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SHANGHAI MIN

**Xiao Nan Guo Restaurants Holdings Limited**

小南國餐飲控股有限公司

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

**(Stock Code: 3666)**

**(1) DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF SHARES OF MRL  
(2) VERY SUBSTANTIAL ACQUISITION  
ACQUISITION OF POKKA HK AND POKKA MACAU  
AND  
(3) VERY SUBSTANTIAL ACQUISITION AND CONTINUING  
CONNECTED TRANSACTION LOAN AGREEMENT**

On 26 November 2014, the Company, MRL and Ms. Pauline Wong, as the Purchaser and the Seller entered into the Share Purchase Agreement, pursuant to which the Purchaser, have conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares (being the entire share capital of Pokka HK and 1% share capital of Pokka Macau). On 26 November 2014, the Company, Bright Charm (a wholly-owned subsidiary of the Company), Ms. Pauline Wong and Rosy Metro (a company wholly-owned by Ms. Pauline Wong) entered into the Shareholders' Agreement, pursuant to which Bright Charm and Rosy Metro subscribed for shares in MRL. Upon completion of the subscription, Bright Charm will own 65% of the issued share capital of the MRL and Rosy Metro will own 35% of the issued share capital of the MRL. On the same day, MRL, Ms. Pauline Wong and the Company entered into the Loan Agreement, pursuant to which MRL will extend a loan to Ms. Pauline Wong in the amount of HK\$65 million, which constitutes part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL pursuant to the Shareholders' Agreement.

As the highest applicable percentage ratio (as defined under the Listing Rules) for subscription of shares of MRL exceeds 5% but is less than 25%, the subscription of shares of MRL constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the provision of financial assistance to Ms. Pauline Wong exceeds 100%, it constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. As such, each of the Acquisition and the provision of financial assistance to Ms. Pauline Wong is subject to the notification, announcement and shareholders' approval requirements.

The Directors see a good strategic fit of Pokka HK's business with the Group. The Group sees great potentials in developing Pokka HK's business in the PRC. Given its strong network in the catering market in the PRC, the Group will make it a priority to work with Pokka HK to develop an ambitious business plan to exploit and adapt Pokka HK's brands in the PRC. The initial focus is on developing a coffee shop and related business, to be followed by the cafe-style restaurants business, both under POKKA CAFÉ brand. The Directors consider that the terms of the Acquisition, the Shareholders' Agreement and the Loan Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

A general meeting of the Company will be convened to consider and, if thought fit, approve, amongst other things, the Share Purchase Agreement, the Acquisition contemplated thereunder, the Loan Agreement and the provision of financial assistance contemplated thereunder. A circular containing, amongst other things, further details of (i) the Share Purchase Agreement and the Acquisition contemplated thereunder; (ii) financial and other information of the Group and Pokka HK; (iii) the Loan Agreement and the provision of financial assistance contemplated thereunder; and (iv) pro forma financial information on the Enlarged Group as at 30 June 2014, is expected to be dispatched to Shareholders on or before 15 December 2014.

## **INTRODUCTION**

On 26 November 2014, the Company, MRL and Ms. Pauline Wong, as the Purchaser and the Seller entered into the Share Purchase Agreement, pursuant to which the Company, MRL and Ms. Pauline Wong, as the Purchaser, have conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares (being the entire share capital of Pokka HK and 1% share capital of Pokka Macau). On 26 November 2014, the Company, Bright Charm (a wholly-owned subsidiary of the Company), Ms. Pauline Wong and Rosy Metro (a company wholly-owned by Ms. Pauline Wong) entered into the Shareholders' Agreement, pursuant to which Bright Charm and Rosy Metro subscribed for shares in MRL. Upon completion of the subscription, Bright Charm will own 65% of the issued share capital of MRL and Rosy Metro will own 35% of the issued share capital of MRL. On the same day, MRL, Ms. Pauline Wong and the Company entered into the Loan Agreement, pursuant to which MRL will extend a loan to Ms. Pauline Wong in the amount of HK\$65 million, which constitutes part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL pursuant to the Shareholders' Agreement.

# ACQUISITION-SHARE PURCHASE AGREEMENT

## Date

26 November 2014

## Parties

- a. MRL
- b. The Company
- c. Ms. Pauline Wong
- d. Seller

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

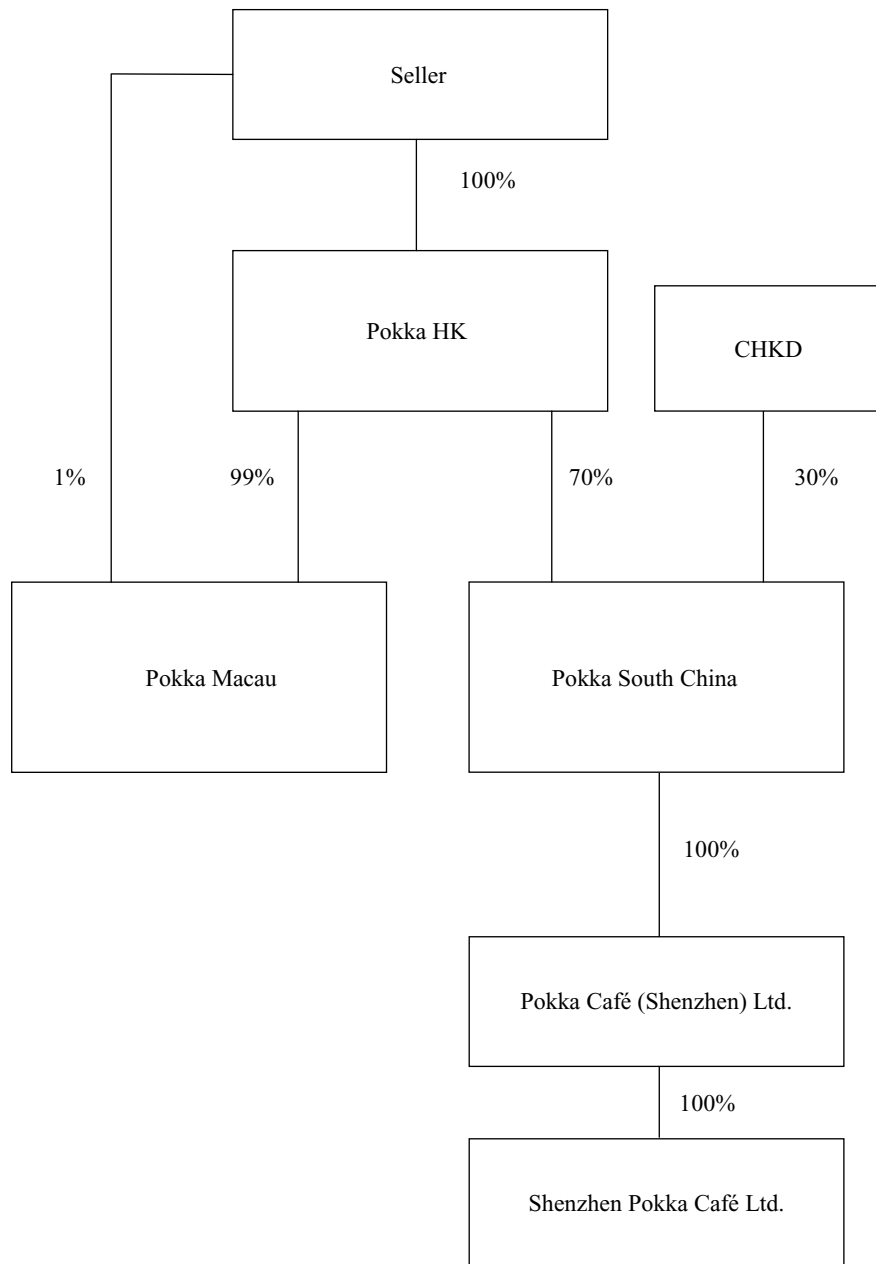
## Assets to be Acquired

The Sale Shares represent the entire issued share capital of Pokka HK and 1% of the issued share capital of Pokka Macau. Pokka HK is the registered owner of the remaining 99% issued share capital of Pokka Macau. For further information on Pokka HK, please refer to "Information on Pokka HK" below.

