**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Food Idea Holdings Limited (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.



# 新煮意控股有限公司
# FOOD IDEA HOLDINGS LIMITED

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

**(Stock Code: 8179)**

## (I) 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;
## (II) RE-ELECTION OF RETIRING DIRECTORS; AND
## (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial adviser to the Company**

AKRON
Akron Corporate Finance Limited
亚贝隆资本有限公司

A letter from the Board is set out on pages 5 to 18 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Friday, 20 December 2019 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.foodidea.com.hk.

5 December 2019

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

# CONTENTS

*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

| | |
|---|---|
| "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 |
| "Announcement" | the announcement of the Company dated 4 October 2019 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 |
| "Articles" | the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders |
| "associates" | has the same meaning ascribed thereto under the GEM Listing Rules |
| "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 |
| "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$0.28 per new Share as part of the Consideration |
| "Director(s)" | the director(s) of the Company |
| "EGM" | the extraordinary general meeting of the Company to be convened and held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 20 December 2019 at 10:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, approving, among other things, (i) the Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares; and (iii) the re-election of the retiring Directors |
| "Enlarged Group" | the Group upon Completion, together with the Target Group |
| "GEM" | the GEM of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM |
| "Group" | the Company and its subsidiaries |
| "HKFRS" | the financing reporting standards and interpretations including: (a) Hong Kong Financial Reporting Standards; (b) Hong Kong Accounting Standards; and (c) Interpretations issued by the Hong Kong Institute of Certified Public Accountants |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "HK$" | 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 |
| "Latest Practicable Date" | 2 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| "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 |
| "MOU Announcement" | the announcement of the Company dated 2 September 2019 in relation to the MOU |
| "PRC" | the People's Republic of China which, for the purpose of this circular, 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 |
| "SFO" | The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of HK$0.1 each in the capital of the Company |
| "Shareholders" | 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$16,918,151 as at the Latest Practicable Date |
| "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" or "Mr. Chow" | 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. |

# 新煮意控股有限公司
# FOOD IDEA HOLDINGS LIMITED

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

**(Stock Code: 8179)**

*Executive Directors:*
Ms. Huang Wei *(Chairlady)*
Mr. Dou Sheng

*Independent non-executive Directors:*
Mr. Li Lap Keung
Mr. So Yat Chuen
Dr. Wu Wing Kuen, *B.B.S.*

*Registered office:*
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of business in Hong Kong:*
Unit 306-A201, 3/F.
Harbour Centre, Tower 1
1 Hok Cheung Street
Hunghom, Kowloon
Hong Kong

5 December 2019

*To the Shareholders*

Dear Sirs,

**(I) 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;**
**(II) RE-ELECTION OF RETIRING DIRECTORS; AND**
**(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## INTRODUCTION

References are made to the MOU Announcement and the Announcement.

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 purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) details of the Specific Mandate; (iii) accountants' reports on the Target Company and Adinfern; (iv) unaudited pro forma financial information on the Enlarged Group; (v) a valuation report on the Property (as defined below); (vi) the re-election of the retiring Directors; and (vii) a notice of the EGM.

## 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 a private investor. Mr. Chow has over ten years experiences in winery business in Australia. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party. As at the Latest Practicable Date, there is not any prior or current relationship between Adinfern and the Company and its connected person. The Purchaser is a direct wholly-owned subsidiary of the Company and is an investment holding company incorporated in the BVI.

**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$16,918,151 as at the Latest Practicable Date.

**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, has been 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 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 (the "**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 Board noticed that the Consideration is higher than the original acquisition cost of the Property of AUD2,800,000 (the "**Original Cost**") paid by Adinfern. The Company has discussed with the Vendor about the Original Cost. According to the Vendor, the Original Cost represented fire-sale price of the Property when Adinfern acquired the Property from the previous vendors (the "**Previous Vendors**") in 2017. The Original Cost was the agreed price as determined after negotiation between Adinfern and the Previous Vendors. It should be noted that the Company did not have any involvement in the discussion for arriving at the Original Cost at the relevant time and the basis in determining the Original Cost was unknown to the Company. The Directors consider that the Valuation rather than the Original Cost would better reflect the current market value of the Property.

The Consideration represents a discount of approximately 5.3% to the Valuation. The Board had performed the following work to review the reasonableness of the Valuation as prepared by the Valuer:

(i) interviewed the Valuer as to its expertise and independence and had obtained knowledge about the qualification and experience of the Valuer;

(ii) reviewed the scope of work of the engagement relating to the Valuation as to its appropriateness and whether there are any limitations on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation; and

(iii) reviewed and discussed with the Valuer regarding the methodologies and assumptions used for the Valuation by the Valuer and was satisfied with their work performed.

In view of work performed by the Directors regarding the Valuation as stated above, the Board is satisfied that (i) the Valuer is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) scope of work of the Valuer is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair and reasonable in relation to the Valuation. In this connection, the Board is of the view that the Valuation is fair and reasonable to rely upon.

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 Latest Practicable Date, none of the 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 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;

(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;

(iv) the closing price per Share of HK$0.28 as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 71.4% to the unaudited adjusted net asset value per Share (the "**Adjusted NAV Per Share**") of approximately HK$0.98 (based on the unaudited net assets of the Company of approximately HK$372.0 million as at 30 June 2019, as adjusted by the net proceeds (the "**Net Proceeds**") of approximately HK$33.2 million of the rights issue which was completed on 20 August 2019 (the "**Rights Issue**") and total 414,931,214 issued Shares as at the Latest Practicable Date).

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 Board noted that the Issued Price represents discount of approximately 71.4% to the Adjusted NAV Per Share as at the Latest Practicable Date.

For the period from 1 April 2019 to the date of the Agreement (the "**Review Period**"), being approximately six-month period prior to the date of the Agreement, during which the Rights Issue was completed on 20 August 2019 and share consolidation was effected on 2 September 2019 (the "**Share Consolidation**") (collectively, the "**Corporate Actions**"). Except for the Corporate Actions, there was no change in total issued shares of the Company during the Review Period and up to the Latest Practicable Date.

The historical closing prices of the Shares quoted on the Stock Exchange during the Review Period had been adjusted for the effects of the Corporate Actions. As such, for the purpose of comparing the closing price of the Shares with the net asset value per Share, the applicable Adjusted NAV Per Share at respective dates during the Review Period should be used. The applicable Adjusted NAV Per Share is estimated based on latest available published information regarding net asset value of the Group at the relevant time and adjusted for the effect of the Corporate Actions (assuming that they had taken place) and divided by total 414,931,214 issued Shares as at the Latest Practicable Date.

It was noted that the Shares had been consistently traded at a discount to the respective applicable Adjusted NAV Per Share during the Review Period, ranging from approximately 26.6% to 79.6%, with the average of approximately 61.1%. The Board considers that it would be more appropriate to determine the Issue Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the Adjusted NAV per Share.

The Consideration Shares represent approximately 15.18% of the number of issued Shares as at the Latest Practicable Date 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.

The aggregate nominal value of the Consideration Shares is HK$6,300,000. The allotment and issue of the Consideration Shares will not result in change in control of the Company.

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 the 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

According to the accountants' report of Adinfern, being the operating entity of the Target Group, as set out in Appendix IIB to this circular, key financial data of Adinfern for the years ended 30 June 2018 and 30 June 2019 are set out as follows:

| | **For the year ended 30 June 2018** (audited) *approximately AUD'000* | **For the year ended 30 June 2019** (audited) *approximately AUD'000* |
|---|---|---|
| Turnover | 327 | 310 |
| Net profit/(loss) before taxation | (73) | 20 |
| Net profit/(loss) after taxation | (73) | 20 |

According to the accountants' report of Adinfern, it recorded audited net assets of approximately AUD3.0 million as at 30 June 2019.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activity of the Company is investment holding. 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.

The Directors noted the qualified opinion on the financial information of Adinfern by the reporting accountants set out in Appendix IIB. As the Directors understand, Adinfern is not required thus did not previously perform statutory audit. The reporting accountants, Elite Partners CPA Limited, were appointed by the Company after 30 June 2019, and thus they did not observe the counting of physical inventories as at the date of acquisition of vineyard from the Previous Vendors by Adinfern (being 28 July 2017) (the **"Vineyard Acquisition Date")**, 30 June 2018 and 30 June 2019. Accordingly, they are unable to obtain sufficient appropriate evidence to satisfy themselves as to whether the carrying amounts of the inventories as at the Vineyard Acquisition Date, 30 June 2018 and 30 June 2019 were fairly stated.

Taking into consideration that (i) the acquisition of the Target Company is driven by the Group's intention in leveraging on the Target Group for achieving comprehensive development of the Wine Business and pursue upstream vertical integration of the Wine Business; (ii) the Target Group will be served as the production arm of the Wine Business; (iii) the Property is the principal asset of the Target Group; and (iv) the Consideration was determined with reference to the Valuation, the Directors consider that the inventory level of Adinfern is not a material consideration in the decision to acquire the Target Company. As such, the Directors are comfortable in acquiring the Target Company despite the aforesaid qualified opinion on the financial information of Adinfern.

In addition, the Group will implement measures (the "**Measures**") to safeguard the inventories of the Target Group subsequent to Completion. The Measures including (i) arranging the counting of the physical inventories on a regular basis; and (ii) arranging the counting of the physical inventories at each of the financial year end of the Target Group. With the implementation of the Measures, the Directors consider that it will not cause qualified opinion by the reporting accountants for future financial statements of the Enlarged Group.

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.

## FINANCIAL EFFECT OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, the Group's total assets and liabilities would be increased by approximately HK$66.5 million and approximately HK$48.8 million respectively as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

According to the accountants' report of Adinfern, being the operating entity of the Target Group as set out in Appendix IIB to this circular, Adinfern recorded an audited consolidated profit for the year of approximately AUD20,000 for the year ended 30 June 2019. Upon Completion, the entities comprising the Target Group will become subsidiaries of the Company and results of the Target Group will be consolidated into the results of the Enlarged Group. The Directors consider that the Acquisition will bring positive contribution to the earnings of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

## EFFECT ON THE SHAREHOLDING STRUCTURE

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

| **Shareholders** | **As at the Latest Practicable Date** | | **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 | 351,096,014 | 84.62 | 351,096,014 | 73.46 |
| **Total** | 414,931,214 | 100 | 477,931,214 | 100 |

*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.

## RE-ELECTION OF THE RETIRING DIRECTORS

Reference is made to the announcements of the Company dated 12 August 2019 and 24 October 2019, whereby Ms. Huang Wei and Mr. Dou Sheng were appointed as an executive Director with effect from 12 August 2019 and 24 October 2019 respectively.

In accordance with Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall retire at the next following general meeting and shall be eligible for re-election. Accordingly, Ms. Huang Wei and Mr. Dou Sheng will retire from office as a Director and, being eligible, offer themselves for re-election at the EGM.

Details of Ms. Huang Wei and Mr. Dou Sheng are set out in Appendix VII to this circular.

