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**PALINDA GROUP HOLDINGS LIMITED**

**百利達集團控股有限公司**

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

**(Stock Code: 8179)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF 50.77% ISSUED SHARE CAPITAL  
OF THE TARGET COMPANY  
INVOLVING THE ISSUE OF CONSIDERATION SHARES  
UNDER SPECIFIC MANDATE**

**THE ACQUISITION**

The Board is pleased to announce that on 21 January 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing approximately 50.77% equity interest in the Target Company at the Consideration of HK\$32,850,000. The Consideration shall be satisfied by payment of HK\$9,000,000 in cash by the Purchaser and issue of the Consideration Shares by the Company at the Issue Price.

Upon Completion, the Purchaser shall hold 50.77% of the issued share capital of the Target Company. The Target Company will be regarded as a subsidiary of the Group and the accounts of the Target Company will be consolidated into the financial statements of the Group.

### **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, Ms. Huang holds approximately 10.88% equity interests in the Company and is the chairlady of the Board and executive Director. Thus, Ms. Huang is a connected person of the Company as defined under the Chapter 20 of the GEM Listing Rules. The Vendor, being the spouse of Ms. Huang, is an associate of Ms. Huang, and therefore a connected person of the Company under the GEM Listing Rules. As such, the Acquisition and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

### **GENERAL**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares. Given that Ms. Huang has a material interest in the Acquisition and the Agreement, it would be required to abstain from voting in the EGM.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) further details regarding the Specific Mandate; (iii) the recommendation from the Independent Board Committee and the advice of the independent financial adviser on the Acquisition and the Specific Mandate; and (iv) notice of the EGM, is expected to be despatched to the Shareholders on or before 11 February 2021.

### **THE ACQUISITION**

The Board is pleased to announce that on 21 January 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Company, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing approximately 50.77% equity interest in the Target Company at the Consideration of HK\$32,850,000.

## **THE AGREEMENT**

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

Date: 21 January 2021 (after trading hours)

Parties: (i) Palinda Melt Blowing Technology Limited, a wholly-owned subsidiary of the Company, as the Purchaser;

(ii) Mr. Wong, as the Vendor; and

(iii) The Company, as the issuer of the Consideration Shares.

(collectively, the “Parties”)

As at the date of this announcement, Mr. Wong is the spouse of Ms. Huang, the chairlady of the Board, executive Director and substantial shareholder of the Company. Accordingly, the Vendor is an associate of Ms. Huang, and therefore a connected person of the Company under the GEM Listing Rules.

### **Assets to be acquired**

Pursuant to the terms and conditions of the Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing approximately 50.77% of the issued share capital of the Target Company as at the date of the Agreement and at Completion.

### **Consideration**

The consideration for the Sale Shares is HK\$32,850,000, which shall be paid and satisfied in the following manner:

- (i) HK\$5,000,000, 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\$23,850,000 by the issue and allotment of 106,000,000 Consideration Shares at the Issue Price of HK\$0.225 per Consideration Share by the Company to the Vendor upon Completion; and
- (iii) the remaining amount of HK\$4,000,000 shall be paid in cash by the Purchaser to the Vendor upon Completion.

### **Basis for determination of the Consideration**

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the, among other things, (i) the controlling interest in the Target Company to be held by the Purchaser by the Acquisition; (ii) the preliminary valuation of the Target Company prepared by an independent valuer of HK\$72 million as at 31 December 2020; (iii) the Profit Guarantee provided by the Vendor, details of which are stated in the paragraph headed "Profit Guarantee and compensation" below; and (iv) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below. In view of the above, the Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

### **Profit Guarantee and compensation**

According to the Agreement, the Vendor has unconditionally and irrevocably guaranteed to the Purchaser that the audited net profit after tax of the Target Company shall not be less than HK\$10 million for the period from 1 January 2021 to 31 December 2021 in accordance with the HKFRS.

If the Actual Net Profit is less than the Profit Guarantee and the Profit Guarantee is not achieved, the Vendor shall compensate the Purchaser with an amount equivalent to the difference between the Profit Guarantee and the Actual Net Profit times a multiplier of 7.2 and the percentage of equity interest in the Target Company held by the Purchaser (the "Compensation Sum"). The Compensation Sum shall be calculated as follows:

$$S = (G - N) \times M \times P$$

G = Profit Guarantee

N = Actual Net Profit

M = Multiplier

S = Compensation Sum

P = Percentage of the Purchaser's equity interest in the Target Company as of Completion (i.e. 50.77%)

The Compensation Sum shall not be more than the entire Consideration of HK\$32,850,000 and shall be settled by the Vendor to the Purchaser by way of cash or bankers' draft. For the avoidance of doubt, should the Target Company record a loss, the Actual Net Profit shall be deemed as zero in the computation of the Compensation Sum.