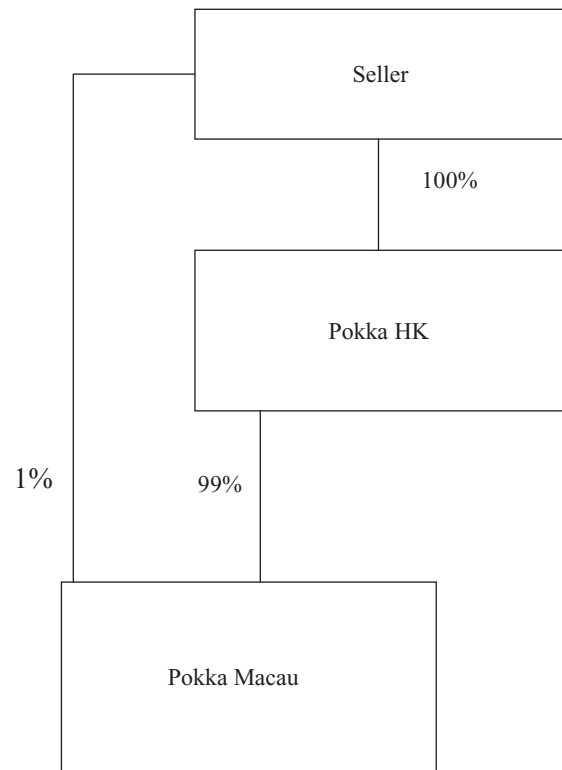
On 12 November 2014, Pokka HK, which held 70% of the issued share capital of Pokka South China, has disposed of its shareholding in Pokka South China to CHKD. As such, Pokka South China has ceased to be a subsidiary of Pokka HK upon the completion of the Reorganization and as at the date of this announcement. To the best knowledge of the Company, Pokka South China was principally engaged in the operation of a restaurant in Shenzhen which was closed in 2013.

Upon Closing, Pokka HK will be wholly-owned by MRL, which will in turn be held as to 65% by Bright Charm and 35% by Rosy Metro, respectively. Therefore, Pokka HK will become an indirect non-wholly owned subsidiary of the Company and the financial results of Pokka HK will be consolidated into the Group's accounts.

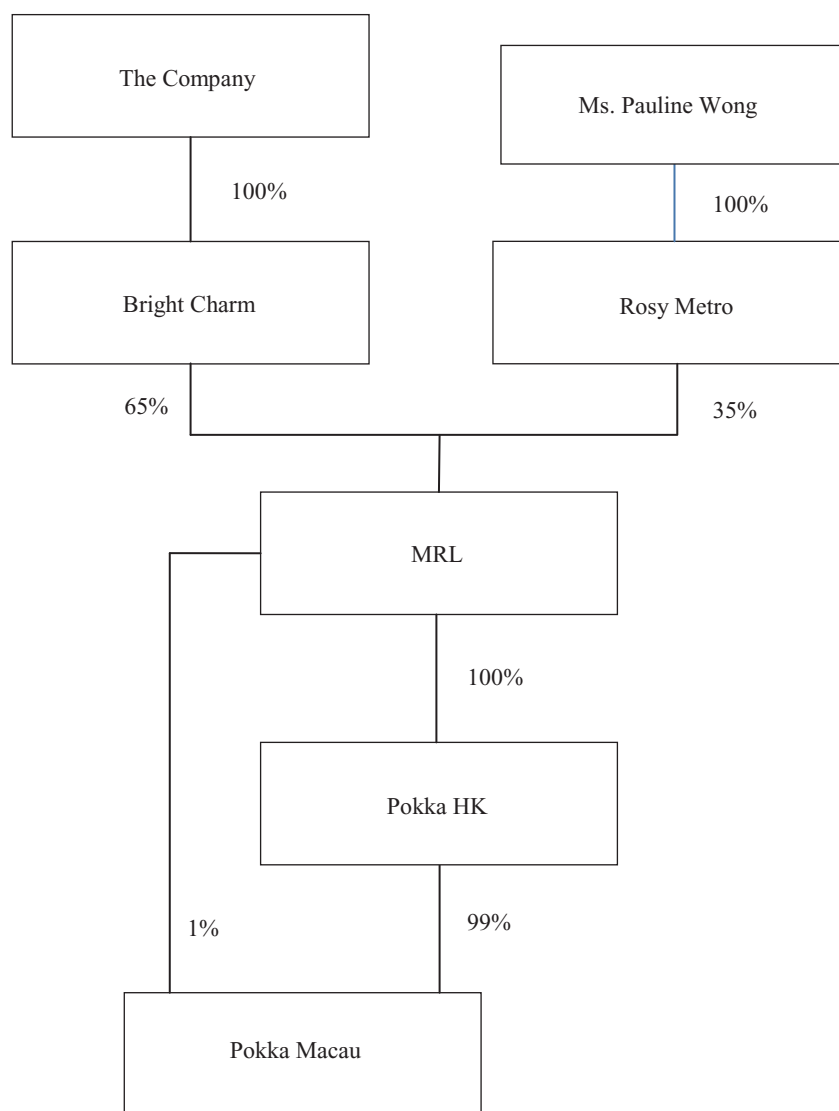
The shareholding structure of Pokka HK and its subsidiaries immediately prior to 12 November 2014:



The shareholding structure of Pokka HK and its subsidiary after 12 November 2014 and as at the date of this announcement and before Closing:



The shareholding structure of Pokka HK and its subsidiary upon Closing:



## Purchase Price

The total purchase price for the Acquisition to be paid by the Purchaser to the Seller in cash amounts to HK\$300 million and the payment arrangement is as follows:

- a. Closing purchase payment. At the Closing, the Purchaser shall pay to the Seller HK\$216 million.
- b. Deferred purchase payment. The Purchaser shall pay to the Seller the amount of HK\$40 million in five instalments in accordance with the deferred payment schedule. According to the deferred payment schedule, HK\$2 million, HK\$4 million, HK\$5 million, HK\$6 million and HK\$23 million shall be paid on the first, second, third, fourth and fifth anniversary of the Closing Date, respectively (the “**Deferred Purchase Payment**”).