## 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

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolution in relation to (i) the Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares; and (iii) re-election of the retiring Directors. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. The completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The voting in respect of the resolutions to be proposed at the EGM will be conducted by poll whereby any Shareholders and their close associates (as defined under the GEM Listing Rules) who have a material interest in the Acquisition shall abstain from voting on the resolution in relation to the Acquisition to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, 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 resolutions to be proposed at the EGM.

## RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Agreement are on normal commercial terms, are fair and reasonable and that the entering into of the Agreement; and the proposed re-election of Directors are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

## ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board of
**Food Idea Holdings Limited**
**Huang Wei**
*Chairlady and executive Director*

## 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 are disclosed in the annual report of the Company for the years ended 31 December 2016 (pages 47 to 149), 2017 (pages 50 to 153), 2018 (pages 51 to 159) and in the interim report of the Company for the six months ended 30 June 2019 (pages 5 to 36) respectively, which are published on both the GEM website (http://www.hkgem.com) and the website of the Company (http://www.foodidea.com.hk). Please refer to the hyperlinks as stated below:

2016 annual report:

https://www1.hkexnews.hk/listedco/listconews/gem/2017/0330/gln20170330405.pdf

2017 annual report:

https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328417.pdf

2018 annual report:

https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328531.pdf

2019 interim report:

https://www1.hkexnews.hk/listedco/listconews/gem/2019/0813/gln20190813227.pdf

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2019, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group has the following liabilities:

### (a) Borrowing

As at the close of business on 31 October 2019 (being the latest practicable date for the purpose of this indebtedness statement), the Enlarged Group had bank overdraft of approximately HK$5 million and outstanding borrowings of approximately HK$9 million, comprising secured bank installment loan of approximately HK$9 million. All the bank over draft and bank borrowings are guaranteed.

**(b) Promissory notes**

As at the close of business on 31 October 2019 (being the latest practicable date for the purpose of this indebtedness statement), the Enlarged Group had outstanding promissory note with principal amount of approximately HK$134 million. All promissory notes are unsecured, interest ranging from 2% to 5% and repayable in 1 to 3 years. Details of such promissory notes are mentioned as below.

| Issue date | Maturity date | Interest rate | Principal balance as at 31 October 2019 |
|---|---|---|---|
| | | | *HK$* |
| 2 August 2018 | 2 August 2020 | 2% p.a | 31,939,060 |
| 2 September 2018 | 2 September 2020 | 2% p.a | 41,800,000 |
| 22 January 2019 | 22 January 2020 | 5% p.a | 10,000,000 |
| 18 April 2019 | 18 April 2020 | 4% p.a | 50,000,000 |

There are no option for extension for the above-mentioned promissory notes.

Save as disclosed above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any other outstanding indebtedness at the close of business on 31 October 2019 or any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges or hire purchase commitments, or other material contingent liabilities.

## 3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances and other internal resources available and also the effect of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular.

## 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group was made up.

## 5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in (i) catering services; (ii) production, sales and distribution of food products to supermarket chains in Hong Kong (the "**Food Products Operation**"); (iii) investment in securities; (iv) money lending business; and (v) Wine Business.

### a) Wine Business

In view of the positive results in wine trading segment for the six months ended 30 June 2019 ("**2019 Interim**") and the prospect of the wine industry in Hong Kong, the development of the wine trading represents a good opportunity for the Group to further develop its distribution and catering business and will help to diversify the businesses of the Group. As such, it is the intention of the Group to further strengthen its sales capability in wine trading with an aim to take advantage of the steady growth in the wine trading industry.

As disclosed in the paragraph headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, 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.

### b) Catering Services

The dessert catering industry in the PRC is still facing a fierce competition which is further intensified by the emergence of e-commerce platform and the change of consumption pattern to online channel. The associate of the Group, the Lucky Dessert Group, competes with both new entrants and competitors with longer operating histories. Together with the rising operating costs such as rental expenses and labour costs in the PRC, the Lucky Dessert Group focused on developing its restaurant network through local business partners in the PRC, instead of operating its self-owned restaurant. The Lucky Dessert Group is consistently approached by potential local entrepreneurs of the trademark "Lucky Dessert" for running the dessert catering business in the PRC. The Group will explore opportunities to further develop its dessert catering business.

**c) Food Products Operation**

For 2019 Interim, the food products operation recorded an increase in revenue of around 1.3% to approximately HK$60.68 million when compared with approximately HK$59.91 million for the six months ended 30 June 2018 ("**2018 Interim**"). Although the revenue of the food products operation recorded a rise of approximately 1.3% for the 2019 Interim, the effect was counteracted by the rise in the food cost and staff cost. As a result, the operating loss increased from approximately HK$0.13 million for the 2018 Interim to approximately HK$0.78 million for the 2019 Interim.

The Group continues to search for suitable sites with high traffic flow for expansion and will continue to review the performance of its concessionaire stores and close the underperforming locations. The Group is also proactively monitoring the rising food costs, labour costs and commission expenses to supermarket chains in order to raise the operational efficiencies of the food products operation.

**d) Money Lending Business**

The Group's money lending business maintained a stable performance. During the 2019 Interim, it generated interest income of approximately HK$0.94 million (2018: HK$4.55 million). During the 2019 Interim, the Group recorded segment profit increased to approximately HK$0.53 million (2018: HK$8.07 million). The Group will actively seek for opportunities to expand its money lending business.

**e) Securities Investment Business**

As at 30 June 2019, the Group had a portfolio of securities investment classified as financial assets at fair value through profit or loss of approximately HK$12.65 million (31 December 2018: HK$8.34 million) and all of them were equity securities/fund listed in Hong Kong. For the 2019 Interim, the Group recorded a net unrealised gain of approximately HK$4.31 million (2018: loss HK$47.58 million) and a net realised gain of approximately HK$Nil (2018: HK$3.30 million) in its entire securities investment.

The Group's investment portfolio is subject to the volatility of the market. The management will cut losses on certain investments which will be in vulnerable position and keep those with better prospect. The Group will continue to monitor the existing portfolio closely and look for other potential investment opportunities.

The Group will closely monitor and review the performance of existing business and may dispose of and scale down the underperforming businesses in order to concentrate resources to develop outperformance business.

## 6. MATERIAL ACQUISITION

On 22 January 2019, the Group completed the acquisition (the "**2019 Acquisition**") of the entire issued share capital of Palinda Holding Group Limited ("**Palinda Holding**") for the consideration of HK$76,000,000 which was satisfied (i) as to HK$55,749,408 by the issue and allotment of the 425,568,000 consideration shares at the issue price of HK$0.131 per consideration share; and (ii) as to the remaining amount of HK$20,250,592 by the issue of the promissory note. Palinda Holding is an investment holding company and its subsidiary, Palinda Wines (H.K.) Limited ("**Palinda HK**") is principally engaged in trading of wine products in Hong Kong. Details of the 2019 Acquisition were set out in announcement of the Company dated 22 October 2018 and the circular of the Company dated 13 December 2018.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring company in consequence of the 2019 Acquisition.

The audited financial information of (i) Palinda Holding for the period from 13 December 2017 (date of incorporation) to 31 March 2018 and the six months ended 30 September 2018; and (ii) Palinda HK for the three years ended 31 March 2016, 2017 and 2018 and six months ended 30 September 2018 are disclosed in Appendix IIA and Appendix IIB respectively to the circular of the Company dated 13 December 2018.

Save for the 2019 Acquisition as disclosed above (other than the Acquisition which is the subject of this circular), after 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), none of the members of the Group had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or the next published accounts of the Group.

## 7. VALUATION RECONCILIATION STATEMENT

Ravia Global Appraisal Advisory Limited ("**Ravia**"), the independent valuer, has valued the Property as at 30 September 2019. Texts of its letter and valuation certificate issued by the independent valuer are included in Appendix V to this circular.

The table below sets forth the reconciliation of the net book value of the Property as at 30 June 2019 as set out in Appendix IIB to this circular, to the market value of the Property as at 30 September 2019 as set out in the valuation report in Appendix V to this circular.

| | *AUD'000* |
|---|---|
| Net book value of Property as at 30 June 2019 | 2,760 |
| Less: Depreciation of the Property for the period from 1 July 2019 to 30 September 2019 | (3) |
| Net book value of the Property as at 30 September 2019 | 2,757 |
| Valuation surplus | 9,243 |
| Market value of Property as at 30 September 2019 | 12,000 |

*The following is the text of a report received from the Company's reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF FOOD IDEA HOLDINGS LIMITED

### Introduction

We report on the historical financial information of Win Everest Holdings Limited (the "Target Company") set out on pages IIA-4 to IIA-19, which comprises the statement of financial position as at 30 June 2019 and the statement of profit or loss and other comprehensive income, statements of change in equity and statement of cash flows for the period from 11 April 2019 (date of incorporation) to 30 June 2019 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-19 form an integral part of this report which has been prepared for inclusion in the circular dated 5 December 2019 issued by Food Idea Holdings Limited in connection with the proposed acquisition of entire issued share capital of Target Company. (the "Circular").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Relevant Periods (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Target Company for the Relevant Periods. The director of the Target Company are responsible for the preparation of the Target Company's financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as appropriate, and for such internal control as the directors determine is necessary to enable the preparation of the Target Company's financial statements that are free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 30 June 2019 and of Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

***Dividends***

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid by Target Company in respect of the Relevant Periods.

**Elite Partners CPA Limited**
*Certified Public Accountants*

Hong Kong
5 December 2019

**Siu Jimmy**
Practising Certificate No.: P05898

## HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar ("HK$").

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | *Notes* | **Period from 11 April 2019 (date of incorporation) to 30 June 2019** *HK$* |
|---|---|---|
| Revenue | *4* | – |
| Other operating expenses | | (8,151) |
| Loss before taxation | *6* | (8,151) |
| Income tax expenses | *8* | – |
| Loss and total comprehensive expenses for the period attributable to the owners of the Target Company | | (8,151) |

## STATEMENT OF FINANCIAL POSITION

| | Notes | As at 30 June 2019 HK$ |
|---|---|---|
| Non-current asset | | |
| Interest in a subsidiary | 11 | 16,988,000 |
| Non-current liability | | |
| Amount due to a shareholder | 12 | 16,918,151 |
| Net current asset | | – |
| Total asset less current liability | | 16,988,000 |
| Net liability | | 69,849 |
| Capital and reserves | | |
| Share capital | 13 | 78,000 |
| Reserves | | (8,151) |
| Total equity | | 69,849 |

**STATEMENT OF CHANGES IN EQUITY**

| | **Share capital** | **Accumulated loss** | **Total** |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| At 11 April 2019 (date of incorporation) | 78,000 | – | 78,000 |
| Loss and total comprehensive expenses for the period | – | (8,151) | (8,151) |
| At 30 June 2019 | 78,000 | (8,151) | 69,849 |

**STATEMENT OF CASH FLOWS**

| | Notes | Period from 11 April 2019 (date of incorporation) to 30 June 2019 HK$ |
|---|---|---|
| Operating activities | | |
| Loss before taxation | | (8,151) |
| Operating cash flows before movements in working capital | | (8,151) |
| Net cash used in operating activities | | (8,151) |
| Investing activity | | |
| Payment for acquisition of a subsidiary | | (16,988,000) |
| Net cash used in investing activity | | (16,988,000) |
| Financing activities | | |
| Issue of ordinary shares | | 78,000 |
| Increase in amount due to a shareholder | | 16,918,151 |
| Net cash generated from financing activities | | 16,996,151 |
| Net increase in cash and cash equivalents | | – |
| Cash and cash equivalents at the beginning of the period | | – |
| Cash and cash equivalents at the end of the period | | – |
| Analysis of the balances of cash and cash equivalents | | |
| Bank balances and cash | | – |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Win Everest Holdings Limited (the "Target Company") is a company established in British Virgin Island with limited liability on 11 April 2019. The address of the registered office and the principal place of business of Target Company is Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110.

