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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 IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND ASSIGNMENT OF THE
SHAREHOLDER'S LOAN INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND
THE ISSUE OF PROMISSORY NOTE**

INTRODUCTION

The Board is pleased to announce that on 4 October 2019 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell the Sale Shares and to assign the Shareholder's Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Shares and take up the assignment of the Shareholder's Loan at the Consideration of HK\$60,000,000, which will be satisfied as to (i) HK\$5 million by cash; (ii) HK\$17.64 million by the issue and allotment of the 63,000,000 Consideration Shares at the Issue Price of HK\$0.28 per Consideration Share; and (iii) HK\$37.36 million by issue of the Promissory Note.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Company.

GEM LISTING RULES IMPLICATIONS

As one 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) details of the Specific Mandate; (iii) an accountants' report on the Target Group; (iv) a pro forma financial information on the Enlarged Group; (v) a valuation report on the Target Group; and (vi) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2019, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

INTRODUCTION

Reference is made to the announcement of the Company dated 2 September 2019 regarding the MOU.

The Board is pleased to announce that on 4 October 2019 (after trading hours), the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell the Sale Shares and to assign the Shareholder's Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Shares and take up the assignment of the Shareholder's Loan at the Consideration of HK\$60,000,000, which will be satisfied as to (i) HK\$5 million by cash; (ii) HK\$17.64 million by the issue and allotment of the 63,000,000 Consideration Shares at the Issue Price of HK\$0.28 per Consideration Share; and (iii) HK\$37.36 million by issue of the Promissory Note.

THE AGREEMENT

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

Date

4 October 2019 (after trading hours)

Parties

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

The Vendor is a merchant and experienced in winery business. 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 the entire issued share capital of the Target Company. The Shareholder’s Loan, representing all sums for which the Target Company is indebted to the Vendor as at the Completion Date, the outstanding amount of which is HK\$17,094,151 as at the date of the Agreement.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the assignment of the Shareholder’s Loan shall be an aggregate sum of HK\$60 million, which shall be apportioned as follows:

- (a) the consideration for the sale and purchase of the Sale Shares shall be an amount calculated by deducting the Loan Consideration (as defined below) from the Consideration; and
- (b) the consideration for the assignment of the Shareholder’s Loan shall be equal to the face value of the Shareholder’s Loan (the “**Loan Consideration**”).

The Consideration of HK\$60,000,000 shall be paid and satisfied in the following manner:

- (i) HK\$5 million, being the refundable deposit (the “**Deposit**”) and the part payment of the Consideration, shall be paid in cash by the Purchaser to the Vendor upon the signing of the Agreement. The Deposit will be refundable in full to the Purchaser within five (5) Business Days if Completion does not occur for whatever reason;

- (ii) HK\$17.64 million by the issue and allotment of 63,000,000 Consideration Shares at the Issue Price of HK\$0.28 per Consideration Share by the Company to the Vendor upon Completion; and
- (iii) the remaining amount of HK\$37.36 million by the issue of the Promissory Note by the Purchaser to the Vendor upon Completion.

Further details of the Consideration Shares and the Promissory Note are set out in the section headed “Consideration Shares” and “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 among others, (i) the preliminary valuation of the Property (as defined below) of AUD12 million (equivalent to approximately HK\$63.36 million) as at 31 August 2019 (the “**Valuation**”) prepared by an independent valuer; and (ii) 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 approximately 5.3% to the Valuation.

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

Conditions Precedent

Completion shall be conditional upon and subject to:

- (a) Adinfern is the registered owner and in possession of the Property (as defined below) on Completion;
- (b) 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) and the Property (as defined below) conducted by the Purchaser to its reasonable satisfaction;
- (c) the Vendor has proven and given good title to the Property (as defined below) at its own cost on Completion;
- (d) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;

- (e) the Agreement and the sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan contemplated thereunder having been approved by the Shareholders at the EGM in accordance with the Applicable Laws;
- (f) 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);
- (g) the Purchaser has been provided with the audited consolidated financial statements of the Target Group for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019; and
- (h) 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.