- c. Post-Closing payments to Pokka HK. The Seller has agreed to assume the payment of the amount set out below and deduct such amount from the purchase price. As such, the parties agree that:
- (a) the Purchaser shall, on behalf of the Seller, pay to the broker HK\$8 million, a portion of the MRL's broker's fee<sup>1</sup> on a date to be agreed between the Purchaser and the broker after Closing.
  - (b) the Purchaser shall, on behalf of the Seller, pay to Pokka HK the full amount of HK\$12 million for repayment of the outstanding inter-group loan owed by Pokka South China to Pokka HK on a date to be agreed between the Purchaser and Pokka HK after Closing.
  - (c) the Purchaser shall, on behalf of the Seller, pay to Pokka HK the full amount of HK\$24 million to cover costs and expenses incurred by Pokka HK in connection with the restructuring of its operations (including restaurant closures, engagement of professional services or any other purpose at Pokka HK's discretion) related to the Acquisition on a date to be agreed between the Purchaser and Pokka HK after Closing.

The aforesaid purchase price was determined after arm's length negotiations between the parties to the Share Purchase Agreement, taking into account, among other things, market comparables, the background of Pokka HK, past financial performance and position of Pokka HK, prospects of Pokka HK, and the value of Pokka HK based on its audited consolidated financial statements.

### **Funding of the Acquisition**

The Board currently contemplates that the Company will finance the Acquisition through the following plan:

- a. HK\$195 million of the purchase price from the Company's working capital and bank loan.
- b. MRL will enter into a bridging loan agreement with a commercial bank before the Closing, pursuant to which the commercial bank will extend a bridging loan in the amount of HK\$65 million to MRL for a term of two years to be repaid in instalments. The interest rate would be 1-month HIBOR plus 3.5% per annum. The Company will provide fixed corporate guarantee in respect of the full amount of HK\$65 million. The HK\$65 million constitutes part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL pursuant to the Shareholders' Agreement and thus part of the purchase price under the Share Purchase Agreement. Pokka HK will enter into a facility agreement with a commercial bank after Closing and the proceeds will be applied as full repayment of the bridging loan to MRL.

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<sup>1</sup> *The Seller has agreed to pay a portion of the fees of MRL's broker, Bakerhouse Global Limited, in the amount of HK\$8 million, for its broker service provided in relation to the Acquisition. Bakerhouse Global Limited is a third party independent of the Company and its connected person. The Purchaser will pay for the rest of the broker's fee in the amount of HK\$6 million.*

MRL and the Seller will enter into a Share Pledge before Closing, pursuant to which 2,400,000 shares, representing 15% of the total issued share capital of Pokka HK held by MRL shall be charged to the Seller as security for the deferred payment of up to HK\$40 million.

Upon punctual payment of each instalment of the Deferred Purchase Payment, the Seller undertakes to release certain charged shares in the amount proportional to the amount of each instalment of the Deferred Purchase Payment as set out in the paragraph headed "Purchase Price".

### **Conditions Precedent**

Completion of the Acquisition is conditional upon the fulfilment of the following conditions precedent:

- a. The representations and warranties set forth in the Share Purchase Agreement that are specifically qualified with materiality, shall be true in all respects; all other representations and warranties set forth in the Share Purchase Agreement shall be true in all material respects on and as of the Closing Date, except to the extent that any of such representations and warranties is stated to be made as of a specific date, in which case it shall be true, correct and not misleading in all respects (where qualified with materiality) or in all material respects as applicable as of such date. In addition, the Purchaser and the Seller shall have performed all obligations required pursuant to the terms of the Share Purchase Agreement to be performed or observed by the Purchaser and the Seller respectively on or prior to the Closing Date.
- b. All material consents, approvals, exemptions or authorizations of any governmental authority that are required in connection with the sale of the Sale Shares and the consummation of the Acquisition shall have been obtained and shall be in full force and effect.
- c. There shall be no order in effect that prohibits the consummation of the Acquisition or otherwise directs that the Acquisition not to be consummated in the manner provided for in the Share Purchase Agreement. No proceedings shall have been instituted by any governmental authority or any party hereto and remain pending before any governmental authority of competent jurisdiction to restrain, prohibit or otherwise challenge the Acquisition.



- d. There shall not have occurred any Material Adverse Effect. For the avoidance of doubt, the following event shall be deemed as an event having a Material Adverse Effect:
- (a) Ms. Pauline Wong ceases to work at or be affiliated with the management of Pokka HK, excluding those cases where (i) the Company directly or indirectly causes Ms. Pauline Wong to separate, or materially contributes to Ms. Pauline Wong's separation, from Pokka HK or (ii) Ms. Pauline Wong voluntarily resigns from her positions at Pokka HK and commences work at, or accepts, or is reasonably expected to accept, an offer to work at, the Company or any company that is, directly or indirectly, controlled by, controls or is under common control with the Company; and
  - (b) any of the following events or series of events occur causing the sales revenue of Pokka HK to decrease by 50% or more during a thirty-day consecutive period when compared to the same period of the previous fiscal year:
    - (i) any act of war, declared or undeclared, armed hostilities, sabotage, terrorism, calamity, natural disaster, pandemic, epidemic, act of God; and
    - (ii) any adverse scandal, news or publicity in respect of Pokka HK, its product or the brand "Pokka" and "POKKA CAFÉ", relating to food safety and product liability.

There shall not be any action taken, or any applicable requirements of law proposed, enacted, enforced, promulgated, issued or deemed applicable to the Acquisition by any government authority or any change in the interpretation of any existing requirements of law that is reasonably expected to, in any material respect, directly or indirectly restrict the consummation of the Acquisition or result in any of the consequences referred to in paragraph (d) above.

- e. The Seller shall have caused Pokka HK and procured Pokka Sapporo, to have executed the License Agreement and shall have delivered to the Purchaser a copy of the executed License Agreement. Pokka HK shall have executed the License Agreement and shall have delivered to the Seller a copy of the executed License Agreement.
- f. MRL and the Seller shall have entered into the Share Pledge in respect of the 15% issued share capital of Pokka HK held by MRL to be charged to the Seller as security for the Deferred Purchase Payment.
- g. The Shareholders shall have approved the Acquisition and Share Purchase Agreement in the general meeting and all other necessary consents and procedures required by any applicable requirements of law or the Stock Exchange shall have been obtained and complied with.

## **Closing**

Closing shall take place on or before 7 January 2015 at 10 a.m., unless the parties hereto otherwise agree in writing, provided that (i) all the conditions precedent have been either fulfilled or waived and (ii) Closing shall in no event take place after 30 January 2015.

The failure to consummate Closing will not result in the termination of the Share Purchase Agreement and will not relieve any party hereto of any obligation under the Share Purchase Agreement. All acts, deliverables and confirmations comprising Closing shall be deemed to occur contemporaneously and simultaneously upon the occurrence of the last act, delivery or confirmation of Closing and none of such acts, deliverables, or confirmations shall be effective unless and until the last of the same shall have occurred. Unless the parties hereto otherwise agree in writing, for financial and accounting purposes, Closing shall be deemed to have occurred as of 23:59 p.m. on the Closing Date.

## **Other Key Terms**

- a. Ms. Wang Huimin, the Chairlady, an executive director and the controlling shareholder of the Company, has executed an undertaking to exercise or procure the exercise of the voting rights attached to the shares of the Company, which she directly or indirectly owns or controls, to approve and ratify the Acquisition.
- b. At any time during the period subsequent to the date of this announcement and prior to the Closing Date, the Seller may cause Pokka HK to declare and distribute a special dividend to the Seller in an amount no greater than HK\$5 million of the net profit before taxes for the fiscal year ended on 31 December 2013.