The Target Company is principally engaged in investing holding.

The Financial Information is presented in Hong Kong Dollar ("HK$"), which is the same as the functional currency of the Target Company.

### 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Period, the Target Company has consistently applied all HKFRSs which are effective for the financial period beginning on 11 April 2019 (date of incorporation) throughout the Relevant Period.

**New and amendments to HKFRSs in issue but not yet effective**

At the date of this report, the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| HKFRS 17 | Insurance contracts[2] |
| HKFRS 3 (Amendments) | Definition of a business[1] |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting[1] |
| HKAS 1 and HKAS 8 (Amendments) | Definition of material[1] |

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *Effective for annual periods beginning on or after 1 January 2021*

[3] *Effective date not yet determined*

The director anticipates that the application of these new and amendments to HKFRSs and interpretation, other than those set out below, will have no material impact on the Historical Financial Information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

No statutory financial statements of the Target Company have been prepared since the date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

The Historical Financial Information have been prepared on the historical cost basis at the end of each Relevant Periods, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Revenue recognition**

The Target Company did not generate any revenue during the Relevant Period.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

**Impairment losses on tangible assets**

At the end of each Relevant Periods, the Target Company reviews the carrying amounts of its interest in a subsidiary to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Financial liabilities and equity instruments***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Target Company's financial liabilities are classified into other financial liabilities.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities (including amount due to shareholder) are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Target Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Provision**

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value is material).

**Fair value measurement**

When measuring fair value, net realisable value of inventories and value in use of property, plant and equipment for the purpose of impairment assessment, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Target Company categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Target Company determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. REVENUE

The Target Company did not generate any revenue during the Relevant Period.

## 5. SEGMENT INFORMATION

The Target Company is an investment holding company. Since this is the only operating segment of the Target Company, no further analysis thereof is presented.

The Target Company's operation and operating assets are substantially located in Hong Kong. Accordingly, no geographical segment information is presented.

### Geographical information

The Target Company's did not generate any revenue during the Relevant Period and the Target Company did not have non-current assets other than financial instruments. Accordingly, no geographical information presented.

### Revenue from major customers

No revenue is derived from a single customer of the Target Company which amounted for over 10% of the Target Company's total revenue.

## 6. LOSS BEFORE TAXATION

The Target Company's loss before taxation has been arrived at after charging the following items:

| | **Period from 11 April 2019 (date of incorporation) to 30 June 2019** *HK$* |
|---|---|
| Preliminary expenses | 8,151 |

## 7. DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

### (a) Director's emoluments

Mr. Chow Yat Too was appointed as the director of the Target Company since 11 April 2019 (date of incorporation).

During the Relevant Period, no emoluments paid/payable by the Target Company for his service.

During the Relevant Periods, no emoluments were paid by the Target Company to these individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Relevant Period.

### (b) Five highest paid individuals

During the Relevant Periods, the Target Company did not have any employee who is not director of the Target Company. According, no information regarding five highest paid individuals presented.

## 8. INCOME TAX EXPENSES

During the Relevant Periods, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Target Company had no assessable profits for the Relevant Period.

Income tax charges for the Relevant Period can be reconciled to the loss before taxation per the statements of profit or loss and other comprehensive income as follows:

| | **Period from 11 April 2019 (date of incorporation) to 30 June 2019** |
|---|---|
| | *HK$* |
| Loss before taxation | (8,151) |
| Tax at the domestic income tax of 16.5% | (1,345) |
| Tax effect of expenses not deductible for tax purpose | 1,345 |
| Income tax for the period | – |

## 9. LOSS PER SHARE

No loss per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

## 10. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Period.

## 11. INTEREST IN A SUBSIDIARY

The Target Company's loss before taxation has been arrived at after charging the following items:

| | **As at 30 June 2019** |
|---|---|
| | *HK$* |
| Unlisted shares, at cost | 16,988,000 |

During the Relevant Period, the Target Company has equity interests in the following subsidiary:

| **Name of subsidiary** | **Place of incorporation/ establishment** | **Registered capital** | **Equity interest attributable to Target Company as at 30 June 2019** | **Principal activities** |
|---|---|---|---|---|
| *Directly held:* | | | | |
| Adinfern Margaret River Pty Limited | Australia | 10,000 ordinary shares | 100% | Supply of self-cultivated grapes for winery business and provision of short stay accommodation service. |

The subsidiary of the Target Company is private limited liability company and has adopted 30 June as their financial year end date.

## 12. AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, interest-free and have no fixed repayment terms.

## 13. SHARE CAPITAL

| | As at 30 June 2019 |
|---|---|
| | *HK$* |
| **Authorised:** | |
| 50,000 ordinary shares of USD1 each | 390,000 |
| **Issued and fully paid:** | |
| 10,000 ordinary shares of USD1 each | 78,000 |

## 14. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that entities in the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged in the Relevant Periods.

The capital structure of the Target Company consists of equity attributable to owners of the Target Company, comprising issued share capital and accumulated losses.

The director of the Target Company review the capital structure on an annual basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital. Based on the results of the review of the director of the Target Company, the Target Company will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

## 15. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | As at 30 June 2019 |
|---|---|
| | *HK$* |
| **Financial liabilities** | |
| Amortised cost | 16,918,151 |

**Financial risk management objectives and policies**

The Target Company's major financial instruments include amount due to director. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Company's financial instruments are market risk (interest rate risk), credit risk and liquidity risk. The Target Company's overall financial risk management objectives and policies remain unchanged in the Relevant Period. The directors of the Target Company review and agree policies for managing each of these risks and they are summarised below.

***Interest rate risk***

The Target Company's exposure to interest rate risk is not significant.

***Liquidity risk***

To manage the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Target Company and mitigate the effects of fluctuations in cash flows. The Target Company expects to fund its future cash flow needs through internally generated cash flows from operations, bank borrowings, as well as financing through owners.

The remaining contractual maturity of the Target Company's financial liabilities at the end of the Relevant Period which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay are no fixed term of repayment.

**Fair values measurement of financial instruments**

The Director consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

## 16. SUBSEQUENT EVENTS

There was no subsequent event that needs to be disclosed or adjusted by the Target Company as at the date of this report.

## 17. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company has been prepared in respect of any period subsequent to 30 June 2019.

*The following is the text of a report received from the Company's reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FOOD IDEA HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of Adinfern Margaret River Pty Limited (the "Adinfern") set out on pages IIB-5 to IIB-34, which comprises the statement of financial position as at 30 June 2017, 2018 and 2019 and the statement of profit or loss and other comprehensive income, statements of change in equity and statement of cash flows for each of the three years ended 30 June 2017, 2018 and 2019 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Historical Financial Information"). The Historical Financial Information set out on pages IIB-5 to IIB-34 form an integral part of this report which has been prepared for inclusion in the circular dated 5 December 2019 issued by Food Idea Holdings Limited in connection with the proposed acquisition of entire issued share capital of the Target Company. (the "Circular").

**Directors' responsibility for the Historical Financial Information**

The directors of the Adinfern are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Basis for qualified opinion**

We were appointed as reporting accountants of Adinfern after 30 June 2019, and thus we did not observe the counting of physical inventories as at the date of acquisition of vineyard, 30 June 2018 and 30 June 2019. We were unable to satisfy ourselves by alternative means concerning the quantities of inventories held by Adinfern as at the date of acquisition of vineyard, 30 June 2018 and 30 June 2019. Accordingly, we are unable to obtain sufficient appropriate evidence to satisfy ourselves as to whether the carrying amounts of the inventories as at the date of acquisition of vineyard, 30 June 2018 and 30 June 2019 were fairly stated. Since the carrying amounts of the inventories of AUD55,760 and AUD179,195 as at 30 June 2018 and 2019 respectively affect the determination of cost of inventories consumed of AUD58,683 and AUD21,397 for the years ended 2018 and 2019 and cost of sales of AUD51,543 and AUD61,092 for the years ended 30 June 2018 and 2019, we are unable to determine whether any adjustments to the statements of profit or loss and other comprehensive income for the years ended 30 June 2018 and 2019 were necessary.

Any adjustments found to be necessary to the carrying amounts of the inventories as at the date of acquisition of vineyard, 30 June 2018 and 30 June 2019 would have a consequential effect on Adinfern's profit or loss for the years ended 30 June 2018 and 2019, the related elements making up the statements of cash flows, the statements of changes in equity, and related disclosures in the notes to the Historical Financial Information.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" paragraph, , the statement of financial position give a true and fair view of the financial position of Adinfern as at 30 June 2017, 30 June 2018 and 30 June 2019, and of its financial performance and its cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

***Dividends***

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid by Adinfern in respect of the Relevant Periods.

**Elite Partners CPA Limited**
*Certified Public Accountants*

Hong Kong
5 December 2019

**Siu Jimmy**
Practising Certificate No.: P05898

## HISTORICAL FINANCIAL INFORMATION OF ADINFERN

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Adinfern for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Australian Dollar ("AUD").

