72%	73%	69%	—	68%	67%	65%

Source: DICJ

Note: GGR from games of fortune includes typical casino games such as Baccarat, VIP Baccarat, Blackjacks, Slot Machines, etc., but excludes racings and lotteries.

The supports by the PRC government and the Macau government are decisive for the prosperity of the Macau gaming industry. Since 2002, the introduction of new casino concessionaires by the Macau government has resulted in modern full-service casinos and propelled construction and development in the gaming sector, which are increasingly appealing to new, premium-focused customers who are attracted by a diversified range of gaming, retail, entertainment and leisure offerings. In 2009, Macau was further designated by the PRC government in its Planning Study on the Coordinated Development of the Greater Pearl River Delta Townships to be developed as the "most attractive tourism and recreation center in the world" for its twelfth-five-years-plan. The continuous development in the infrastructure and transportations to and within Macau and the further relaxation of the Individual Visit Scheme is expected to boost its visitation, especially from those high-value casino customers of Guangdong province and Hong Kong. Looking forward, the success of the Macau gaming industry is anticipated to persist with Asia's cultural affinity for gaming, the low relative supply penetration as one



of the few locations in Asia to offer legal gaming, an enormous visitation base from the PRC, the fast emergence of a wealthy, middle-class segment from the PRC which has the financial capacity for leisure and entertainment consumption.

*(b) Competitive strength of the Junket*

From a bottom up prospect, the Junket, having expanded rapidly over the last couple years and being one of the leaders of the gaming promotion business in Macau, has demonstrated its ability for continuous growth and promising profitability. The Directors consider that it can benefit from the growth of overall gaming industry in Macau and through the Profit Transfer, provide not only a stable and sustainable income but also substantial upside potential to the Target Company.

**(iv) Positive impact on the Group's financial results and operations**

*(a) Potential improvement in the financial results of the Company*

Upon Completion, the Profit Stream of the Target Company will be available as a new source of income for the Group. For the six months ended 30 June 2013, the Company recorded a loss of approximately HK\$1,895,000, representing a loss per share of HK\$0.0047 based on 400,246,274 Shares in issue. Pursuant to the Sale and Purchase Agreement, the relevant Profit Guarantee for the year ending 31 December 2014 is HK\$24 million. Such earnings may further increase if the Profit Stream outperforms the Profit Guarantee. The financial results of the Company are therefore expected to turnaround as a result of the Acquisition with the Profit Stream broadening the Group's revenue bases and providing a stable source of income.

*(b) Potential improvement in cashflow position of the Company*

Given that the Consideration (except HK\$1 cash payment for the Shareholder's Loan) will be satisfied by the issue of the zero coupon Convertible Notes with mandatory conversion upon maturity, the Acquisition will not exert any liquidity pressure to the financial position of the Group. Having considered the liquidity position of the Group and the steady cash flow to be derived from the Profit Stream, which will amount to at least HK\$25 million per year on average for a period of 16 years, the Acquisition would result in positive effect to the liquidity positions and cash flow of the Group. The Group may be able to utilize the cash flow to be generated from the Profit Stream for other investment opportunities, if identified and considered appropriate.

**(v) An investment with minimal risks**

In assessing the fairness and reasonableness of the Acquisition, the Directors are also mindful of the following principal risks associated with the Acquisition:

- (a) The operation of the Junket's business is subject to its ability in renewing the gaming promoter licence from DICJ each year. If it fails to obtain the renewal of such licence from DICJ, it can no longer operate the junket business and no Profit Stream can be paid to the Target Company as a result.
- (b) In addition to the gaming promoter licence, the Profit Transfer also needs to be approved by the DICJ annually; no Junket Profit may be transferred to the Target Company unless prior approval has been granted by the DICJ.
- (c) Given the competitive nature of the gaming promotion business, there is no guarantee that clients of the Junket will stay but not turn to other junket operators.
- (d) The Junket Profit relies on, among other things, the annual renewal of its gaming promoter licence by DICJ, tenure of the Junket acting as a junket representative for the various partner casino hotels, the attractiveness of the partner casinos to prospective clients and the Junket's ability to procure clients and the various partner casino hotels being granted gaming concessions. In the event that the Junket ceases to be committed to the junket business or cease to be appointed as a junket representative by one or more of the partner casino hotels or there is a loss of concessions by one or more of the partner casino hotels, the Junket Profit, and thereby the Profit Stream, may be adversely affected.