## **Information on Pokka HK**

Pokka HK is a private limited liability company incorporated in Hong Kong on 17 November 1989. Pokka HK holds 99% of the issued share capital of Pokka Macau. It held 70% of the issued share capital of Pokka South China, which in turn holds the entire share capital of Pokka Café (Shenzhen) Ltd. and Pokka Café (Shenzhen) Ltd. holds the entire share capital of Shenzhen Pokka Café Ltd. On 12 November 2014, Pokka HK disposed of its shareholding in Pokka South China to CHKD.

To the best knowledge of the Company, Pokka South China was principally involved in the operation of a restaurant in Shenzhen which was closed in 2013. Pokka South China has ceased to be a subsidiary of Pokka HK upon the completion of the Reorganization and as at the date of this announcement. Pokka South China and its subsidiaries will not form part of the Enlarged Group.

a. *Business of Pokka HK and its subsidiaries*

Pokka HK and its subsidiaries (other than Pokka South China and its subsidiaries) are involved in operating restaurants in Hong Kong and Macau under a portfolio of brands mainly in the casual dining segment of western and Japanese cuisines. After growing rapidly since its inception, Pokka HK has been consolidating and adjusting its business during the last three years.

Set out below is a summary of unaudited revenue and number of restaurants in operation for the three financial years ended 31 December 2013 and the six month periods ended 30 June 2013 and 2014.

	For the 12 months ended 31 January 2012		For the 11 months ended 31 December 2012		For the 12 months ended 31 December 2013		For the 6 months ended 30 June 2013		For the 6 months ended 30 June 2014	
	Number of restaurants	Revenue HK\$'000	Number of restaurants	Revenue HK\$'000	Number of restaurants	Revenue HK\$'000	Number of restaurants	Revenue HK\$'000	Number of restaurants	Revenue HK\$'000
Western cuisine	21	268,925	20	231,280	21	267,224	21	128,522	20	131,584
Japanese cuisine	11	109,209	11	102,858	14	122,711	13	61,873	14	61,832
Total revenue of restaurant operation	32	378,134	31	334,138	35	389,935	34	190,395	34	193,416
Other revenue		1,887		6,209		7,699		2,859		3,584
Total revenue		380,021		340,347		397,634		193,254		197,000

Of the 34 restaurants in operation, 20 offer western cuisine, including 17 operating as Pokka Café and specialized café style restaurants, two operating as Buono Nuobo (Italian restaurants), and one operating as Copper Luwak (coffee shop).

The other 14 offer Japanese cuisine, including five operating as Tonkichi (Japanese cutlet restaurants), five operating as Mikichi (ramen restaurants) and four operating as new restaurants with various specialties.

The estimated average check per guest of Pokka Café, specialized Pokka Café and Buono Nuobo ranges from approximately HK\$120 to HK\$180. The estimated average check per guest of Copper Luwak ranges from approximately HK\$60 to HK\$80. The estimated average check per guest of Japanese cuisine ranges from approximately HK\$125 to HK\$250.

b. *Financial information of Pokka HK and its subsidiaries*

The following is certain unaudited financial information of Pokka HK (excluding Pokka South China and its subsidiaries) for the three financial years ended 31 December 2013 and for the six months ended 30 June 2014 and ended 30 June 2013, respectively:

*Unit: HK\$*

	<b>For the year ended 31 January 2012</b>	<b>For the eleven months ended 31 December 2012</b>	<b>For the year ended 31 December 2013</b>	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 30 June 2014</b>
		<i>(Note 1)</i>			
EBITDA <i>(Note 2)</i>	49,868,612	40,429,460	42,817,019	19,353,738	18,757,881
Profit before tax	28,408,316	17,779,169	19,793,234	8,580,885	6,229,502
Profit for the year/period	23,200,786	15,410,828	17,516,692	7,146,645	5,195,975
	<b>As at 31 January 2012</b>	<b>As at 31 December 2012</b>	<b>As at 31 December 2013</b>	<b>As at 30 June 2013</b>	<b>As at 30 June 2014</b>
Cash	62,397,697	32,887,570	48,218,394	N/A	47,408,713
Property, plant and equipment <i>(Note 3)</i>	76,247,072	80,590,685	105,746,756	N/A	104,719,848
Bank Loan/Overdrafts	14,442,782	0	0	N/A	0
Net assets	142,832,265	154,719,778	172,236,468	N/A	177,403,012

*Note 1:* Pokka HK changed its financial year end date from 31 January to 31 December in 2012.

*Note 2:* EBITDA = net profit + tax + interest expense + depreciation and/or amortization.

*Note 3:* Property, plant and equipment included Pokka HK's office and central kitchen premises of 20,390 square feet in Chai Wan, Hong Kong, which was purchased in 1997 at HK\$1,106 per square foot, and the original cost of purchase was HK\$23 million. The carrying amount of such property as at 30 June 2014 was HK\$15,247,841. The property valuation report will be set out in the circular

An accountant's report on the combined financial information of Pokka HK (excluding Pokka South China and its subsidiaries) will be set out in the circular in relation to the Acquisition. Upon Closing, Pokka HK will become an indirect non-wholly owned subsidiary of the Company and the financial results of Pokka HK and its subsidiary will be consolidated into the financial statements of the Group.

## **Reasons for and benefits of the Acquisition**

### *A good strategic fit – bringing in western cuisine capabilities*

The Directors see a good strategic fit of Pokka HK's business with the Group. As stated in the Group's 2013 annual report, the Group actively seeks appropriate acquisition opportunities to fortify and increase cuisine offering and market share as a rapid way to help implement a multi-brand strategy to cover different market segments and different groups of customers. Pokka HK's rich experience and strong knowhow in western-style and Japanese restaurants will be an important supplement to the Group's existing Chinese food strength.

### *Great potential of Pokka HK's business in the PRC*

The Group sees great potentials in developing Pokka HK's business in the PRC. Given its strong network in the catering market in the PRC, the Group will make it a priority to work with Pokka HK to develop an ambitious business plan to exploit and adapt Pokka HK's brands in the PRC. The initial focus is on developing a coffee shop and related business, to be followed by the cafe-style restaurants business, both under POKKA CAFÉ brand. The Group will also consider developing the Tonkichi brand of Japanese cutlet restaurants in the PRC.

### *Enhancing the Group's Hong Kong platform*

The stable Pokka HK management team led by Ms. Pauline Wong who has been running the business independently for over 20 years will bring to the Group very deep insight in the Hong Kong catering market, an important market for the Group. The Acquisition, apart from substantially increasing the Group's presence in Hong Kong substantially, would help consolidate the Group's Hong Kong business, and will be a good platform for the Group to develop internationally.

The Directors consider that the terms of the Acquisition are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## **Implication under the Listing Rules**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements.

# SHAREHOLDERS' AGREEMENT

## Date

26 November 2014

## Parties:

- a. Bright Charm, a wholly-owned subsidiary of the Company
- b. Ms. Pauline Wong
- c. The Company
- d. Rosy Metro, a company wholly-owned by Ms. Pauline Wong
- c. MRL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Ms. Pauline Wong, Rosy Metro and MRL is a third party independent of the Company and its connected persons.