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 30 June | | |
|---|---|---|---|---|
| | | 2019 | 2018 | 2017 |
| | *Notes* | *AUD* | *AUD* | *AUD* |
| Revenue | *4* | 309,911 | 327,476 | – |
| Other income | *5* | 1,661 | 3,004 | – |
| Cost of inventories consumed | | (21,397) | (58,683) | – |
| Cost of sales | | (61,092) | (51,543) | – |
| Depreciation | | (21,000) | (19,250) | – |
| Other operating expenses | | (187,696) | (273,979) | (250) |
| Profit/(loss) before taxation | *6* | 20,387 | (72,975) | (250) |
| Income tax expenses | *8* | – | – | – |
| Profit/(loss) and total comprehensive income/(expenses) for the year attributable to the owners of Adinfern | | 20,387 | (72,975) | (250) |

## STATEMENT OF FINANCIAL POSITION

| | | As at 30 June | | |
|---|---|---|---|---|
| | | **2019** | **2018** | **2017** |
| | *Notes* | *AUD* | *AUD* | *AUD* |
| Non-current asset | | | | |
| Property, plant and equipment | *11* | 2,759,750 | 2,780,750 | – |
| Current assets | | | | |
| Inventories | *12* | 179,195 | 55,760 | – |
| Biological assets | *13* | – | – | – |
| Trade receivables | *14* | 126,165 | 77,775 | – |
| Other receivables | *14* | – | – | 150 |
| Amount due from a director | *15* | 1,289 | 4,182 | – |
| Amount due from the ultimate shareholder | *15* | 19,395 | – | – |
| Bank balances and cash | *16* | 36,605 | 33,600 | 100 |
| | | 362,649 | 171,317 | 250 |
| Current liabilities | | | | |
| Trade payables | *17* | 37,714 | 1,418 | – |
| Amount due to the ultimate shareholder | *15* | – | 3,006,600 | – |
| Other payables and accruals | *17* | 39,963 | 19,614 | 2,840 |
| | | 77,677 | 3,027,632 | 2,840 |
| Net current assets/(liabilities) | | 284,972 | (2,856,315) | (2,590) |
| Total assets less current liabilities | | 3,044,722 | (75,565) | (2,590) |
| Net assets/(liabilities) | | 3,044,722 | (75,565) | (2,590) |
| Capital and reserves | | | | |
| Share capital | *18* | 3,100,000 | 100 | 100 |
| Reserves | | (55,278) | (75,665) | (2,690) |
| Total equity | | 3,044,722 | (75,565) | (2,590) |

## STATEMENT OF CHANGES IN EQUITY

| | Share capital *AUD* | Accumulated losses *AUD* | Total *AUD* |
|---|---|---|---|
| At 1 July 2016 | 100 | (2,440) | (2,340) |
| Loss and total comprehensive expenses for the year | – | (250) | (250) |
| At 30 June 2017 and 1 July 2017 | 100 | (2,690) | (2,590) |
| Loss and total comprehensive expenses for the year | – | (72,975) | (72,975) |
| At 30 June 2018 and 1 July 2018 | 100 | (75,665) | (75,565) |
| Issuance of shares | 3,099,900 | – | 3,099,900 |
| Profit and total comprehensive income for the year | – | 20,387 | 20,387 |
| At 30 June 2019 | 3,100,000 | (55,278) | 3,044,722 |

## STATEMENT OF CASH FLOWS

| | | Year ended 30 June | | |
|---|---|---|---|---|
| | | **2019** | **2018** | **2017** |
| | *Notes* | *AUD* | *AUD* | *AUD* |
| Operating activities | | | | |
| Profit/(loss) before taxation | | 20,387 | (72,975) | (250) |
| Adjustment for: | | | | |
| Depreciation | | 21,000 | 19,250 | – |
| Operating cash flows before movements in working capital | | 41,387 | (53,725) | (250) |
| Increase in inventories | | (123,435) | (55,760) | – |
| Increase in trade receivables | | (48,390) | (77,775) | – |
| Decrease in other receivables | | – | 150 | – |
| Decrease/(increase) in amount due from a director | | 2,893 | (4,182) | – |
| Increase in amount due to trade payables | | 36,296 | 1,418 | – |
| Increase in amount due to accruals and other payables | | 20,349 | 16,774 | 250 |
| Net cash used in operating activities | | (70,900) | (173,100) | – |
| Investing activity | | | | |
| Purchases of property, plant and equipment | | – | (2,800,000) | – |
| Net cash used in investing activity | | – | (2,800,000) | – |
| Financing activities | | | | |
| Issuance of ordinary shares | | 3,099,900 | – | – |
| Increase in amount due from the ultimate shareholder | | (19,395) | – | – |
| (Decrease)/increase in amount due to the ultimate shareholder | | (3,006,600) | 3,006,600 | – |
| Net cash generated from financing activities | | 73,905 | 3,006,600 | – |
| Net increase in cash and cash equivalents | | 3,005 | 33,500 | – |
| Cash and cash equivalents at the beginning of the year | | 33,600 | 100 | 100 |
| Cash and cash equivalents at the end of the year | | 36,605 | 33,600 | 100 |
| Analysis of the balances of cash and cash equivalents | | | | |
| Bank balances and cash | | 36,605 | 33,600 | 100 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Adinfern Margaret River Pty Limited ("Adinfern") is a company established in Australia with limited liability. The address of the registered office and the principal place of business of the Adinfern is 8772 Bussell Highway, COWARAMUP WA 6284.

Adinfern is principally engaged in operating a vineyard, winemaking and trading of grape and wine.

In the opinion of the directors of Adinfern, the ultimate shareholder is Mr. Chow Yat Too and the immediate holding company is Win Everest Holdings Limited as at 30 June 2017, 2018 and 2019.

The Financial Information is presented in Australian Dollar ("AUD"), which is the same as the functional currency of Adinfern.

### 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Adinfern has consistently applied all HKFRSs which are effective for the financial year beginning on 1 July 2018 throughout the Relevant Periods.

**New and amendments to HKFRSs in issue but not yet effective**

At the date of this report, the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| HKFRS 17 | Insurance contracts[2] |
| HKFRS 3 (Amendments) | Definition of a business[1] |
| Conceptual Framework for Financial Reporting 2018 | Revised conceptual framework for financial reporting[1] |
| HKAS 1 and HKAS 8 (Amendments) | Definition of material[1] |

1 *Effective for annual periods beginning on or after 1 January 2020*

2 *Effective for annual periods beginning on or after 1 January 2021*

3 *Effective date not yet determined*

The directors anticipate that the application of these new and amendments to HKFRSs and interpretation, other than those set out below, will have no material impact on the Historical Financial Information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis at the end of each Relevant Periods, except the biological assets are stated at their fair value as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Adinfern takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Revenue recognition**

Under HKFRS 15, revenue is recognised in profit or loss when Adinfern satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset. Revenue may be over time or at a particular point in time. Revenue is recognised over time when one of the following criteria is satisfied:

(a) the customer simultaneously receives and consumes the benefits provided by Adinfern's performance as Adinfern performs;

(b) Adinfern's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) Adinfern's performance does not create an asset with an alternative use to Adinfern and Adinfern has an enforceable right to payment for performance completed to date.

Revenue is recognised at a particular point in time (i.e. when the customer obtains control of the promised goods or service) when none of the abovementioned criteria are satisfied. The below is a summary of how Adinfern's revenue from different types of operations is recognised under HKFRS 15.

***1) Sales of goods***

Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. Adinfern does not expect to have any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. As a consequence, Adinfern does not adjust any of the transaction prices for the time value of money.

***2) Tourism and servicing income***

Tourism and servicing income represented income earned from the provision of services to customers staying overnight in the vineyard. Revenue is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by Adinfern.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Adinfern's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Adinfern expects, at the end of the Relevant Periods, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss.

**Property, plant and equipment**

Buildings held for own use which are situated on freehold land are stated at cost less accumulated depreciation and impairment losses.

Freehold land is stated at cost and not depreciated.

Depreciation is calculated to write off the costs of property, plant and equipment to their estimated residual values over their estimated useful lives on a straight-line basis as set out below:

| | |
|---|---|
| Buildings | 50 years |
| Bearer plant | 50 years |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**Impairment losses on tangible assets**

At the end of each Relevant Periods, Adinfern reviews the carrying amounts of its property, plant and equipments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Adinfern estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when Adinfern becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend or interest income which are derived from Adinfern's ordinary course of business are presented as revenue.

***Financial assets***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Adinfern may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Adinfern manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, Adinfern may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each Relevant Periods, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

*Impairment of financial assets*

Adinfern recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, amount due from a director, amount due from the ultimate shareholder, cash and cash equivalents, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Adinfern's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Adinfern always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, Adinfern measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, Adinfern recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Adinfern compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Adinfern considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Adinfern presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Adinfern has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default

For internal credit risk management, Adinfern considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Adinfern, in full (without taking into account any collaterals held by Adinfern).

Irrespective of the above, Adinfern considers that default has occurred when a financial asset is more than 90 days past due unless Adinfern has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

Adinfern writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under Adinfern's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Adinfern in accordance with the contract and the cash flows that the Adinfern expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Adinfern's trade and other receivables, and amounts due from a director and the ultimate shareholder are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Adinfern's financial liabilities are classified into other financial liabilities.

*Other financial liabilities*

Other financial liabilities (including trade payables, other payables and accruals, amount due to the ultimate shareholder) are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, Adinfern's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Biological assets**

Biological assets comprise grapes before harvest in farms and are classified as current assets due to the short development period, prior to harvest.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at growing cost incurred less impairment losses.

Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss for the period in which it arises.

Biological assets that meet the definition of bearer plants (i.e., grapevines) are within the scope of HKAS 16 Property, Plant and Equipment. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. After initial recognition, bearer plants are measured at accumulated cost less any impairment before maturity. Subsequently when the bearer plants are mature, they are measured at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in profit or loss.

The grapevines are presented and accounted for as bearer plants, see "property, plant and equipment". However, the fresh fruit bunches growing on the grapevines are accounted for as biological assets until the point of harvest. Harvested grapes are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

**Inventories**

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Goods in stock, the net realisable value is determined based on the estimated selling price less the estimated selling expenses and relevant taxes.

**Provision**

Provisions are recognised when Adinfern has a present obligation (legal or constructive) as a result of a past event, it is probable that Adinfern will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the Relevant Periods, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value is material).

**Fair value measurement**

When measuring fair value, net realisable value of inventories and value in use of property, plant and equipment for the purpose of impairment assessment, Adinfern takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Adinfern uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, Adinfern categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the Relevant Periods, Adinfern determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. REVENUE

**Revenue within the scope of HKFRS 15** *(Note)***:**

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Sales of wines | 49,140 | 135,045 | – |
| Sales of grapes | 236,994 | 172,032 | – |
| Tourism and servicing income | 23,777 | 20,399 | – |
| | 309,911 | 327,476 | – |

*Note:*

Revenue within the scope of HKFRS 15:

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Recognised at a point in time | 286,134 | 307,077 | – |
| Recognised over time | 23,777 | 20,399 | – |
| | 309,911 | 327,476 | – |

## 5. OTHER INCOME

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Bank interest income | – | 952 | – |
| Other sales | 1,573 | 1,931 | – |
| Miscellaneous income | 88 | 121 | – |
| | 1,661 | 3,004 | – |

## 6. PROFIT/(LOSS) BEFORE TAXATION

Adinfern's profit/(loss) before taxation has been arrived at after charging the following items:

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Employee benefits expenses (including Director's emoluments) | | | |
| Salaries, wages and other benefits | 80,225 | 62,723 | – |
| Contribution to retirement benefits scheme – defined contribution plan | 9,223 | 5,458 | – |
| | 89,448 | 68,181 | – |
| Auditor's remuneration | – | – | – |
| Cost of inventories consumed | 21,397 | 58,683 | – |
| Depreciation | 21,000 | 19,250 | – |
| Handling fee* | – | 144,807 | – |

* *During the Relevant Periods, included in the operating expenses.*

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

Ms. Wong Howe Yee and Ms. Ngai Ka Ling were appointed as the directors of Adinfern since 28 March 2014 and 17 June 2019 respectively. Their emoluments for the Relevant Periods paid/payable by Adinfern during the Relevant Periods for their service are as follow:

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Fee | – | – | – |
| Retirement benefit contributions | – | – | – |
| | – | – | – |

The remuneration of each director for the year ended 30 June 2017 is set out as below:

| | **Fees** | **Salaries, allowance and benefits** | **Retirement benefit contributions** | **Total** |
|---|---|---|---|---|
| | *AUD* | *AUD* | *AUD* | *AUD* |
| Ms. Wong Howe Yee | – | – | – | – |

The remuneration of each director for the year ended 30 June 2018 is set out as below:

| | **Fees** | **Salaries, allowance and benefits** | **Retirement benefit contributions** | **Total** |
|---|---|---|---|---|
| | *AUD* | *AUD* | *AUD* | *AUD* |
| Ms. Wong Howe Yee | – | – | – | – |

The remuneration of each directors for the year ended 30 June 2019 is set out as below:

| | Fees | Salaries, allowance and benefits | Retirement benefit contributions | Total |
|---|---|---|---|---|
| | *AUD* | *AUD* | *AUD* | *AUD* |
| Ms. Wong Howe Yee | – | – | – | – |
| Ms. Ngai Ka Ling | – | – | – | – |
| | – | – | – | – |

During the Relevant Periods, no emoluments were paid by Adinfern to these individuals as an inducement to join or upon joining Adinfern or as compensation for loss of office. None of them has waived or agreed to waive any emoluments during the Relevant Periods.