The Purchaser may waive the conditions precedent (b) 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 assignment of the Shareholder's Loan 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..

As at the date of this announcement, no condition precedent has been fulfilled or waived.

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 be 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\$0.28 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) the closing price per Share of HK\$0.28 as quoted on the Stock Exchange on 4 October 2019, being the date of the Agreement;
- (ii) a discount of approximately 7.89% to the average closing price per Share of HK\$0.304 as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Agreement; and
- (iii) a discount of approximately 7.44% to the average closing price per Share of HK\$0.3025 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 among 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 15.18% of the number of issued Shares as at the date of this announcement and represent approximately 13.18% 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 Specific Mandate and will be allotted and issued on the date of Completion.

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\$37,360,000 (the “**Principal Amount**”)
- Interest: 5% per annum from the date of issue of the Promissory Note and payable monthly in arrears
- Maturity: 2 years from the date of issue of the Promissory Note (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 outstanding accrued interests) of the Promissory Note

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor immediately prior to Completion. The Target Company is an investment holding company and the Target Group is principally engaged in supply of self-cultivated grapes for winery business and provision of short stay accommodation service and has a vineyard located in Margaret River region in Australia. The Target Group also produces wines under its own brand name.

The Target Group holds a property located in the Bussell Highway of the Margaret River region in Australia and has a total land area of approximately 34.0 hectares which is a complete wine producing unit comprising the vineyard, wine-making and storage facilities and housing accommodation (the “**Property**”). The vineyard plants a diverse range of grape varieties, including (i) Sauvignon Blanc, Chardonnay and Semillion (representing approximately 55% in aggregate in terms of harvest volume in year 2018), which are used for white wine production; and (ii) Malbec, Shiraz, Cabernet Sauvignon, Merlot and Pinot Noir (representing approximately 45% in aggregate in terms of harvest volume in year 2018), which are used for red wine production. For year 2018, the vineyard has annual harvests of wine grapes of up to 118 tonnes.

The Target Group mainly sells the self-cultivated grapes to local wineries in Australia.

Apart from supplying self-cultivated grapes to wineries, the Target Group also participates in wine production. Currently, the winery facility of the Target Group can process up to 60 tonnes of wine grapes and produced up to 48,000 units of 750ml bottles of wine annually. The wine products of the Target Group are produced from the grapes grown in its self-operated vineyards and are sold under its own brand label “Adinfern”. The Target Group offers various wine products, mainly red wines and white wines, with different flavours and styles for consumer appeal which target at the mid-price market.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information for the years ended 30 June 2018 and 2019 of Adinfern, being the operating entity of the Target Group, as extracted from its management accounts in accordance with HKFRS:

	For the year ended 30 June 2018 (unaudited) <i>approximately</i> AUD'000	For the year ended 30 June 2019 (unaudited) <i>approximately</i> AUD'000
Turnover	330	312
Net profit/(loss) before taxation	(54)	40
Net profit/(loss) after taxation	(54)	40

According to the unaudited financial information of Adinfern, it recorded an unaudited net assets of approximately AUD3.1 million as at 30 June 2019.

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 (the “**Wine Business**”).

The Group commenced its Wine Business in the first half of 2018. As disclosed in the interim report of the Company for the six months ended 30 June 2019 (the “**Interim Report 2019**”), the Wine Business is the second major revenue stream of the Group and contributed segment profits to the Group’s results. In view of the positive development of the Wine Business, the Group wishes to expand the operation of its Wine Business through the Acquisition.

As disclosed in the Interim Report 2019, it is the intention of the Group to further strengthen its sales capability in Wine Business with an aim to take advantage of the steady growth in the wine trading industry. Apart from continuing efforts in product portfolio expansion and marketing, the Group will seek for acquisition opportunities to enhance the operating scale and performance of the Wine Business. The Board believes that the Acquisition represents a good opportunity for the upstream vertical integration of the Wine Business by expanding into wine production through the Target Group. As such, it would help the Group to achieve comprehensive development of the Wine Business by encompassing multiple activities over the wine supply chain.