## Shareholding Structure of the MRL

Immediately before the execution of the Shareholders' Agreement, MRL is wholly owned by Ms. Pauline Wong, who holds one issued share of MRL, representing 100% of MRL's issued share capital. Immediately after the execution of the Shareholders' Agreement, Ms. Pauline Wong shall transfer one share in MRL to Rosy Metro and each of Bright Charm and Rosy Metro shall subscribe for 65 shares at the subscription price of HK\$195 million and 34 shares at the subscription price of HK\$105 million respectively (the "**Subscription**"). Upon completion of the Subscription, Bright Charm will own 65% of the issued share capital of MRL and Rosy Metro will own 35% of the issued share capital of MRL.

After the Subscription, MRL will, as one of the Purchaser, acquire the shares of Pokka HK and Pokka Macau from the Seller, the details of which is disclosed in the paragraph headed "Acquisition – Share Purchase Agreement" above.

## Capital Contribution

The Company shall procure Bright Charm to pay its subscription price of (i) HK\$151 million in cash on or prior to the second (2nd) day immediately preceding the Closing Date and (ii) HK\$ 44 million on or prior to a date mutually agreed by Bright Charm and Rosy Metro, and Ms. Pauline Wong shall procure Rosy Metro to pay, (i) HK\$65 million in cash on or prior to the second (2nd) day immediately preceding to the Closing Date, and (ii) HK\$40 million of the remaining subscription price (“**Remaining Subscription Price**”) in five instalments as follows:

No.	Due Date	Amount
1	10 working days prior to the first anniversary of the Closing Date	HK\$2 million
2	10 working days prior to the second anniversary of the Closing Date	HK\$4 million
3	10 working days prior to the third anniversary of the Closing Date	HK\$5 million
4	10 working days prior to the fourth anniversary of the Closing Date	HK\$6 million
5	10 working days prior to the fifth anniversary of the Closing Date	HK\$23 million

## Management of the MRL

The board of directors of MRL will consist of three directors, two of whom shall be appointed by the Company and the third director shall be Ms. Pauline Wong. In the event that Ms. Pauline Wong is unfit to remain as a director on grounds of health and/or any other reason not attributed to her, another director shall be appointed by Rosy Metro (so long as Rosy Metro holds not less than 10% shares of MRL).

Daily operations of Pokka HK and its subsidiary shall be managed by a management team headed by the chief executive officer. The initial chief executive officer shall be Ms. Pauline Wong who shall enter into an employment agreement with Pokka HK to be the chief executive officer. Pursuant to the employment agreement, Ms. Pauline Wong shall serve in Pokka HK and its subsidiary for no less than 5 years from the Closing Date and shall undertake not to resign prior to (i) the expiry of such 5 year period, (ii) the date when the loan principal and interests under the Loan Agreement has been fully repaid or (iii) the date when Rosy Metro has fully paid the Remaining Subscription Price in accordance with the Shareholders’ Agreement, whichever is later, save on grounds of health.

MRL will be an investment holding company and shall establish subsidiary(ies) to develop catering business including coffee shop and related business. There shall be three directors on the board of any entity established for the operation of coffee shop and related business, of which two directors shall be nominated by XNG and one nominated by Ms. Pauline Wong.

## **Restriction on transfers**

None of the Company and Bright Charm, on one side, and Ms. Pauline Wong and Rosy Metro, on the other side, may do any act without the prior written consent of the other side, which will result in (i) the Company directly or indirectly holding less than 50% of the issued share capital of MRL, or (ii) Ms. Pauline Wong directly or indirectly holding less than 30% of the issued share capital of MRL. Bright Charm and Rosy Metro shall also have pre-emptive (subscription) rights with respect to any further issuance of MRL's equity, shares and/or securities, on a pro rata basis.

## **Material Terms of the Shareholders' Agreement**

- a. As at 30 June 2014, the retained profits of Pokka HK and its subsidiary (excluding Pokka South China and its subsidiaries) amounted to HK\$161 million and cash and cash equivalents amounted to approximately HK\$47 million. After Closing, the Purchaser will pay the amount of HK\$36 million to Pokka HK in connection with the repayment of the loan owed by Pokka South China and the restructuring expenses to be incurred. Please refer to the paragraph headed "Purchase Price" for details. After taking into consideration the capital needs of Pokka HK to maintain its daily operations, the parties shall procure Pokka HK to declare a special dividend from retained profits in a sum of not less than HK\$34 million, payable to MRL in a lump sum after Closing. MRL shall distribute such dividend to Bright Charm and Rosy Metro on a pro rata basis.

The parties shall procure and cause MRL, Pokka HK and Pokka Macau to, distribute, on a yearly basis, such percentage of their respective net profits to the effect that 30% of the attributable profits of the MRL and its subsidiaries in any financial year shall be distributed to Bright Charm and Rosy Metro on a pro rata basis.

Rosy Metro shall pay all dividends it receives from MRL to an account maintained by MRL under MRL's name ("**Escrow Account**"). The amounts in the Escrow Account shall be solely used by Rosy Metro to pay the Remaining Subscription Price for MRL to pay Deferred Purchase Payment and the interest under the Loan Agreement.

- b. Rosy Metro and Ms. Pauline Wong shall observe all obligations (monetary or otherwise) under the Loan Agreement and Shareholders' Agreement. Rosy Metro shall charge all of its shares in MRL to Bright Charm, the Company and MRL, as guarantee for its repayment obligations under the Loan Agreement and indemnification obligation of the Remaining Subscription Price under the Shareholders' Agreement. In the event that the Remaining Subscription Price which Rosy Metro has paid is no less than HK\$20 million, Bright Charm and Rosy Metro shall amend the relevant share mortgage to release and discharge the security interest representing 5% of the total issued share capital of MRL held by Rosy Metro.



- c. The parties to the Shareholders' Agreement shall procure MRL to use its commercially reasonable efforts to pursue an initial public offering of the shares on an internationally recognized stock exchange (the "**IPO**"). The board of MRL shall assess the feasibility of the IPO at appropriate times and determine whether an IPO should be pursued and if not, whether a share swap by Rosy Metro for the shares of the Company shall be pursued. This arrangement is designed to provide Ms. Pauline Wong with an option to improve her assets liquidity to repay her loan under the Loan Agreement.

As at the date of this announcement, the Board and the board of MRL have not yet commenced the feasibility assessment of the IPO. The Company will comply with the applicable Listing Rules requirements when the preparation of the IPO is initiated or the share swap takes place.

- d. With respect to the Remaining Subscription Price,

- (a) Ms. Pauline Wong and Rosy Metro shall grant a right to the Company and Bright Charm to purchase shares held by Rosy Metro in the event that Rosy Metro fails to fulfil its obligation to pay its Remaining Subscription Price. The Company or Bright Charm may, at its absolute discretion and subject to the compliance with the Chapter 14 and 14A of the Listing Rules, agree to purchase the shares held by Rosy Metro ("**Deferred Due Shares**") with respect to which the subscription payment obligation ("**Deferred Due Payment**") is due but unable to be fully paid by Rosy Metro by using all balance in the Escrow Account and/or funding from other sources at the consideration of the fair market value of the Deferred Due Shares to be determined by an independent valuer jointly determined by Bright Charm and Rosy Metro ("**Deferred Shares Value**"). Bright Charm shall pay MRL the Deferred Due Payment by using firstly, all balance in the Escrow Account, and secondly, funding from its own sources ("**BC Fund**").