**(b) Five highest paid individuals**

The aggregate of the emoluments in respect of the five highest paid individuals who are not directors of Adinfern during the Relevant Periods are as follows:

| | Year ended 30 June | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | *AUD* | *AUD* | *AUD* |
| Salaries and other benefits | 74,619 | 47,846 | – |
| Retirement benefit contributions | 7,050 | 4,511 | – |
| | 81,669 | 52,357 | – |

The number of the five highest paid individuals who are not directors of Adinfern whose emoluments fell are within the following band is as follows:

| | Year ended 30 June | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Nil to HK$1,000,000 | 5 | 5 | – |

## 8. INCOME TAX EXPENSES

| | Year ended 30 June | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | *AUD* | *AUD* | *AUD* |
| Current income tax – Australia: | | | |
| Current year provision | – | – | – |

The applicable Australia profit tax rate is 30% throughout the Relevant Periods.

Income tax charges for the Relevant Periods can be reconciled to the profits/(loss) before taxation per the statements of profit or loss and other comprehensive income as follows:

| | Year ended 30 June | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | *AUD* | *AUD* | *AUD* |
| Profit/(loss) before taxation | 20,387 | (72,975) | (250) |
| Tax at the domestic income tax of 30% | 6,116 | (21,893) | (75) |
| Tax effect of income not taxable for tax purpose | (6,116) | – | – |
| Tax effect of expenses not deductible for tax purpose | – | 21,893 | 75 |
| Income tax expenses for the year | – | – | – |

## 9. EARNINGS/(LOSS) PER SHARE

No earnings/(loss) per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

## 10. DIVIDENDS

No dividend was paid or declared by the Adinfern during the Relevant Periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land *AUD* | Buildings *AUD* | Bearer plants *AUD* | Total *AUD* |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 July 2016, 30 June 2017 and 1 July 2017 | – | – | – | – |
| Addition | 1,750,000 | 980,000 | 70,000 | 2,800,000 |
| At 30 June 2018, 1 July 2018 and 30 June 2019 | 1,750,000 | 980,000 | 70,000 | 2,800,000 |
| **ACCUMULATED DEPRECIATION** | | | | |
| At 1 July 2016, 30 June 2017 and 1 July 2017 | – | – | – | – |
| Provided for the year | – | 17,967 | 1,283 | 19,250 |
| At 30 June 2018 and 1 July 2018 | – | 17,967 | 1,283 | 19,250 |
| Provided for the year | – | 19,600 | 1,400 | 21,000 |
| At 30 June 2019 | – | 37,567 | 2,683 | 40,250 |
| **NET, CARRYING VALUES** | | | | |
| At 30 June 2019 | 1,750,000 | 942,433 | 67,317 | 2,759,750 |
| At 30 June 2018 | 1,750,000 | 962,033 | 68,717 | 2,780,750 |
| At 30 June 2017 | – | – | – | – |

The above items of property, plant and equipment are depreciated over their estimated useful lives, after taking into account their estimated residual value, on a straight-line basis, as follows:

| | |
|---|---|
| Freehold land | Not depreciated |
| Buildings | 50 years |
| Bearer plants | 30 years |

## 12. INVENTORIES

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Wines | 179,195 | 55,760 | – |

## 13. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| At the beginning of the year | – | – | – |
| Increase due to cultivation | 60,832 | 50,856 | – |
| Decrease due to sales | (60,832) | (50,856) | – |
| At the end of the year | – | – | – |

During the Relevant Periods, Adinfern harvested of approximately 61 tonnes, 103 tonnes and Nil of grapes during the three years ended 30 June 2019, 2018 and 2017 respectively. The directors measured the fair value less costs to sell of grapes at harvest based on market prices as at or close to the harvest dates.

Cultivation costs incurred are accounted for as additions to the biological assets. All grapes are harvested annually from February to April of each year. After the harvest, plantation works commence again on the farmland. The directors consider that there was no active market for the grapes before harvest at the end of the Relevant Periods. The market approach is adopted to value the harvested grapes ("Agricultural Produce") and the cost approach is adopted to value the immature grapes ("Immature Grapes") during the growing period as at the end of respective years. The cost of direct raw materials, direct labour, labour service and cultivation cost incurred, including fertilisers, pesticides and labour costs, have been considered in the calculation of the fair values for the growing period and these costs approximate to their fair values. During the harvesting period, the market approach is adopted whereby the fair values of the Agricultural Produce as at the end of respective years are calculated to be the product of market price and estimated quantities of the Agricultural Produce after deducting reasonable costs related to selling.

The fair value measurement of the grapes is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. Significant unobservable inputs are mainly the replacement cost for Immature Grapes and the market price for harvested grapes.

During the Relevant Periods, no transfers occurred between levels in the hierarchy.

## 14. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Trade receivables *(Note)* | 126,165 | 77,775 | – |
| Other receivables | – | – | 150 |
| | 126,165 | 77,775 | 150 |

*Note:*

The aging analysis of trade receivables, presented based on invoice date which approximates the respective revenue recognition dates, at the end of each Relevant Periods are as follows:

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Within 30 days | 126,165 | 77,775 | – |

Adinfern has not provided for impairment loss because there is no recent history of default.

Adinfern does not hold any collateral over its trade receivables, deposits and other receivables.

The trade receivables allow a credit period from 0 to 60 days to its customers.

## 15. AMOUNTS DUE FROM/(TO) A DIRECTOR AND THE ULTIMATE SHAREHOLDER

The amounts due are unsecured, interest-free and have no fixed repayment terms.

## 16. BANK BALANCES AND CASH

Cash at banks carry interest at prevailing market rates per annum as at 30 June 2017, 2018 and 2019.

## 17. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Trade payables | 37,714 | 1,418 | – |
| Other payables | 19,707 | 11,772 | 2,590 |
| Accruals | 20,256 | 7,842 | 250 |
| | 39,963 | 19,614 | 2,840 |
| | 77,677 | 21,032 | 2,840 |

Adinfern normally received credit term of 30 days from its suppliers. An aged analysis of Adinfern's trade payables, as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Within 30 days | 37,714 | 1,418 | – |

## 18. SHARE CAPITAL

| | Number of share | Amount |
|---|---|---|
| | | *AUD* |
| Ordinary share issued and fully paid: | | |
| At 1 July 2016, 30 June 2017, 1 July 2017, 30 June 2018 and 1 July 2018 | 100 | 100 |
| Issuance of shares *(note)* | 3,099,900 | 3,099,900 |
| At 30 June 2019 | 3,100,000 | 3,100,000 |

*Note:*

On 22 May 2019 and 16 June 2019, the Adinfern issued and allotted 99,900 and 3,000,000 ordinary shares of AUD1 each as to the Target Company and Vendor for settlement of the amount due to the ultimate shareholder.

## 19. RETIREMENT BENEFIT SCHEME

Adinfern operates the Public Sector Superannuation Accumulation Plan under the Superannuation Guarantee (Administration) Act 1992 (SG Act). Under the Public Sector Superannuation Accumulation Plan, Adinfern is required to make contributions to the scheme at 9.50% of the employees' relevant income, subject to a cap of quarterly relevant income of AUD51,620, AUD52,760 and AUD54,030 per employee for respective income year 2016-17, 2017-18 and 2018-19. Contributions to the Public Sector Superannuation Accumulation Plan vest immediately.

The total expense recognised in profit or loss as follows:

| | Year ended 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Retirement benefit contribution made during the Relevant Periods | 9,223 | 5,458 | – |

## 20. RELATED PARTY TRANSACTIONS

There have no any related party transactions during the years ended 30 June 2017, 2018 and 2019.

## 21. CAPITAL RISK MANAGEMENT

Adinfern manages its capital to ensure that entities in Adinfern will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Adinfern's overall strategy remains unchanged in the Relevant Periods.

The capital structure of Adinfern consists of equity attributable to owners of Adinfern, comprising issued paid-in capital, capital reserve and retained profits.

The directors of Adinfern review the capital structure on an annual basis. As part of this review, the directors of Adinfern consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the directors of Adinfern, Adinfern will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

## 22. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | As at 30 June | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | *AUD* | *AUD* | *AUD* |
| Financial assets | | | |
| At amortised cost | 183,454 | 115,557 | 250 |
| Financial liabilities | | | |
| At amortised cost | 77,677 | 3,027,632 | 2,840 |

**Financial risk management objectives and policies**

Adinfern's major financial instruments include trade receivables, other receivables, amount due from a director, amount due from ultimate shareholder, bank balances and cash, trade payables, other payables and accruals and amount due to ultimate shareholder. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from Adinfern's financial instruments are market risk (interest rate risk), credit risk and liquidity risk. Adinfern's overall financial risk management objectives and policies remain unchanged in the Relevant Periods. The directors of Adinfern review and agree policies for managing each of these risks and they are summarised below.

***Interest rate risk***

Adinfern's exposure to cash flow interest rate risk relates to its variable-rate bank balances. No sensitivity analysis has been presented because Adinfern's exposure to cash flow interest rate risk is not significant.

***Credit risk***

Adinfern's maximum exposure to credit risk which will cause a financial loss to Adinfern due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

Adinfern's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, Adinfern's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, Adinfern reviews the recoverable amount of each individual debt at the ends of each Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that Adinfern's credit risk is significantly reduced.

The credit risk on bank balances is limited because of the concentration of credit risk on liquid funds which are deposited with several banks of high credit ratings. The Adinfern does not have significant concentration of credit risk.

***Liquidity risk***

To manage the liquidity risk, Adinfern monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of Adinfern and mitigate the effects of fluctuations in cash flows. Adinfern expects to fund its future cash flow needs through internally generated cash flows from operations, bank borrowings, as well as financing through owners.

The remaining contractual maturity of Adinfern's financial liabilities at the end of the Relevant Periods which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which Adinfern can be required to pay are no fixed term of repayment.

**Fair values measurement of financial instruments**

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

## 23. SUBSEQUENT EVENTS

There was no subsequent event that needs to be disclosed or adjusted by the Adinfern as at the date of this report.

## 24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Adinfern has been prepared in respect of any period subsequent to 30 June 2019.

