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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)

**SUPPLEMENTAL ANNOUNCEMENT RELATING TO
DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND
INVOLVING THE ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE**

Reference is made to the announcement (the “**Announcement**”) of Palinda Group Holdings Limited (the “**Company**”) dated 25 August 2022 in relation to the acquisition of the entire issued share in the Target Company. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement.

The Board would like to provide additional information in relation to the Acquisition:

ASSETS TO BE ACQUIRED

The total asset value of the Target Group as of 30 June 2022 is approximately HK\$29,190,504. While the net asset value (basing on book value) of the Target Group as of 30 June 2022 is approximately HK\$(3,965,673), after taking in account the fair value of the Vineyard held by Rainbow Fountain, the net asset value of the Target Group as of 30 June 2022 is approximately HK\$31,966,132 (among others, the fair value of land and building is HK\$23,800,000 whereas the fair value of bearer plant is HK\$27,600,000).

The net loss of the Target Group for the two financial years immediately preceding the transaction are as follows:

	Year ended 30 June 2021 (HKD)	Year ended 30 June 2022 (HKD)
Net loss	1,448,194	1,373,090

DETERMINATION OF THE CONSIDERATION

The preliminary valuation of Rainbow Fountain of AUD5.9 million (equivalent to approximately HK\$32 million) as at 30 June 2022 (the “**Valuation**”) was prepared by an independent valuer. In arriving the Valuation, the Valuation is based on fair value and the independent valuer adopted the asset approach, under which the independent valuer based on the general concept that the earning power of Rainbow Fountain is derived primarily from its existing assets as at the Valuation date.

In arriving at the appraised value of the Target Company, Goodview Consulting Limited (the “**Valuer**”) used the asset-based approach to determine the value of identifiable assets and liabilities of the Target Company set out in its balance sheet as at 30 June 2022, including, among others, the value of the land and building, bearer plant, other equipments and director’s loan. In particular, to determine the value of the land and vineyard, the Valuer appraised the value of the same by basing on the recent market data of the comparable vineyards in Australia for the unit rate per sqm or per hectares as well as the adoption of the exchange rate adjustment.

The two most recent vineyard transactions have been identified by the Valuer to perform as direct comparisons and the Valuer considers these two transactions are representative and fair owing to the following reasons: (i) the natures of transactions of the two comparables are also vineyard with bearing vine area; (ii) the planted times of the two comparables were similar to the Vineyard since the age of plants of the two comparables, i.e. 23 years and 21 years, is similar to the weighted average age of the Vineyard, given that 58% of that were planted in or before the year of 1999 while the remaining 42% of that were planted between 2002 and 2003; and (iii) the locations of the two comparables are of close geographical distance to the Vineyard, i.e. with the longest distance of only about 78km apart. The comparables are more likely to reflect the current market expectations since the prices of the comparable transactions were arrived from market consensus and the data are sourced from the websites of Australia’s first-tier real estate sites.

The fair value of land of the Target Group are ascertained by reference to comparable market transactions. The Valuer has identified the comparable market transactions principally based on the selection criteria that (i) its close proximity to the Vineyard and (ii) the recentness of each of transactions. On a best-effort basis, six comparable market transactions having met the abovementioned criteria have been identified, and the Valuer considered these comparisons are fair and representative based on that (i) they are geographically close to the Vineyard, (ii) their most recent transaction were completed within 1 year and (iii) particular characteristics of each of the comparables such as situated in a rural setting.