If any of the above events occurs, the subsistence of the Profit Transfer and hence the business, financial condition and results of operation of the Target Company will be adversely affected. The Directors however consider that the aforesaid risks have been sufficiently dealt with and mitigated by the terms of the Sale and Purchase Agreement:

*(a) Assurance from the Profit Guarantee*

Under the Sale and Purchase Agreement, the Directors have negotiated a dollar-to-dollar guarantee by the Vendor for a term of 16 years with an aggregated Guaranteed Profit Share of HK\$400 million being equivalent to the consideration for the Sale Share. In addition, if there shall have occurred any Material Adverse Change (or Effect), e.g. the revocation or non-renewal of the Junket's gaming promoter licence, the Company will have the right to demand the Vendor for the immediate payment of the total Guaranteed Profit Share for the remaining Guaranteed Period. This ensures that the consideration payable by the Company for the Sale Share can be fully recovered within the designated period, thus barring the Group from any loss as a result of any downturn in the gaming industry in Macau or any occurrence of the unfavourable events mentioned above or otherwise but at the same time allowing the Group to enjoy the potential growth of the Profit Stream.

*(b) Favorable terms of the Convertible Notes*

The Profit Guarantee will be fully secured and backed up by the Convertible Notes and/or the Cash Security, which will only be released upon satisfaction of the Profit Guarantee. The Convertible Notes are designed to have a long maturity period of 192 months covering the entire Guaranteed Period so as to minimize any risk of breach of the Profit Guarantee by the Vendor.

*(c) Nominal consideration for the assignment of Shareholder's Loan*

The Shareholder's Loan will be assigned to the Company at a nominal consideration of HK\$1 only. Such nominal consideration for the assignment of Shareholder's Loan will provide a monetary gain or further cushion against potential loss in addition to the Profit Guarantee of approximately HK\$18 million to the Company.

**(vi) Discounted Conversion Price**

The initial Conversion Price of HK\$1 represents a discount of approximately 77.83% and 48.98% to the average closing price per Share for the five and 180 consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement respectively. The Directors are aware of the aforesaid discounts which were considered to be acceptable in view of the following circumstances.

As mentioned in the composite document of the Company dated 24 October 2013, the Offeror planned to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the PRC and/or gaming business in Macau and/or worldwide and in the event that the Offeror is required to put up any equity financing, it will be at a price per Share with reference to the offer price of HK\$1.00 per Share. Accordingly, when the Vendor, who was introduced to the Company by the Offeror, entered into negotiations with the Company and in particular, regarding the Conversion Price, she had requested the Company not to take into account the upward surge in the trading price of the Shares for the period since 2 September 2013, being the date of despatch of the announcement in relation to, among other things, the possible change of substantial Shareholder ("**Unusual Price Announcement**"), but make reference to the offer price under the Offer and the net asset value per Share.

The Directors noted that the closing price of the Shares were traded within a range of HK\$2.01 to HK\$0.55 during the period from 2 January 2013 to 30 August 2013, the last trading day before the publication of the Unusual Price Announcement (the "**Reference Date**"). Prices of the Shares traded below HK\$1 on most of the days during the aforesaid period (153 days out of a total of 162 days). The Directors further noted that the closing price of the Shares surged after the publication of the Unusual Price Announcement and traded between HK\$2.65 to HK\$5.4 from 2 September 2013 up to the date hereof. The Directors consider that the trading price for the period since 2 September 2013 has been significantly influenced by market speculation on the change of substantial Shareholder and may not therefore represent a fair benchmark for determining the Conversion Price. The Directors therefore consider it fair to accept the

Vendor's request that the Conversion Price shall be determined with reference to the offer price under the Offer and the net asset value per Share. In this regard, the Conversion Price represents:

- (i) a premium of approximately 38.89% over the average closing price of HK\$0.72 per Share as quoted on the Stock Exchange for the period from 2 January 2013 to the Reference Date;
- (ii) a discount of approximately 8.26% to the average closing price of HK\$1.09 per Share as quoted on the Stock Exchange for thirty (30) consecutive trading days immediately prior to and including the Reference Date;
- (iii) a discount of approximately 39.02% to the average closing price of HK\$1.64 per Share as quoted on the Stock Exchange for ten (10) consecutive trading days immediately prior to and including the Reference Date; and
- (iv) a premium of 150% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012.