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Elite Partners CPA Limited, in respect of the unaudited pro forma financial information of the Enlarged Group.*

## 1. INTRODUCTION UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information") has been prepared by the directors of the Company to illustrate the effect of the acquisition (the "Acquisition") of entire issued share capital of Win Everest Holdings Limited (the "Target Company") (together with its immediate holding company collectively referred to as the "Target Group") (the Target Group together with the Group hereinafter referred to as the "Enlarged Group").

The Unaudited Pro Forma Financial Information have been prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from interim report of the Company for the six months ended 30 June 2019 and (ii) the audited statement of financial position of the Target Company as at 30 June 2019, which has been extracted from the accountants' report of the Target Company as set out in Appendix IIA to the Circular and (iii) the audited statement of financial position of Adinfern as at 30 June 2019, which has been extracted from the accountants' report of the Target Company as set out in Appendix IIB to the Circular after making certain pro forma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2019. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of the Target Company as set out in Appendix IIA of the Circular, the financial information of Adinfern as set out in Appendix IIB of the Circular and other financial information included elsewhere in the Circular.

## 2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

| | The Group as at 30 June 2019 | The Target Company as at 30 June 2019 | Adinfern as at 30 June 2019 | Adinfern as at 30 June 2019 | Pro forma adjustment | | The Enlarged Group |
|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *AUD'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *Note (1)* | *Note (2)* | *Note (3)* | *Note (3)* | *Note (4)* | *Note (5)* | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 1,560 | – | 2,760 | 15,140 | – | 50,923 | 67,623 |
| Investment properties | 25,828 | – | – | – | – | – | 25,828 |
| Goodwill | 35,644 | – | – | – | – | 3,418 | 39,062 |
| Interests in associates | 36,735 | – | – | – | – | – | 36,735 |
| Interests in joint ventures | – | – | – | – | – | – | – |
| Interests in a subsidiary | – | 17,007 | – | – | (17,007) | – | – |
| Rental deposits | 30 | – | – | – | – | – | 30 |
| Deferred tax assets | 29 | – | – | – | – | – | 29 |
| Loan receivables | 4,389 | – | – | – | – | – | 4,389 |
| **Total non-current assets** | 104,215 | 17,007 | 2,760 | 15,140 | – | – | 173,696 |
| **Current assets** | | | | | | | |
| Inventories | 341,698 | – | 179 | 983 | – | – | 342,681 |
| Loan and interest receivables | 35,324 | – | – | – | – | – | 35,324 |
| Trade receivables | 31,468 | – | 126 | 692 | – | – | 32,160 |
| Loan to an associate | 3,000 | – | – | – | – | – | 3,000 |
| Amounts due from associates | 680 | – | – | – | – | – | 680 |
| Amounts due from joint ventures | – | – | – | – | – | – | – |
| Prepayments, deposits and other receivables | 55,260 | – | 21 | 113 | – | – | 55,373 |
| Income tax recoverable | 9 | – | – | – | – | – | 9 |
| Financial assets at fair value through profit or loss | 12,650 | – | – | – | – | – | 12,650 |
| Bank balances and cash | 29,418 | – | 37 | 201 | – | (5,000) | 24,619 |
| **Total current assets** | 509,507 | – | 363 | 1,989 | | | 506,496 |
| **Total assets** | 613,722 | 17,007 | 3,123 | 17,129 | | | 680,192 |
| **Current liabilities** | | | | | | | |
| Trade payables | 5,918 | – | 38 | 207 | – | – | 6,125 |
| Other payables, accruals and deposits received | 23,809 | 16,937 | 40 | 219 | – | (16,937) | 24,028 |
| Income tax payable | 1,373 | – | – | – | – | – | 1,373 |
| Borrowings | 30,015 | – | – | – | – | – | 30,015 |
| | 61,115 | 16,937 | 78 | 426 | | | 61,541 |
| **Net current assets/(liabilities)** | 448,392 | (16,937) | 285 | 1,563 | | | 444,955 |
| **Total assets less current liabilities** | 552,607 | 70 | 3,045 | 16,703 | | | 618,651 |
| **Non-current liabilities** | | | | | | | |
| Promissory notes | 180,610 | – | – | – | – | 33,127 | 213,737 |
| Deferred tax liabilities | – | – | – | – | – | 15,277 | 15,277 |
| | 180,610 | – | – | – | | | 229,014 |

## 3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Figures are extracted from the consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 June 2019.

(2) Figures are extracted from the Target Company's statement of financial position as at 30 June 2019 included in the accountants' report of the Target Company as set out in Appendix IIA to the Circular.

(3) Figures are extracted from Adinfern's statement of financial position as at 30 June 2019 included in the accountants' report of Adinfern as set out in Appendix IIB to the Circular, and are translated into Hong Kong dollars at the transaction rate of AUD1 to HK$5.4861.

(4) The adjustment represented the elimination of the investment cost of Adinfern from the Target Company to the issued share capital of Adinfern.

(5) Pursuant to the sale and purchase agreement (the "Acquisition Agreement") entered into between Arrow Vision Limited (a direct wholly-owned subsidiary of the Company), the Company and Mr. Chow Yat Too (the "Vendor"), the total consideration amounting to HK$60 million, which shall be satisfied as to (i) cash consideration of HK$5 million, (ii) approximately HK$17.6 million by way of allotment and issue of 63,000,000 ordinary shares at the issue price of HK$0.28 per share, to the Vendor credited as fully paid and (iii) approximately HK$37.4 million by the issue of the promissory note.

The adjustment reflects the recognition of goodwill of approximately HK$3,418,000, arising from the Acquisition, as if the Acquisition had been completed on 30 June 2019 as follows:

| | *HK$'000* |
|---|---|
| Consideration | |
| Cash | 5,000 |
| Consideration shares | |
| (63,000,000 ordinary shares x HK$0.28 per share) | 17,640 |
| Promissory note *(Note)* | 33,127 |
| | 55,767 |
| Net liabilities of the Target Company, | |
| excluding the interest in a subsidiary of HK$16,988,000 | 16,937 |
| Net assets of Adinfern | (16,703) |
| Fair value adjustment of property, plant and equipment | (50,923) |
| Deferred taxation | 15,277 |
| Shareholder's loan | (16,937) |
| Goodwill | 3,418 |

*Note:*

In accordance with HKFRS 3 Business Combination, when the consideration transferred by the acquirer in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The fair value of the Promissory Note as at 30 June 2019 is estimated by using discounted cash flow method under which all expected cash flows to be generated by the Promissory Note discounted by the applicable effective interest rate of 11.78% to arrive at its present values. The application effective interest rate is determined with reference to bond yields of comparable debt instruments with similar credit rating of the Company.

## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF FOOD IDEA HOLDINGS LIMITED**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Food Idea Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2019 and related notes as set out in Appendix III of the circular (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition (the "Acquisition") of the entire equity interest in the Target Company on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place on 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, on which no independent auditor's review report has been published, the information about the Target Company's financial position as at 30 June 2019 has been extracted by the Directors from the accountants' report of the Target Company as set out in Appendix IIA to the Circular, and the information about Adinfern's financial position as at 30 June 2019 has been extracted by the Directors from the accountants' report of Adinfern as set out in Appendix IIB to the Circular.

### Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition as at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

**Elite Partners CPA Limited**
*Certified Public Accountants*

Hong Kong
5 December 2019

**Siu Jimmy**
Practising Certificate Number P05898

*Set out below is the management discussion and analysis of the Target Group for the three years ended 30 June 2017, 2018 and 2019 based on the financial information of the Target Group as set out in Appendix II to this circular*

## BUSINESS REVIEW AND FINANCIAL REVIEW OF OPERATIONS

Since the incorporation, the Target Company is an investment holding company. During the Relevant Periods, the Target Company does not have material assets except for the investment in Adinfern. Accordingly, set out below is the management discussion and analysis of Adinfern for the three years ended 30 June 2017, 2018 and 2019, which is based on detailed financial information of Adinfern as set out in the accountants' report in Appendix IIB to this circular.

### Business review

Adinfern 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 the Margaret River region in Australia. Adinfern also produces wines under its own brand name.

Adinfern's operating segment is wine and winery business. Since this is the major operating segment of the Adinfern, provision of short stay accommodation service represents minimal of revenue, no further analysis thereof is presented.

### Financial review

#### *Revenue*

Adinfern had recorded a total revenue of AUDNil, AUD327,476 and AUD309,911 for the years ended 30 June 2017, 2018 and 2019 respectively.

The increase in revenue for the year ended 30 June 2018 as compared with the corresponding period in 2017 was mainly attributable to commence wine and winery business upon completion of acquisition of vineyard located in the Margaret River Region in Australia and generated revenue for the year ended 30 June 2018.

The decrease in revenue for the year ended 30 June 2019 as compared with the corresponding period in 2018 was mainly attributable to decrease in wine sales which outweigh the increase in sales of self-cultivated grapes.

***Cost of inventories consumed***

The cost of inventories consumed of Adinfern amounted to AUDNil, AUD58,683 and AUD21,397 for the years ended 30 June 2017, 2018 and 2019 respectively.

The increase in cost of inventories consumed for the year ended 30 June 2018 as compared with the corresponding period in 2017 was mainly attributable to commence wine and winery business upon completion of acquisition of vineyard located in the Margaret River Region in Australia and incurred cost of sales for the year ended 30 June 2018.

The decrease in cost of inventories consumed for the year ended 30 June 2019 as compared with the corresponding period in 2018 was mainly attributable to decrease revenue in sales of wines.

***Cost of sales***

The cost of sales of Adinfern amounted to AUDNil, AUD51,543 and AUD61,092 for the years ended 30 June 2017, 2018 and 2019 respectively.

The increase in cost of sales for the year ended 30 June 2018 as compared with the corresponding period in 2017 was mainly attributable to commence wine and winery business upon completion of acquisition of vineyard located in the Margaret River Region in Australia and incurred cost of sales for the year ended 30 June 2018.

The increase in cost of sales for the year ended 30 June 2019 as compared with the corresponding period in 2018 was mainly attributable to increase cost in self-cultivated grapes.

***Other operating expenses***

The other operating expenses of Adinfern for the years ended 30 June 2017, 2018 and 2019 were AUD250, AUD273,979 and AUD187,696 respectively.

The increase in other operating expense for the year ended 30 June 2018 as compared with the corresponding period in 2017 was mainly attributable to commence wine and winery business upon completion of acquisition of vineyard located in the Margaret River Region in Australia and incurred other operating expenses for the year ended 30 June 2018.

The decrease in other operating expenses for the year ended 30 June 2019 as compared with the corresponding period in 2018 was mainly attributable to the one-off registration expense only incurred for the year ended 30 June 2018 and none incurred for the year ended 30 June 2019.

***Profit/(loss) for the year***

Adinfern recorded loss for the year of AUD250 and AUD72,975 for the years ended 30 June 2017 and 30 June 2018 respectively and recorded profit for the year of approximately AUD20,387 for the year ended 30 June 2019.

The increase in loss for the year ended 30 June 2018 as compared with the corresponding period in 2017 was mainly attributable to the one-off registration expense incurred for the year ended 30 June 2018.