## **Consideration Shares**

Upon Completion, the Consideration Shares will be allotted and issued by the Company to the Vendor.

The Consideration Shares comprise a total of 106,000,000 Shares, which will be issued pursuant to the Specific Mandate to be sought at the EGM. The Consideration Shares represent approximately 18.07% of the existing issued share capital of the Company as at the date of this announcement and approximately 15.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will not be any other issue or repurchase of Shares prior to the Completion).

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 of HK\$0.225 represents:

- (i) a discount of approximately 2.60% to the closing price of HK\$0.231 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 3.43% to the average closing price of approximately HK\$0.233 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Agreement; and
- (iii) a discount of approximately 0.44% to the average closing price of approximately HK\$0.226 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Agreement.

The Issue Price was determined after arm's length negotiations among the Parties with reference to, among others things, the current situation of Hong Kong market, the recent closing prices of the Shares and the financial performance of the Group.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **Conditions precedent**

Completion shall be conditional upon and subject to:

- (a) the Target Company continuing its selling, manufacturing, distribution and wholesale of disposable masks operations on Completion;
- (b) the completion of the due diligence review and investigation on the Target Company (which includes but not limited to, the legal and financial due diligence review) conducted by the Purchaser to its reasonable satisfaction;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (d) 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;
- (e) all necessary consents, authorisations, approval, license, 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);
- (f) the Purchaser has been provided with the audited consolidated financial statements of the Target Company for the financial years ended 31 March 2018, 31 March 2019 and 31 March 2020 and the management account for the nine months ended 31 December 2020; and
- (g) the warranties 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 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 of the Agreement**

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 Purchaser shall hold 50.77% of the issued share capital of the Target Company. The Target Company will be regarded as a subsidiary of the Group and the accounts of the Target Company will be consolidated into the financial statements of the Group.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in Hong Kong on 15 March 1999 with limited liability. The principal business of the Target Company is the selling, manufacturing, distribution and wholesale of disposable masks. Currently, the Target Company is operating a production factory in Hong Kong and has successfully established 20 production lines for the production of disposal face masks. The Target Company has obtained ASTM level 3 certificate and other international quality standard certificates for its mask products. The disposal face masks are selling through multiple channels such as wholesale distribution, retail and internet outlet.

As at the date of this announcement, the Target Company is owned approximately 92.31% by the Vendor and approximately 7.69% by the Ms. Huang.

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

Set out below is the audited financial information of the Target Company for the years ended 31 March 2019 and 31 March 2020, which were prepared in accordance with the generally accepted accounting standards of Hong Kong:

	For the financial year ended 31 March 2019 (audited) <i>HK\$'000</i>	For the financial year ended 31 March 2020 (audited) <i>HK\$'000</i>
Revenue	1,547	1,499
Profit before taxation	62	84
Profit after taxation	62	84

According to the unaudited financial information of the Target Company, the net asset value of the Target Company as at 31 December 2020 is approximately HK\$5.93 million.



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

The Company is an investment holding company and its subsidiaries are principally engaged in (i) wine trading; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong; (iii) investment in securities; and (iv) money lending business.

According to the Company's annual report for the year ended 31 December 2019, the Group recorded a net loss of approximately HK\$53.33 million and HK\$100.33 million for the financial year ended 31 December 2019 and 31 December 2018 respectively. In light of the poor financial performance, it has always been the Group's business strategy to seek potential investment opportunities proactively that would diversify the Group's existing business portfolio and broaden its source of income in order to improve Group's business operations and financial position.

As disclosed in the voluntary announcement dated 29 May 2020 published by the Company, the Group had planned to diversify its business by expanding its business into the sales and manufacturing of face masks ("Mask Business"), personal protective equipment and melt blown material. As the Target Company is engaged in the manufacture and wholesale of disposable face masks, the Target Company can serve as the production arm of the Mask Business and the Acquisition represents an invaluable opportunity for the Group to expand its revenue stream and improve its overall financial performance.

In view of the outbreak of Coronavirus Disease 2019 ("COVID-19") worldwide and the increase in public awareness of hygiene, there is continuous market demand for disposable medical face mask in Hong Kong and globally. The Directors expect that due to the ongoing pandemic, the demand will continue and the disposable face mask industry in Hong Kong will have a promising prospect. The Directors consider that the Acquisition represents an attractive investment opportunity of the Group to expand the Mask Business with growth potential in the international markets that align with the focus and future development strategies of the Group.