The Directors also noted that the trading volume of the Shares was significantly thin during the period from 2 January 2013 to the Reference Date, with an average daily trading volume of 748,330 Shares, representing approximately 0.75% of the Company's total public float. Given the relatively low liquidity of the Shares, the Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) consider that the level of Conversion Price discount of 8.26% and 39.02% to the average closing price per Share for the 30 and 10 consecutive trading days immediately prior to and including the Reference Date respectively to be fair and reasonable.

On the other hand, the Conversion Price represents a premium of 150% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012.

After weighing the aforesaid circumstances and factors against each other, the Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) consider the initial Conversion Price of HK\$1 as fair and reasonable to the Company and the Shareholders as a whole.

**(vii) Decrease in independent Shareholders' percentage shareholding**

Assuming the issue of the Convertible Notes is completed and based on the Conversion Price of HK\$1 per Conversion Share, a number of 400,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 99.94% of the issued share capital of the Company as at the date of this announcement and approximately 49.99% of the

Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full. Independent Shareholders' holdings would be diluted by approximately 12.5% upon Completion, from 25% to approximately 12.5%.

Such dilution effect is however theoretical in nature and would not have occurred given that pursuant to the terms of the Convertible Notes, (a) the Convertible Notes may not be converted into Conversion Shares if such conversion causes the Shares held in public hands to fall below the minimum public float required under the Listing Rules (i.e. 25% of the issued share capital of the Company); (b) the Vendor or her nominee(s) are not allowed to transfer or convert the Convertible Notes during the Lock Up Period; and (c) the whole of the Convertible Notes will be retained by the Company during the Lock Up Period. The Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) therefore consider that the existing shareholdings of the Independent Shareholders are protected by the terms of the Sale and Purchase Agreement against any immediate dilution before the Company can benefit from the return of the Profit Stream.

In short, the Acquisition, as supported by the Profit Guarantee, will provide the Group with a secured and guaranteed annual income of at least HK\$25 million per year on average (representing approximately a guaranteed minimum yield of 6.25% per annum) for a period of 16 years with substantial upside potential while the Convertible Notes (or the Cash Security as alternative security) will offer sufficient security to the Company to guard against any default of the Vendor in performing its obligations under the Profit Guarantee.

Having taken into account and balanced the prospects of all the abovementioned factors, in particular, after weighing the potential benefits of the Acquisition to the Group against the potential dilution effect of the Conversion Notes, the Directors (excluding the independent non-executive Directors who will give their view on the Acquisition after taking into account the advice of the independent financial adviser) are of the view that the Sale and Purchase Agreement has been entered into upon normal commercial terms following arm's length negotiations between the parties thereto and the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

If the investment return from the Acquisition is proved favorable in the future, the Company may consider to further increase the investment and/or explore alternative investment strategies in this industry. Both Ms. Cui Limei and Ms. Cui Lijie have expressed their intention to assist the Group to further expand and develop in the gaming related industry upon the Group's request, including, but not limited to, the introduction of relevant investment opportunities and provision of necessary financing on terms and conditions to be further agreed upon.

As at the date of this announcement, the Company did not enter or propose to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose of or down size the existing businesses of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios in respect of the Acquisition are greater than 25% but less than 100% for the purpose of Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the date of this announcement,, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. Inventive Star and its associates are required to abstain from voting at the SGM in respect of the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **GENERAL**

An Independent Board Committee comprising Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) on whether to vote in favour of the Acquisition, after taking into account the recommendation of the independent financial adviser to be appointed.

A circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice convening the SGM, will be despatched to the Shareholders on or before 18 December 2013.