The turnaround profit for the year ended 30 June 2019 as compared with the loss for the corresponding period in 2018 was mainly attributable to the one-off registration expense was no longer incurred for the year ended 30 June 2019.

***Liquidity and financial resources***

(i) As at 30 June 2017, 2018 and 2019 cash and cash equivalents of Adinfern comprise of bank balances and cash of AUD100, AUD33,600, and AUD36,605 respectively.

(ii) As at 30 June 2017, 2018 and 2019, the current ratio (defined as total current assets divided by total current liabilities) of Adinfern were approximately 0.09 times, 0.06 times and 4.67 times respectively and there were no bank borrowings as at 30 June 2017, 2018 and 2019.

(iii) Adinfern had net liabilities of AUD2,590 and AUD75,565 as at 30 June 2017 and 2018 respectively and net assets of AUD3,044,722 as at 30 June 2019. The increase in net assets was mainly due to the capitalisation of shareholder's loan by allotted 3,099,900 shares of Adinfern for the year ended 30 June 2019.

***Borrowings and gearing ratio***

As at 30 June 2017, 2018 and 2019, Adinfern did not have any borrowings and gearing ratio is not applicable.

***Pledge of assets***

As at 30 June 2017, 2018 and 2019, Adinfern did not have any pledge of assets.

***Commitments***

As at 30 June 2017, 2018 and 2019, Adinfern did not have any operating lease or capital commitments.

***Contingent liabilities***

Adinfern had no material contingent liabilities as at 30 June 2017, 2018 and 2019.

***Treasury Policy***

Adinfern had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the three years ended 30 June 2017, 2018 and 2019.

***Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets***

On 28 July 2017, Adinfern entered into a sale and purchase with an independent third party to acquire a vineyard located at 8772 Bussell Highway, Cowaramup, WA 6284, Australia at the consideration of AUD 2,800,000.

***Employees Numbers and Remuneration Policy***

As at 30 June 2017, Adinfern did not employ permanent employee (excluding the directors of Adinfern). As at 30 June 2018 and 2019, Adinfern had three employees (excluding the directors of Adinfern). The total staff costs of Adinfern for the years ended 30 June 2017, 2018 and 2019 were Nil, AUD68,181 and AUD89,448 respectively.

In order to attract and retain high quality staff and to enable smooth operation within Adinfern, Adinfern offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

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5 December 2019

**Food Idea Holdings Limited**
Unit 306-A201, 3/F,
Harbour Centre, Tower 1,
1 Hok Cheung Street,
Hunghom, Kowloon,
Hong Kong.

Dear Sirs/Madams,

**Re: Valuation of 8772 Bussell Highway, Cowaramup, West Australia, Australia (the "Property")**

In accordance with the instructions of Food Idea Holdings Limited (the "Company", and together with its subsidiaries, the "Group") to value the Property in Australia, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as at 30 September 2019 (the "Date of Valuation") for the purpose of incorporation of the Property into the Circular issued by the Group.

## 1. BASIS OF VALUATION

Our valuation of the Property is our opinion of the Market Value of the concerned property, which we would define as intended to mean "***the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion***".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

## 2. VALUATION METHODOLOGY

In valuing the property, we have adopted a combination of the open market and depreciated replacement cost approaches in assessing the land portions and the buildings and structures portions of the property interests respectively. Hence, the sums of the two results represent the market values of the property interest as a whole. In the valuation of the land portions, references have been made to the standard land prices as published by the local government authorities and the prices realized in actual transactions or offered to potential purchasers as available in the subject locality. As the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the costs to reproduce or to replace in new conditions of the buildings and structures in accordance with current construction cost for similar buildings and structures in the locality, with allowances for accrued depreciations as evidenced by observed conditions or obsolescence arising from physical, functional or economical causes. The depreciated replacement cost approach generally furnishes the most reliable indications of values for the property interests in the absence of comparable sales.

## 3. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the Property. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group regarding the title and other legal matters relating to the Property.

## 4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser.

## 5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Property, particulars of occupation, site/floor areas, age of building and all other relevant matters which can affect the value of the Property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

## 6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made in respect of the Property. However, in the course of our inspection, we did not notice any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our report for any charges, mortgages or amounts owing on any property interest nor for any expenses or taxation which may be incurred in affecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions, title defects and outgoings of an onerous nature which could affect its value.

In valuing the Property, we have complied with the RICS Valuation – Professional Standard issued by the Royal Institution of Chartered Surveyors as well as International Valuation Standard. We have also complied with all the requirements contained in Chapter 8 of the GEM Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Australian Dollars (AUD).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
**RAVIA GLOBAL APPRAISAL ADVISORY LIMITED**
**Chris Tang**
MRICS
**Senior Consultant**

*Mr. Chris Tang is a member of RICS who has over 20 years of experience in the valuation of properties in Hong Kong and Australia.*

## VALUATION CERTIFICATE

### Property intended to be acquired by the Group in the Australia

| Property | Description and Tenure | Particulars of Occupancy | Market Value in Existing State as at 30 September 2019 |
|---|---|---|---|
| 8772 Bussell Highway, Cowaramup, West Australia, Australia | The Property is a large-scale vineyard together with accommodation building, wine production plant and relevant building and structures on a parcel of land (Sketch of Land No.: DP40555) with a total land area of approximately 34.0109 Ha (or about 340,109 sq.m.).<br><br>As advised by the Group, the Property has a total Gross Floor Area of approximately 1,500.74 sq.m. and it was completed in about 1980's. | As advised by the Group, the Property is being occupied by the Group. | AUD12,000,000. |

*Notes:*

1. Pursuant to title search, the registered proprietor of the Property is Adinfern Margaret River Pty Ltd..

2. According to legal opinion provided by Chan Galic Barristers, Solicitor & Notary Public, the opinions are as follows:-

   a. The Property is owned as "Freehold" by Adinfern Margaret River Pty Ltd.;

   b. The Property is subject to the Shire's Scheme No 1 and is listed as "Primary Agriculture". There is no legal violation to such use; and

   c. The Property is also within the Shire's Development Contribution Area (DCA1). Any proposed change of use or development on the Property must be approved by the Shire.

3. The Property was inspected by Elvis Ng, who has over 10 years of experience in valuation, in September 2019.

4. In the valuation of the land portions of the Property, we have made reference to prices of 3 land comparables with similar uses in wine industry located in West Australia. The unit land cost used by us in calculation is within the adjusted price range of the land comparables from around AUD150,000 per hectare to AUD250,000 per hectare.

## 1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

| | | |
|---|---|---|
| *Authorised:* | | *HK$* |
| 1,000,000,000 | Shares of HK$0.1 each | 100,000,000.00 |
| *Issued and fully paid or credited as fully paid:* | | *HK$* |
| 414,931,214 | Shares of HK$0.1 each | 41,493,121.40 |

Immediately after the Completion (assuming no further issue of new Shares or repurchase of Shares from the Latest Practicable Date to Completion other than the issue of the Consideration Shares), the authorised and issued share capital of the Company will be as follows:

| | | |
|---|---|---|
| *Authorised:* | | *HK$* |
| 1,000,000,000 | Shares of HK$0.1 each | 100,000,000.00 |
| *Issued and fully paid or credited as fully paid:* | | *HK$* |
| 414,931,214 | Shares of HK$0.1 each | 41,493,121.40 |
| 63,000,000 | Consideration Shares to be allotted and issued upon Completion | 6,300,000.00 |
| 477,931,214 | Shares | 47,793,121.40 |

All Shares currently in issue and the Consideration Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

## 3. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating the securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

***Long positions in Shares***

| Name of Director | Capacity | Number of Shares held | Approximate percentage of shareholding *(%)* *(Note 1)* |
|---|---|---|---|
| Ms. Huang Wei | Beneficial owner | 63,835,200 | 15.38 |

*Note:*

1. The approximately percentage of shareholding is calculated based on 414,931,214 Shares in issue as at the Latest Practicable Date.

**(b) Substantial Shareholders and other persons' interests in Shares and underlying shares of the Company**

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company), had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO, who were, directly or indirectly, interested in 5% or more of the number of any class of share carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

***Long positions in Shares***

| **Name of Substantial Shareholders** | **Capacity** | **Number of Shares held** | **Approximate percentage of shareholding** *(%)* *(Note 1)* |
|---|---|---|---|
| Wong Ryan Tai Cheong ("**Mr. Wong**") *(Note 2)* | Interest in controlled corporations | 25,486,320 | 6.14 |
| KMW Investments Limited *(Note 2)* | Beneficial owner | 25,486,320 | 6.14 |
| Li Siu Ying | Beneficial owner | 22,557,600 | 5.44 |

*Notes:*

1. The approximately percentage of shareholding is calculated based on 414,931,214 Shares in issue as at the Latest Practicable Date.

2. KMW Investments Limited is wholly and beneficially owned by Mr. Wong. By virtue of the SFO, Mr. Wong is deemed to be interested in the 25,486,320 Shares held by KMW Investments Limited.

## 4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to entered into any service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective close associates had any interests in businesses which compete or might compete with the businesses of the Enlarged Group or had any other conflict of interests with the Enlarged Group.

## 7. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

(a) save for Ms. Huang Wei is the vendor in relation to the 2019 Acquisition, as at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2018 (being the date to which the latest published audited accounts of the Group were made up); and

(b) as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Enlarged Group.

## 8. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Enlarged Group) were entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and are or may be material:

**The Group**

(a) the sale and purchase agreement dated 22 October 2018 entered into among Arrow Vision Limited (as purchaser), a direct wholly-owned subsidiary of the Company, the Company and Ms. Huang Wei (as vendor), in relation to the acquisition of 100% of the issued share capital of Palinda Holding Group Limited at a consideration of HK$76,000,000;

(b) the provisional agreement dated 2 April 2019 entered into between Food Idea Group Limited (as vendor, "**FIGL**"), a direct wholly-owned subsidiary of the Company, and a company incorporated in Hong Kong with limited liability (as purchaser), in relation to disposal of the entire issued share capital of Food Idea Capital Limited (as target company, "**FICL**") and entire amount due and owing by FICL to FIGL as at 31 May 2019 at a consideration of HK$13,380,000;

(c) the placing agreement dated 11 June 2019 entered into between the Company (as issuer) and Core Pacific-Yamaichi International (H.K.) Limited (as bookrunner and placing agent) in relation to the placing of the unsubscribed rights shares and the non-qualifying shareholders unsold rights shares; and

(d) the Agreement.

**The Target Group**

(a) The sale and purchase agreement dated 28 July 2017 entered into between Adinfern as purchaser and Mervyn John Smith and Janis Marguerite Smith collectively as vendor, in relation to the acquisition of vineyard located at 8772 Bussell Highway, Cowaramup, WA 6284, Australia at the consideration of AUD2,800,000.