In the event that the Deferred Shares Value is less than the BC Fund, Rosy Metro shall transfer, to Bright Charm, additional shares the subscription price of which has been paid (the "**Additional Shares**") to the extent that the aggregate value of the Deferred Due Shares and the Additional Shares, as determined by the aforementioned independent valuer, shall equal to BC Fund. In the event that the aggregate value of the Deferred Due Shares and all Additional Shares (the subscription price of which has been paid) are less than BC Fund, Rosy Metro shall pay Bright Charm any shortfall in cash.

In the event that the Deferred Shares Value is greater than BC Fund, part of Deferred Due Shares which represents the scale of BC Fund to Deferred Shares Value shall be transferred to Bright Charm by Rosy Metro; and

- (b) without prejudice to rights of the Company and Bright Charm set out in the paragraph (a) above, in the event that Ms. Pauline Wong foresees that Rosy Metro may fail to fulfil its obligation to pay the 4th or 5th instalment under the Shareholders' Agreement, provided that the loan under the Loan Agreement remains outstanding:

- (i) Ms. Pauline Wong may request the Company to procure MRL and Pokka HK to extend further advance to Ms. Pauline Wong for the purpose of Rosy Metro's such payment obligation; and
  - (ii) the Company shall use its reasonable effort to obtain the approval from its Shareholders and/or its Board on the extension of such further advance subject to the compliance with any applicable laws, regulations and the Listing Rules.
- e. If Ms. Pauline Wong fails to repay her loan under the Loan Agreement on the due date, the Company may:
  - (a) in the event that Ms. Pauline Wong has sourced a third party to acquire all or part of Rosy Metro's interest in MRL, the consideration of the acquisition received by Ms. Pauline Wong from the third party shall first be used to settle her payment obligations under the Loan Agreement and procure MRL to release the pledged shares to Rosy Metro;
  - (b) in the event that the board of MRL approves the IPO plan regarding MRL and its subsidiaries within the term of the Loan Agreement, procure MRL to agree to renew the loan under the Loan Agreement subject to compliance with the applicable laws and regulations including but not limited to the Listing Rules; or
  - (c) in the event that the default of Ms. Pauline Wong to repay the loan under the Loan Agreement has been for more than three months, purchase or cause a third party to purchase any or all of the shares in MRL held by Rosy Metro. The consideration received by Ms. Pauline Wong from such share transfer shall first be used to settle her payment obligations under the Loan Agreement.

For the avoidance of doubt, the above arrangement shall not be deemed as any waiver or release of Ms. Pauline Wong's obligation under the Loan Agreement, and shall not be deemed as limiting or restricting any of the Company's or MRL's right to exercise any or all of its rights, remedies, legal proceeding, powers or discretions under the Loan Agreement.

- f. Bright Charm shall be entitled to remove Ms. Pauline Wong from her position as the chief executive officer of MRL in cases where:
  - (a) MRL and its subsidiaries have failed to meet the performance target for three years within the four years period starting from 2015 and the board of MRL has disapproved the improvement plan and operation target for the following year proposed by Ms. Pauline Wong in the third time of the failure of MRL and its subsidiaries to meet the proposed target;
  - (b) Ms. Pauline Wong has been proved persistently and significantly in violation of commonly accepted business integrity norms; or

(c) Ms. Pauline Wong has any physical or mental disablement that prevents her from exercising her duty.

Rosy Metro agrees to exercise its voting rights in favour of any resolution to effect the exercise of Bright Charm's right above.

### **Reason for the Subscription of Shares in MRL**

MRL will be used as a vehicle to engage in the Acquisition.

The Directors consider that the terms of the Shareholders' Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Implication under the Listing Rules**

As the highest applicable percentage ratio (as defined under the Listing Rules) for the Subscription exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **LOAN AGREEMENT**

### **Date**

26 November 2014

### **Parties**

- a. MRL, as lender
- b. Ms. Pauline Wong, as borrower
- c. The Company
- d. Rosy Metro

### **Term of the Loan Agreement and repayment**

Ms. Pauline Wong shall repay the outstanding principal balance of the loan, together with any accrued but unpaid interest thereon, on the Repayment Date.

The term of the loan is three years from the Drawdown Date, unless Closing fails to occur on or prior to 28 February 2015 or the Share Purchase Agreement is terminated for any reason. MRL shall use its reasonable effort to obtain the approval from its shareholders and/or its directors to extend the Repayment Date for one year until the fourth anniversary of the Drawdown Date ("**1st Extension**").

Subject to having the 1st Extension, MRL may extend the Repayment Date for a three-month period until the fifty-first (51st) months of the Drawdown Date (“**2nd Extension**”). If the net profit of MRL and its subsidiaries based on the unaudited management accounts for the year 2018 is no less than HK\$50 million, MRL shall use its reasonable effort to obtain the approval from its shareholders and/or its directors on the 2nd Extension.

Subject to having the 2nd Extension, MRL may further extend the Repayment Date for a nine-month period until the fifth anniversary of the Drawdown Date (“**3rd Extension**”). If the audited net profit of MRL and its subsidiaries for the year of 2018 is no less than HK\$50 million, MRL shall use its reasonable effort to obtain the approval from its shareholders and/or its directors on the 3rd Extension.

The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, if applicable, upon any extension of the Repayment Date.

### **Loan amount and interest**

#### *Loan amount*

MRL shall make available to Ms. Pauline Wong a term loan facility in an aggregate amount of HK\$65 million, for a term of 3 years from the Drawdown Date, with further conditional extension period as provided below, unless Closing fails to occur on or prior to 28 February 2015 or the Share Purchase Agreement is terminated for any reason.

#### *Interest*

The interest rate on the loan for each Interest Period is the cost to MRL for funding the loan from whatever source(s) it may reasonably have, expressed as a percentage per annum. The accrued loan interest shall be payable by Ms. Pauline Wong and/or Rosy Metro, subject to the obligations of Ms. Pauline Wong and Rosy Metro under the Shareholders’ Agreement to apply the dividend that Rosy Metro received from MRL to settle the Remaining Subscription Price, first by offsetting any balance of such dividend and the remaining balance shall be payable on the Repayment Date together the principal. The accrued interest for each Interest Period shall be assessed/calculated after expiration of such Interest Period.

#### *Waiver of interest*

The interest accrued on the loan within the first Interest Period shall be waived if the audited net profit of MRL and its subsidiaries for the year of 2015 is no less than HK\$20 million. The interest accrued on the loan within the second Interest Period and third Interest Period shall be waived if the performance of MRL and its subsidiaries for the years of 2016 and 2017 is no less than the performance targets to be determined by the board of directors of MRL for 2016 and 2017, respectively.

If the Repayment Date is extended pursuant to the 1st Extension, the interest accrued on the loan within the fourth Interest Period shall be waived if the audited net profit of MRL and its subsidiaries for the year of 2018 is no less HK\$50 million. If the Repayment Date is extended pursuant to the 2nd Extension and the 3rd Extension, the interest accrued on the loan within the fifth Interest Period shall be waived if performance of MRL for the year of 2019 is no less than the performance targets to be determined by the board of directors of MRL for 2019.