**As completion of the Sale and Purchase Agreement is subject to the fulfillment (or waiver, as the case may be) of a number of conditions (which are detailed in this announcement), the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

“Acquisition”	the proposed acquisition of the Sale Share and the Shareholder’s Loan by the Company pursuant to the Sale and Purchase Agreement
“associate(s)”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
“Company”	First Natural Foods Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement
“Completion Date”	the fifth (5th) Business Day subsequent to the satisfaction of all conditions of the Sale and Purchase Agreement or the waiver thereof
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable for the Sale Share and the Shareholder’s Loan under the Sale and Purchase Agreement
“Conversion Period”	at any time on or after one year from the date of issuance of the Convertible Notes up to the close of business on the date falling on the Maturity Date
“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Notes
“Conversion Share(s)”	Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes
“Convertible Note(s)”	means the zero coupon convertible note(s) in the aggregate principal amount of HK\$400 million due on the sixteenth (16th) anniversary of the Completion Date and issued at Completion to the Vendor or her nominee(s) by the Company

“DICJ”	the Macau Government Gaming Inspection and Coordination Bureau
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition
“Independent Shareholder(s)”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder
“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“Junket”	Hang Seng Sociedade Unipessoal Limitada, a single shareholder private company with limited liability duly incorporated under the laws of Macau and wholly-owned by the Vendor
“Junket Profit”	the distributable profit of the Junket in respect of a fiscal year, which is equal to the aggregate gross income (loss) of the Junket minus the aggregate amount of the commissions payable by the Junket to the collaborators and administrative costs; provided, however, that if such net amount is less than zero, the Junket Profit shall be zero
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the cooperation and loan agreement dated 8 July 2013 (as varied and supplemented by a supplemental agreement dated 20 November 2013) made between the Target Company and the Junket
“Long Stop Date”	30 June 2014 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“Macau”	Macau Special Administrative Region of the PRC



“Material Adverse Change (or Effect)”	means any change (or effect) or any development involving a change (or effect) which has, or is or could reasonably be expected to have, a material and adverse effect on the financial position, business or property, results of operations or prospects of the Junket as a whole
“Maturity Date”	192 months from the date of issuance of the Convertible Notes
“Noteholder(s)”	holder(s) of the Convertible Notes
“Offer”	the mandatory unconditional cash offer for all the issued Shares (other than those already acquired by or agreed to be acquired by the Offeror and parties acting in concert with it) being made by Yu Ming Investment Management Limited on behalf of the Offeror, details of which were set out in the composite document of the Company dated 24 October 2013
“Offeror” or “Inventive Star”	Inventive Star Limited, a company wholly owned by Ms. Cui Lijie, which was the offeror to the Offer
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Profit Guarantee”	the irrevocable profit guarantee provided by the Vendor to the Company for the amount to be shared and receivable by the Target Company from the Junket under and pursuant to the Profit Transfer for the period commencing from 1 January 2014 and ending on 31 December 2029
“Profit Stream”	the amount to be shared and receivable by the Target Company from the Junket under and pursuant to the Profit Transfer
“Profit Transfer”	the transfer of five percent (5%) of the Junket Profit for each twelve-month period pursuant to the terms and conditions of the Profit Transfer Agreement and subject to the annual approval by DICJ
“Profit Transfer Agreement”	the profit transfer agreement dated 8 July 2013 made between the Target Company and the Junket in relation to the Profit Transfer
“Sale and Purchase Agreement”	the conditional sale and purchase agreement in relation to the Acquisition dated 27 November 2013 entered into between the Company and the Vendor

“Sale Share”	one (1) ordinary share of US\$1.00 each fully paid in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the interest-free demand loan in the principal amount of HK\$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of the Securities and Futures Commission of Hong Kong
“Target Company”	Excel Earth Limited, a company incorporated in the British Virgin Islands with limited liability, with one (1) ordinary share of US\$1.00 being issued and fully paid up as at the date of the Sale and Purchase Agreement
“US\$”	U.S. dollar, the lawful currency of the United States of America
“Vendor”	Ms. Cui Limei, the legal and beneficial owner of the entire issued share capital of the Target Company and the Shareholder’s Loan
“%”	per cent

By order of the Board  
**First Natural Foods Holdings Limited**  
**Cai Lingli**  
*Executive Director*

Hong Kong, 27 November 2013

*As at the date of this announcement, the Board comprises Ms. Cai Lingli and Ms. Xia Yuki Yu as executive directors; and Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung as independent non-executive directors.*

*In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*