The fair value of buildings and bearer plants of the Target Group are ascertained by reference to the replacement cost model. For the value of buildings, the unit cost of construction of villa and warehouses is sourced from Rider Levett Bucknall (“**RLB**”). Regarding the villa within the Vineyard located in Margaret River region (i.e. Perth), the RLB provides data of the unit cost under the category of residential general and residential multi storey building. The Valuer adopted the cost of townhouses (the closest item under the category of residential general) in Perth as the base value (i.e. AUD 2,200/m²), and added the cost of decoration (i.e. AUD 2,000/m²), including the water system installation, electricity system installation, anti-theft system installation and raised floor installation with polyester fiber, rendering a total unit cost of AUD 4,200/m² for the valuation of the villa. As to the warehouses within the Vineyard located in Margaret River region (i.e. Perth), the warehouses were built for storage purpose. As there is no direct comparable for the warehouse, the closest category from the data base of RLB is warehouse for industrial building. Therefore, the average cost of AUD1,600/m² for the warehouse for industrial building in Perth was extracted from the RLB for the valuation of the warehouses inside the Vineyard.

The Directors have also considered the competence and independence of the Valuer before engaging the Valuer. Having considered that (i) the Valuer is an experienced M&A advisory and valuation with 10 years of experience and (ii) the Valuer has over 10 years of experience in financial valuation and business consulting of overseas targets, the Directors believe that the Valuer has sufficient qualification, reputation and experience in performing the appraisal of the Target Company and has the relevant expertise and adequate resources to perform its role as an independent valuer.

Further, having discussed with the Valuer regarding their work performed, the Directors understand that in selecting the basis for conducting valuations and arriving at the valuation of the Target Group, the Valuer had (i) provided appropriate guidance to the management of the Target Group and conducted appropriate training for the team in charge of the appraisal, to ensure the quality of information obtained from the Target Group and that the appraisal team fully understands the economic background of the transaction, the characteristics of the appraised assets and the technical valuation requirements involved and (ii) conducted due diligence on and reviewed the operation performance of the Target Group, including conducting research on, among others, the condition and quality of the Target Group's assets, the Target Group's business plans and strategies, the growth and prospects of the industry in which the Target Group operates as well as the Target Group's position and competitiveness in that industry.

Details of the due diligence work performed by the Group performed on the Target Group were as follow:

- (i) Due diligence interviews: The Group has conducted due diligence interviews with individuals directly involved in the operation of the Vineyard, namely David Liao, the supervisor and John Zhang, the deputy supervisor of Adinfern Margaret River Pty Limited to understand the business operation of the Vineyard.
- (ii) Documentation: The Group has examined documents in relation to the title and details of the Vineyard provided by the Target Group. The documents received and examined has shown, amongst other things, the (i) the exact land areas of the Vineyard; (ii) the size of water supply; and (iii) the details of bearer plants.
- (iii) Site Visits: The Group has also sent a staff to conduct physical site visits on the Vineyard in Margaret River region and physically inspected the planted areas and buildings on 8 August 2022, 15 August 2022 and 18 August 2022.

In light of the above, the Directors were satisfied with the valuation even though the Valuer has performed inspection of the land areas through satellite view only with the aid of the due diligence which provided a thorough investigation on the same.

Moreover, the Group has recognised the intangible value of the opportunity to upscale the operating scale and performance of the wine trading business and believes that the Acquisition presents a good opportunity for the upstream vertical integration of ownership and supply, allowing the Group to better manage the cost of its wine products and increase its profit margin.

After taking into account of the aforesaid Valuation, and that the Consideration represents a discount of approximately 12.5% to the valuation and the potential opportunities to enhance the operating scale and performance of the Wine Business, the Board considered that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

RELATIONSHIP BETWEEN THE VENDOR AND THE COMPANY

Upon enquiries with the Company's share registrar and to the best of the Directors' knowledge, information and belief, the Vendor ceased to become a shareholder of the Company as Ms. Yuen has sold out all shares in hand on or before 25 August 2022, and is an independent third party not connected with the Company or connected persons (as defined under the GEM Listing Rules) of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there has been, no material loan arrangement between (a) the Vendor; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the transaction.

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

Hong Kong, 14 October 2022

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. Wu Chi King, 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 for at least seven days from the date of its posting and on the Company's website at <http://www.palinda.com>.