Taking into account that (i) the optimistic prospects of the disposable face mask industry in Hong Kong; (ii) the Target Company can provide another income stream to the Group; (iii) the Acquisition is in line with the Group's future development plan; and (iv) the Profit Guarantee provided by the Vendor as a downside protection to the Group, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



## CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the date of this announcement; and (ii) immediately after the allotment and issuance of the Consideration Shares upon Completion:

	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares upon Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Ms. Huang	63,835,200	10.88	63,835,200	9.22
The Vendor ( <i>Note 1</i> )	–	–	106,000,000	15.31
Public Shareholders	522,741,134	89.12	522,741,134	75.47
<b>Total</b>	<b>586,576,334</b>	<b>100.00</b>	<b>692,576,334</b>	<b>100.00</b>

*Note:*

- The Vendor is the spouse of Ms. Huang, the chairlady of the Board and executive Director

## GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Huang holds approximately 10.88% equity interests in the Company and is the chairlady of the Board and executive Director. Thus, Ms. Huang is a connected person of the Company as defined under the Chapter 20 of the GEM Listing Rules. The Vendor, being the spouse of Ms. Huang, is an associate of Ms. Huang, and therefore a connected person of the Company under the GEM Listing Rules. As such, the Acquisition and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated thereunder; and (ii) the Specific Mandate for the allotment and issue of the Consideration Shares. Given that Ms. Huang has a material interest in the Acquisition and the Agreement, she would be required to abstain from voting in the EGM. The Independent Board Committee comprising all independent non-executive Directors, has been established to advise the Independent Shareholders on matters in relation to the Acquisition and the transactions contemplated therein and issue of the Consideration Shares pursuant to the Specific Mandate. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the transactions contemplated therein and the issue of the Consideration Shares pursuant to the Specific Mandate.

## **GENERAL**

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) further details regarding the Specific Mandate; (iii) the recommendation from the Independent Board Committee and the advice of the independent financial adviser on the Acquisition and the Specific Mandate; and (iv) notice of the EGM, is expected to be despatched to the Shareholders on or before 11 February 2021.

**Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent as set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of 50.77% of the issued share capital of the Target Company pursuant to the terms and conditions of the Agreement
“Actual Net Profit”	the audited net profit after tax of the Target Company for the period from 1 January 2021 ending 31 December 2021 in accordance with HKFRS
“Agreement”	the conditional sale and purchase agreement dated 21 January 2021 entered into by the Vendor, Purchaser and the Company in respect of the Acquisition
“associates”	has the meaning ascribed to it under the GEM Listing Rules

“Board”	the board of Directors
“Business Day(s)”	a day (not being a Saturday, a Sunday and a public holiday or days on which typhoon signal No. 8 or above or black rainstorm warning is hoisted in Hong Kong at any time from 9:00 a.m. to 5:30 p.m.) on which banks are generally open for general banking business (excluding internet banking business) in Hong Kong
“Company”	Palinda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which 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 to it under the GEM Listing Rules
“Consideration”	HK\$32,850,000, being the consideration for the Sales Shares, subject to adjustment
“Consideration Share(s)”	106,000,000 new Shares to be allotted and issued by the Company to the Vendor as part of the Consideration
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, the Acquisition, the Specific Mandate and the transactions contemplated thereunder
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Acquisition, issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the relevant resolutions to approve, among other things, the Acquisition, issue of the Consideration Shares pursuant to the Specific Mandate and the transactions contemplated thereunder at the EGM
“Issue Price”	HK\$0.225 per Consideration Share
“Long Stop Date”	31 May 2021, or such later date as the Vendor and the Purchaser may agree in writing
“Ms. Huang”	Ms. Huang Wei, the chairlady of the Board, executive Director and substantial shareholder of the Company
“Profit Guarantee”	the profit guarantee where the Vendor unconditionally and irrevocably guarantee to the Purchaser that the Actual Net Profit shall not be less than HK\$10 million
“Purchaser”	Palinda Melt Blowing Technology Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Company
“Sale Shares”	66 ordinary shares of the Target Company, representing 50.77% of the issued share capital of the Target Company held by the Vendor
“Share(s)”	ordinary shares(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Specific Mandate”	a specific mandate to allot, issue 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 allotment and issue of the Consideration Shares upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mask King Technology Company Limited, a company incorporated in Hong Kong with limited liability on 15 March 1999, which is owned as to approximately 92.31% by the Vendor and approximately 7.69% by Ms. Huang as at the date of this announcement
“Vendor” or “Mr. Wong”	Mr. Wong Dak Sun, the spouse of Ms. Huang
“Share(s)”	ordinary shares(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent.

By order of the Board  
**Palinda Group Holdings Limited**  
**Huang Wei**  
*Chairlady and executive Director*

Hong Kong, 21 January 2021

*As at the date of this announcement, the Board of the Company comprises Ms. Huang Wei and Mr. Dou Sheng 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 GEM Listing Rules 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 Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company’s website at [www.palinda.com](http://www.palinda.com).*