The Property is located in the Margaret River region, Australia. This region has the ideal grape growing soil for quality grapes to wine-making and renowned for its ubiquitous vineyards. The Target Group self-cultivates various types of grapes, including Sauvignon Blanc, Chardonnay, Pinot Noir and Malbec etc. The Target Group also possesses wine-making facilities and sells its wine products under its own brand label “Adinfern”. Upon Completion, leveraging on the self-cultivated grapes from the vineyard of the Target Group, together with its wine-making facilities, it will serve as the production arm of the Wine Business. Therefore, the Acquisition will enable the Wine Business to secure stable supplies of wine through the Target Group as well as to enrich the wine products portfolio of the Group and broaden its wine offering to its customers.

In addition, the Directors believe that the Acquisition will enable the Group to capture the advantage of upstream vertical integration by eliminating the price mark-ups by different companies in the supply chain. In this regards, it will enable the Group to better manage the cost of its wine products and thus increase the profit margin.

Hong Kong's wine imports have expanded significantly since the elimination of import duties in February 2008. With reference to the research released on 17 September 2019 by the Hong Kong Trade Development Council, in January-June 2019, imports of wine amounted to HK\$4.5 billion, which was almost three times of the value of HK\$1.6 billion in 2007. Furthermore, according to the statistics of Statista, a global independent provider of market and consumer data, for 2019 to 2023, wine sales in Asia is forecasted to grow 4.0% per annum in value terms and 1.2% per annum in volume terms.

The Directors consider that the wine business in Hong Kong will have a promising prospect and the Acquisition represents an attractive investment opportunity of the Group to expand the Wine Business with growth potential and align with the focus and future development strategies of the Group.

Furthermore, as the majority of the Consideration is satisfied through the issue of the Consideration Shares and the Promissory Note, therefore immediate cashflow burden of the Group will be largely reduced.

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	
	Number of Shares	Approximately % (Note 1)	Number of Shares	Approximately % (Note 1)
Huang Wei	63,835,200	15.38	63,835,200	13.36
The Vendor	–	–	63,000,000	13.18
Public Shareholders	<u>351,096,014</u>	<u>84.62</u>	<u>351,096,014</u>	<u>73.46</u>
Total	<u><u>414,931,214</u></u>	<u><u>100</u></u>	<u><u>477,931,214</u></u>	<u><u>100</u></u>

Note:

1. 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 one 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, among other things, the relevant resolutions in relation to (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares. 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) details of the Specific Mandate; (iii) an accountants' report on the Target Group; (iv) a pro forma financial information on the Enlarged Group; (v) a valuation report on the Target Group; and (vi) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2019, 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 and the assignment of the Shareholder's Loan pursuant to the terms and conditions of the Agreement
“Adinfern”	Adinfern Margaret River Pty Ltd, a company incorporated in Australia and a direct wholly-owned subsidiary of the Target Company
“Agreement”	the sale and purchase agreement dated 4 October 2019 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
“AUD”	Australian dollars, the lawful currency of Australia
“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\$60,000,000
“Consideration Shares”	63,000,000 new Shares to be issued to the Vendor at an issue price of HK\$0.28 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, among other things, (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares
“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
“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\$”	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\$0.28 per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“Long Stop Date”	31 March 2020 or such later date as the Vendor and the Purchaser may agree in writing
“MOU”	the memorandum of understanding entered into between the Vendor and the Purchaser on 2 September 2019 in relation to the possible acquisition of the Sales Shares
“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\$37.36 million 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”	10,000 ordinary shares of the Target Company, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all sums for which the Target Company is indebted to the Vendor as at the Completion Date, the outstanding amount of which is approximately HK\$17,094,151 as at the date of the Agreement
“Specific Mandate”	a specific mandate to issue, allot or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at the EGM to satisfy the issue and allotment of the Consideration Shares upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Win Everest Holdings 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 Adinfern
“Vendor”	Mr. Chow Yat Too, 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
Huang Wei
Chairlady and executive Director

Hong Kong, 4 October 2019

As at the date of this announcement, the Board comprises Ms. Huang Wei and Mr. Yu Ka Ho as executive Directors, and Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, B.B.S., 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>.