*Reasons for waiver of interest*

Upon Closing, the year of 2015 will be the first full financial year after MRL and its subsidiaries becoming part of the Group and consolidating their results into the Group. As such, based on the historical performance of MRL and its subsidiaries, the Company has set HK\$20 million as a reference point in 2015. Meanwhile, according to the Company's strategies of expanding Pokka HK's coffee shop and related business into the PRC, the year of 2018 will be a critical year to the Company as, market practice dictates, a period of three years is regarded as a cycle to evaluate the effectiveness of the strategies and make any adjustment if necessary. As such, the Company expects MRL and its subsidiaries to reach the performance target of HK\$50 million in 2018 under the leadership and management of Ms. Pauline Wong and hopes to use this target as a motivation to maximize Ms. Pauline Wong's contribution to MRL and its subsidiaries.

The performance targets for 2015 and 2018 are merely set to determine whether the interest payment under the loan to Ms. Pauline Wong could be waived or not. Such targets are set based on various factors, including but not limited to, market comparables, estimation of market potential, confidence in Ms. Pauline Wong's leadership and experience and the market share of MRL and its subsidiaries are expected to enjoy. However, it is merely an expectation of the business performance of MRL and its subsidiaries and the Company cannot give any assurance on such numbers as there may exist a number of uncertainties and unpredictable factors in the future that is beyond the Company's control.

As it is difficult to anticipate all future conditions and uncertainties, the Company finds it challenging to estimate the exact path of future performance of MRL and its subsidiaries and thus the performance targets for 2016, 2017 and 2019 will be determined by the board of MRL based on the performance of MRL and its subsidiaries in the preceding years, the market condition of coffee shop and related business at that time and any other factors that may emerge and thus need to be taken into consideration in the future.

## **Drawdown**

In order to finance Ms. Pauline Wong in respect of her financial obligation under the Shareholders' Agreement and Share Purchase Agreement, MRL has agreed to advance, and Ms. Pauline Wong has agreed to accept the advance of the loan for the purpose of fulfilling Ms. Pauline Wong's financial obligation under the Shareholders' Agreement and Share Purchase Agreement. The advances shall be deemed as part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL in accordance with the Shareholders' Agreement and paid to the Seller as the consideration payable by MRL to the Seller under the Share Purchase Agreement. Ms. Pauline Wong shall not be allowed to directly receive any part of the advances from MRL. Upon completion of the payment to the Seller, the loan shall be deemed as having been fully drawn by Ms. Pauline Wong.

## **Annual cap**

The annual caps for the three-year term loan under the Loan Agreement are HK\$68.25 million, HK\$71.67 million and HK\$75.25 million, which is determined based on the maximum principal plus the estimated maximum annual interests receivable on the loan.

## **Security**

Ms. Pauline Wong shall procure Rosy Metro to pledge all of its shares in MRL, representing 35% of the total issued share capital of MRL, to MRL, Bright Charm and the Company as security for repayment obligations under the Loan Agreement and indemnification obligation of the Remaining Subscription Price under the Shareholders' Agreement. In the event that the Remaining Subscription Price which Rosy Metro has paid is no less than HK\$20 million, Bright Charm and Rosy Metro shall amend the relevant share mortgage to release and discharge the security interest representing 5% of the total issued share capital of MRL held by Rosy Metro.

## **Other key terms**

- a. It is mutually agreed that MRL will assign all its rights under the Loan Agreement to its wholly owned subsidiary, Pokka HK upon Closing. The parties shall procure Pokka HK to consent to such assignment and pay MRL all facility drawn by Ms. Pauline Wong under the Loan Agreement as consideration of such assignment.
- b. If Ms. Pauline Wong fails to repay on the due date under the Loan Agreement, the Company may take certain actions, the detail of which is disclosed in the paragraph (e) under Material Terms of the Shareholders' Agreement above.

## **Reasons for and benefits of provision of financial assistance to Ms. Pauline Wong**

The provision of financial assistance to Ms. Pauline Wong helps to facilitate the acquisition of Pokka HK.

The Directors consider that the terms of the Loan Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **Implication under Listing Rules**

Upon Closing, Pokka HK will become a wholly-owned subsidiary of MRL which is in turn a non-wholly owned subsidiary of the Company, and Rosy Metro, wholly-controlled by Ms. Pauline Wong will become a substantial shareholder of MRL. Further, Ms. Pauline Wong will be a director of MRL and Pokka HK as well as the chief executive officer of Pokka HK. As such, pursuant to the Listing Rules, Upon Closing, Ms. Pauline Wong will be a connected person of the Company and the provision of financial assistance will constitute a connected transaction of the Company.

As no Director has a material interest in the Loan Agreement and the provision of financial assistance contemplated thereunder, no Director is required to abstain from voting on the meeting of the Board for, amongst other things, approving the Loan Agreement and the provision of financial assistance contemplated thereunder. The Board has approved the provision of financial assistance to Ms. Pauline Wong and the independent non-executive Directors of the Company have confirmed that the terms of the Loan Agreement are fair and reasonable, the provision of financial assistance is on normal commercial terms and, in the interests of the Company and its Shareholders as a whole. Although the provision of financial assistance is not in the ordinary course of business of the Group, independent non-executive Directors of the Company believe that the transaction is beneficial to the long-term strategy of the Company. As such, according to Rule 14A.101 of the Listing Rules, such provision of financial assistance itself is exempt from the circular, independent financial advice and shareholders' approval requirements.

Meanwhile, as the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the provision of financial assistance exceeds 100%, the provision of financial assistance constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements.

### **GENERAL MEETING**

A general meeting of the Company will be convened to consider and, if thought fit, approve, amongst other things, the Share Purchase Agreement, the Acquisition contemplated thereunder, the Loan Agreement and the provision of financial assistance contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest the Acquisition or in the provision of financial assistance. Accordingly, no Shareholder is required to abstain from voting in the relevant resolution(s) approving the Share Purchase Agreement, the Acquisition contemplated thereunder, the Loan Agreement and the provision of financial assistance contemplated thereunder.

In order to allow sufficient time for preparing the information to be included in the circular, the circular containing, amongst other things, further details of (i) the Share Purchase Agreement and the Acquisition contemplated thereunder; (ii) financial and other information of the Group and Pokka HK; (iii) the Loan Agreement and the provision of financial assistance contemplated thereunder; and (iv) pro forma financial information on the Enlarged Group as at 30 June 2014, is expected to be dispatched to Shareholders on or before 15 December 2014.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is a holding company of the subsidiaries which principally engage in the operation of Chinese restaurants in the PRC and in Hong Kong. Bright Charm is a wholly-owned subsidiary of the Company and is an investment holding company.

### **The Seller**

The Seller, a wholly owned subsidiary of Pokka Sapporo, is principally engaged in beverage manufacturing business.

### **Ms. Pauline Wong**

Ms. Pauline Wong was invited by the founding shareholders to join Pokka HK in 1991 to start the restaurant business from zero. Before joining Pokka HK, she worked in Sheraton, a 5-star hotel, for more than 10 years in various management positions in the food and beverage area.