## 9. EXPERTS AND CONSENTS

The following are the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

| Name | Qualification |
|---|---|
| Elite Partners CPA Limited | Certified Public Accountants |
| Ravia | Independent valuer |

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any interest, either direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group nor had any shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong from the date of this circular up to and including the date of EGM (both days inclusive):

(a) the memorandum of association and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 respectively;

(c) the interim report of the Company for the six months ended 30 June 2019;

(d) the accountants' report on the Target Company and Adinfern, the text of which is set out in Appendix IIA and Appendix IIB to this circular respectively;

(e) the report on the unaudited pro forma financial information of the Enlarged Group issued by Elite Partners CPA Limited set out in Appendix III to this circular;

(f) the valuation report on the Property, the text of which is set out in Appendix V to this circular;

(g) the consent letters referred to in the paragraph under the heading "Experts and Consents" in this Appendix to this circular;

(h) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix to this circular; and

(i) this circular.

## 11. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

(b) The compliance officer of the Company is Ms. Huang Wei. She obtained a Bachelor of Business (Accounting) degree from Central Queensland University in 1997.

(c) The company secretary of the Company is Mr. Chung Man Wai, Stephen. He holds a Bachelor's degree of Science in Applied Accountancy from Oxford Brookes University in United Kingdom. He is a member of Hong Kong Institute of Certified Public Accountants.

(d) The audit committee of the Board ("**Audit Committee**") comprises of three independent non-executive Directors, namely, Mr. Li Lap Keung (Chairman), Mr. So Yat Chuen and Dr. Wu Wing Kuen, *B.B.S.*. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors. The biography of the members of the Audit Committee are set out below:

a. Mr. Li Lap Keung ("**Mr. Li**"), aged 36, was appointed as an independent non-executive Director on 22 February 2019. Mr. Li has been serving as a company secretary of Hevol Services Group Company Limited, the shares of which are listed on the main board of the Stock Exchange (Stock code: 6093) since February 2019. Mr. Li has over 6 years' experience of external and internal audit in international accountancy firms and 2 years as a senior manager and head of auditing at Jimei International Entertainment Group Limited (now known as Starlight Culture Entertainment Group Limited), the shares of which are listed on the main board of the Stock Exchange (stock code: 1159). Mr. Li has experience in financial and internal audit together with compliance aspects for private and listed companies for various industries. Mr. Li was a director of Kaken Company Limited, a private company limited by shares incorporated in Hong Kong, which was dissolved by deregistration on 19 February 2016 under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Kaken Company Limited was principally engaged in investment holding. To the best of the knowledge and belief of Mr. Li, Kaken Company Limited had ceased business and become defunct and was solvent at the time of it being dissolved by deregistration.

   Mr. Li obtained his bachelor degree in Business Administration (Honours) in Accountancy from the City University of Hong Kong in 2008. He is a member of the Hong Kong Institute of Certified Public Accountants.

b. Mr. So Yat Chuen ("**Mr. So**"), aged 50, was appointed as an independent non-executive Director on 22 February 2019. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 22 years of experience in legal sector. Mr. So is currently one of the chairmen of the Appeal Tribunal Panel (Buildings) (section 45 of the Building Ordinance (Cap. 123 of the Laws of Hong Kong)) and his appointment is for the period from 1 December 2018 to 30 November 2021. He is also a member of the Wanchai West Area Committee under the Home Affairs Department, The Government of the Hong Kong Special Administrative Region from 2014 to 2020.

   Mr. So obtained a Bachelor of Laws degree from Peking University, a Post-graduate Diploma in English and Hong Kong Law from Manchester Metropolitan University in 2001 and a Master of Laws degree from the University of Greenwich in 2016.

c. Dr. Wu Wing Kuen, *B.B.S.* ("**Dr. Wu**"), aged 62, was appointed as an independent non-executive Director on 16 January 2019. He has over 25 years of experience in real estate investment. He has been serving as director of Jet View Investment Limited since December 1991 and as director of Jade Mind Investment Limited since October 2004. Both companies are principally engaged in real estate investments. Dr. Wu has also been serving as independent non-executive director of HongGuang Lighting Holdings Company Limited (stock code: 6908), Nanfang Communication Holdings Limited (stock code: 1617) and Million Cities Holdings Limited (stock code: 2892), the shares of which are listed on the main board of the Stock Exchange, since December 2016, November 2016 and June 2018. Dr. Wu has also served as independent non-executive director of EFT Solutions Holdings Limited (stock code: 8062), a company listed on the GEM of the Stock Exchange, since 26 March 2019.

   Dr. Wu obtained his doctoral degree in business administration from the Clayton University in the United States in June 1989.

   Dr. Wu was awarded the Bronze Bauhinia Star by The Government of the Hong Kong Special Administrative Region in July 2012. Dr. Wu is currently a voting member of the Hong Kong Jockey Club and president of the Sha Tin District Community Fund. Dr. Wu is a member of the Sha Tin District Fight Crime Committee and a member of the Appeal Tribunals Panel of the Planning and Lands Branch of the Development Bureau of The Government of the Hong Kong Special Administrative Region.

(e) the Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(f) the English text of this circular and the accompanying form of proxy shall prevail over this respective Chinese test in the case of inconsistency.

*The following is the particulars of the retiring Directors subject to re-election at the EGM:*

**MS. HUANG WEI ("MS. HUANG")**

Ms. Huang, aged 52, obtained a Bachelor of Business (Accounting) degree from Central Queensland University in 1997. Ms. Huang has over 20 years of experience in financial management aspects. Ms. Huang currently serves as a director of certain subsidiaries of the Company.

Ms. Huang was a director of Sanmax Holdings Limited, a private company limited by shares incorporated in Hong Kong, which was dissolved by deregistration on 9 December 2016 under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Sanmax Holdings Limited was inactive. To the best of the knowledge and belief of Ms. Huang, Sanmax Holdings Limited had not commenced business since its incorporation and was solvent at the time of it being dissolved by deregistration.

Ms. Huang is interested in an aggregate of 63,835,200 Shares, representing approximately 15.38% of the total number of Shares in issue as at the Latest Practicable Date.

Ms. Huang has entered into a service agreement with the Company with an initial term of 3 years and the appointment can be terminated by either the Company or Ms. Huang giving to the other party not less than three month's prior written notice. The Company and Ms. Huang shall discuss whether to renew the term of appointment prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment, such party shall notify the other party in writing at least three months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment may be renewed automatically for one year on expiry of the initial term and for successive terms of 3 years each commencing on expiry of the then current term. The appointment is also subject to the retirement by rotation and re-election at general meeting of the Company in accordance with the articles of association of the Company. Ms. Huang is entitled to an annual director's fee of HK$240,000 with discretionary bonus, which is determined after arm's length negotiation between Ms. Huang and the Company with reference to her job complexity, workload, duties, responsibilities within the Company and the prevailing market conditions. Such fee has been approved by the Board and the remuneration committee of the Board (the "**Remuneration Committee**") and will be reviewed by the Board and the Remuneration Committee on an annual basis.

Save as disclosed above, Ms. Huang (i) does not have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); (ii) has not held any other major appointments and professional qualifications or directorship in any Hong Kong or overseas listed public companies in the last three years; and (iii) does not have any relationship with any director, senior management or substantial or controlling shareholder(s) (having the meaning ascribed to them in the GEM Listing Rules of the Company nor does she hold any position in the Company or any of its subsidiaries.

Ms. Huang has confirmed that there is no other information relating to her that is required to be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules and there are no other matters which need to be brought to the attention of the shareholders of the Company in connection with her appointment.

**MR. DOU SHENG ("MR. DOU")**

Mr. Dou, aged 40, graduated from the Henan University of Science and Technology*（河南科技大學）with a bachelor degree in Material Science and Engineering in 2002. He has over 10 years of experience in sales distribution and marketing in China.

Mr. Dou was a director of Min Star International Development Company Limited 閩星國際發展有限公司, a private company limited by shares incorporated in Hong Kong, which was dissolved by deregistration on 21 December 2018 under section 751 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Min Star International Development Company Limited 閩星國際發展有限公司 had ceased business and become defunct and was solvent at the time of it being dissolved by deregistration.

Mr. Dou has entered into a service agreement with the Company on 24 October 2019 with an initial term of 3 years and the appointment can be terminated by either the Company or Mr. Dou giving to the other party not less than three months' prior written notice. The Company and Mr. Dou shall discuss whether to renew the term of appointment prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment, such party shall notify the other party in writing at least three months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment may be renewed automatically for one year on expiry of the initial term and for successive terms of 3 years each commencing on expiry of the then current term. The appointment is also subject to the retirement by rotation and re-election at general meeting of the Company in accordance with the articles of association of the Company. Mr. Dou is entitled to an annual director's fee of HK$108,000 with discretionary bonus, which is determined after arm's length negotiation between Mr. Dou and the Company with reference to his job complexity, workload, duties, responsibilities within the Company and the prevailing market conditions. Such fee has been approved by the Board and the Remuneration Committee and will be reviewed by the Board and the Remuneration Committee on an annual basis.

Save as disclosed above, Mr. Dou (i) does not have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); (ii) has not held any other major appointments and professional qualifications or directorship in any Hong Kong or overseas listed public companies in the last three years; and (iii) does not have any relationship with any director, senior management or substantial or controlling shareholder(s) (having the meaning ascribed to them in the GEM Listing Rules of the Company nor does he hold any position in the Company or any of its subsidiaries.

Mr. Dou has confirmed that there is no other information relating to him that is required to be disclosed pursuant to Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules and there are no other matters which need to be brought to the attention of the Shareholders in connection with his appointment.

# 新煮意控股有限公司
# FOOD IDEA HOLDINGS LIMITED

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

**(Stock Code: 8179)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting ("**EGM**") of Food Idea Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Friday, 20 December 2019 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

## ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the Agreement (as defined in the circular dated 5 December 2019 despatched to the shareholders of the Company (the "**Circular**")), a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the grant of a specific mandate (the "**Specific Mandate**") to the directors of the Company (the "**Directors**") to allot and issue the Consideration Shares (as defined in the Circular) to the Vendor (as defined in the Circular) pursuant to the terms and conditions of the Agreement be and is hereby approved, the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution;

(c) the issue of the Promissory Note (as defined in the Circular) in accordance with the terms of the Agreement be and are hereby approved; and

(d) any one director of the Company be and is hereby authorised to do such acts and deeds in his sole and absolute discretion and opinion deemed expedient and appropriate to implement and effect the Agreement and the transactions contemplated thereunder."

2. “**THAT**

   (a) Ms. Huang Wei be re-elected as an executive Director.

   (b) Mr. Dou Sheng be re-elected as an executive Director.”

Yours faithfully
For and on behalf of the Board of
**Food Idea Holdings Limited**
**Huang Wei**
*Chairlady and executive Director*

Hong Kong, 5 December 2019

*Registered Office:*
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business in Hong Kong:*
Unit 306-A201, 3/F.
Harbour Centre, Tower 1
1 Hok Cheung Street
Hunghom, Kowloon
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy thereof, must be lodged, at the office of the Company’s share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. Completion and return of a form of proxy will not preclude members of the Company from attending and voting in person at the EGM or any adjournment thereof should they so wish and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.

5. For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed on Thursday, 19 December 2019 and Friday, 20 December 2019, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 18 December 2019.

6. As at the date of this notice, the board of Directors 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.

7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of the Company at www.foodidea.com.hk and on the "Latest Company Announcements" page of the GEM website at www.hkgem.com to notify shareholders of the Company of the date, time and place of the rescheduled meeting.