Ms. Pauline Wong has been actively involved in all operational aspects, from site selection to renovation, from shop front operations to kitchen production, as well as all back office administrative functions. She has successfully created a restaurant chain with unique company culture and a group of loyal staff, playing a leading role in this highly competitive market of Hong Kong. She was appointed as chief executive officer in 2003.

Ms. Pauline Wong graduated from University of South Australia with an MBA degree in 2004.

### **MRL**

MRL is an investment holding company and will continue to be an investment company after the Closing.



## DEFINITION

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions under the Share Purchase Agreement
“Board”	the board of Directors of the Company
“Bright Charm”	Bright Charm Developments Limited, which is 100% held by the Company
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong
“CHKD”	Continental Hong Kong Development Limited, a company incorporated with limited liability in Hong Kong
“Closing”	completion of the Share Purchase Agreement after the satisfaction of the conditions precedent
“Closing Date”	the date on which Closing of the Acquisition takes place
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which became effective on 3 March 2014
“Company”	Xiao Nan Guo Restaurants Holdings Limited (小南國餐飲控股有限公司), whose shares are listed on the main board of the Stock Exchange (stock code: 3666)
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the Business Day on which the advance of the facility under the Loan Agreement is made
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Interest Period(s)”	a calendar year, provided that:  (a) the first Interest Period shall commence on the Drawdown Date and until the end of 2015;

- (b) the last Interest Period shall end on the Repayment Date; and
- (c) if an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

“License Agreement”

certain trademark license agreement entered into between Pokka Sapporo and Pokka HK as of 26 November 2014, pursuant to which

- (i) Pokka Sapporo grants to Pokka HK a royalty-bearing, non-transferable license (with the right to sublicense) for a term of 25 years commencing on the Closing Date to use the “POKKA CAFÉ” mark on an exclusive basis in PRC, Hong Kong and Macau.
- (ii) During the nine months commencing from the Closing Date, Pokka HK and Pokka Macau are permitted to continue to use the Pokka Name for the same uses for which the Pokka Name was used immediately prior to 26 November 2014. Prior to the expiration of the nine months, Pokka HK shall cause all rights, title and interest in all Pokka Names to be transferred to Pokka Sapporo at the consideration of the actual cost incurred to apply, register and maintain such Pokka Name. After the expiration of the nine months, Pokka HK and sub-licensees permitted shall only be permitted to use the Pokka Name, when used in combination with the word, “CAFÉ”, to form the “POKKA CAFÉ” mark and the POKKA CAFÉ Domain Name.
- (iii) Pokka HK shall cause all rights, title and interest in the “pokkacafe.com” to be transferred to Pokka Sapporo prior to the Closing Date at the consideration of the actual costs incurred to register and renew such domain name. After the date of such transfer and during the 25 years commencing on the Closing Date, Pokka HK and sub-licensees permitted (including Pokka Macau) shall be permitted to use the “pokkacafe.com”, for the same uses, including for a domain name and as email addresses, for which “pokkacafe.com” was used immediately prior to 26 November 2014.

“Listing Rules”

the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Agreement”

the loan agreement dated 26 November 2014 entered into between MRL, the Company and Ms. Pauline Wong in relation to the provision of financial assistance from MRL to Ms. Pauline Wong

“Macau”

Macau Special Administrative Region of the People’s Republic of China

“Material Adverse Effect”	material adverse effect on the condition (financial or otherwise), properties or business operations of Pokka HK and Pokka Macau, taken as a whole
“MRL”	Million Rank Limited, a company incorporated under the laws of British Virgin Islands
“Ms. Pauline Wong”	Ms. Wong Shui Ching, an individual who is a resident of Hong Kong
“Pokka HK”	Pokka Corporation (HK) Limited, a company incorporated with limited liability in Hong Kong
“Pokka Macau”	Pokka Coffee (Macau) Ltd., a company incorporated with limited liability in Macau, 99% of the share capital of which is owned by Pokka HK and 1% of the share capital of which is owned by the Seller prior to the Acquisition
“Pokka Name”	the marks “Pokka”, “Pokka’s”, “POKKA”, “POKKA’s”, “百佳” (pronunciation of “百佳” in the Chinese language is similar to that of “Pokka” in the English language), “珀卡” (pronunciation of “珀卡” in the Chinese language is similar to that of “Pokka” in the English language), “ポ ッ カ” (pronunciation of “ポ ッ カ” in the Japanese language is similar to that of “Pokka” in the English language) or any variation or derivative thereof in any language, and any other marks that incorporate, represent or are used in combination with such marks or such variations or derivations. For the purposes of this announcement, the Pokka Name shall not be deemed to include the “POKKA CAFÉ” mark. For illustrative purposes only, the Pokka Name shall include the combination marks “P POKKA”, “POKKA P”, “pokka sapporo” and any variation or derivative thereof in any language and any other marks that incorporate, represent or are used in combination with such marks or such variations or derivations
“Pokka Sapporo”	Pokka Sapporo Food & Beverage Ltd., a company incorporated under the laws of Japan which holds 100% equity interest of the Seller
“Pokka South China”	Pokka Café (South China) Ltd., a company incorporated with limited liability in Hong Kong
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“Purchaser”	the Company, Ms. Pauline Wong and MRL
“Reorganization”	the reorganization on disposal of the 70% of the issued share capital of Pokka South China held by Pokka HK to CHKD on 12 November 2014

“Repayment Date”	(i) 28 February 2015, in the event that the Closing fails to occur on or prior to the 28 February 2015, (ii) the date of termination of the Share Purchase Agreement, in the event that the Share Purchase Agreement is terminated for any reason; or (iii) the third anniversary of the Drawdown Date (as extended from time to time in accordance with the Loan Agreement), in all other cases
“Rosy Metro”	Rosy Metro Investment Limited, a company incorporated under the laws of British Virgin Islands
“Sale Shares”	16,000,000 ordinary shares of Pokka HK, representing its entire issued share capital, and 2,000 ordinary shares of Pokka Macau, representing 1% of its issued share capital
“Seller”	Pokka Corporation (Singapore) Pte. Ltd.
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the agreement dated 26 November 2014 entered into among Bright Charm, the Company, Ms. Pauline Wong and Rosy Metro in respect of the subscription of shares of MRL
“Share Pledge”	the share pledge entered into by MRL and the Seller upon Closing pursuant to which 2,400,000 shares, representing 15% of the total issued share capital of Pokka HK held by MRL shall be charged to the Seller as security for the deferred payment of up to HK\$40 million.
“Share Purchase Agreement”	the conditional sale and purchase agreement dated 26 November 2014 entered into between the Purchaser and the Seller in relation to the acquisition of the Sale Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Xiao Nan Guo Restaurants Holdings Limited**  
**Kang Jie**  
*Executive Director*

Hong Kong, 27 November 2014

*As at the date of this announcement, the board of directors of the Company consists of: Ms. WANG Huimin, Ms. WU Wen and Mr. KANG Jie as executive directors; Ms. WANG Huili, Mr. WENG Xiangwei and Mr. WANG Hairong as non-executive directors; and Mr. TSANG Henry Yuk Wong, Mr. WANG Chiwei and Mr. WANG Yu as independent non-executive directors.*