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PERFECT GAIN GROUP LIMITED

精益集團有限公司

*(Incorporated in the British Virgin Islands
with limited liability)*

HIFOOD GROUP HOLDINGS CO., LIMITED

海福德集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 442)*

JOINT ANNOUNCEMENT

**(1) THE SALE AND PURCHASE AGREEMENT;
(2) MANDATORY UNCONDITIONAL CASH OFFER
BY SOMERLEY CAPITAL LIMITED
FOR AND ON BEHALF OF PERFECT GAIN GROUP LIMITED
TO ACQUIRE ALL ISSUED SHARES OF
HIFOOD GROUP HOLDINGS CO., LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY PERFECT GAIN GROUP LIMITED AND PARTIES
ACTING IN CONCERT WITH IT); AND
(3) RESUMPTION OF TRADING IN THE SHARES OF
HIFOOD GROUP HOLDINGS CO., LIMITED**

Financial Adviser to the Offeror



SOMERLEY CAPITAL LIMITED

THE SALE AND PURCHASE AGREEMENT

Reference is made to the Rule 3.7 Announcement and the subsequent monthly update announcements issued by the Company pursuant to Rule 3.7 of the Takeovers Code, in particular, the announcement dated 25 August 2021 which relates specifically to the potential entering into of the Sale and Purchase Agreement by the Offeror and the Joint Receivers. As disclosed in the Rule 3.7 Announcement, the Board was informed of the appointment of the Joint Receivers in respect of 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) held by the Vendor pursuant to the Deed of Appointment of Receivers under the Share Charge. Accordingly, the offer period has commenced on the date of the Rule 3.7 Announcement (i.e. 13 March 2020) pursuant to the Takeovers Code.

The Board was informed that on 26 September 2021, the Offeror (as purchaser) and the Joint Receivers (as receivers) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Joint Receivers have (as receiver exercising their power pursuant to the Deed of Appointment of Receivers) conditionally agreed to sell, the Sale Shares, being 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the date of this joint announcement). The Consideration is HK\$200,000,000, equivalent to approximately HK\$1.546 per Sale Share.

All of the Conditions have been satisfied and Completion took place on 30 September 2021.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to Completion, none of the Purchaser, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company. Immediately following Completion, the Purchaser, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company).

The Purchaser (i.e. the Offeror) is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert.

Somerley will make the Offer, which will be unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

The Offer

For every Share HK\$1.546 in cash

The Offer Price of HK\$1.546 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The principal terms of the Offer are set out in the section headed “Mandatory Unconditional Cash Offer” of this joint announcement.

Confirmation of financial resources available for the Offer

The maximum payment obligations payable for the Offer shall be payable in cash. The Offeror intends to finance the maximum payment obligations payable for the Offer by its own internal resources. As at the date of this joint announcement, the Consideration has been paid in full to the Joint Receivers.

Somerley has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Offer in respect of 43,227,506 Offer Shares.

GENERAL

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui, has been established by the Company to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. The appointment of Red Sun as the Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

Despatch of the Composite Document

It is the intention of the Offeror and the Company to combine the offer document with the offeree response document in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among others, (i) details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer; and (iv) the relevant Form of Acceptance, is required to be despatched to the Shareholders as soon as practicable within 21 days of the date of this joint announcement unless the Executive grants a consent for extension.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 September 2021 pending the release of this joint announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 October 2021.

WARNING

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

Reference is made to the Rule 3.7 Announcement and the subsequent monthly update announcements issued by the Company pursuant to Rule 3.7 of the Takeovers Code, in particular, the announcement dated 25 August 2021 which relates specifically to the potential entering into of the Sale and Purchase Agreement by the Offeror and the Joint Receivers. As disclosed in the Rule 3.7 Announcement, the Board was informed of the appointment of the Joint Receivers in respect of 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) held by the Vendor pursuant to the Deed of Appointment of Receivers under the Share Charge. Accordingly, the offer period has commenced on the date of the Rule 3.7 Announcement (i.e. 13 March 2020) pursuant to the Takeovers Code.

The Company was informed by the Offeror that on 26 September 2021, the Offeror (as purchaser) and the Joint Receivers (as receivers) entered into the Sale and Purchase Agreement, principal terms of which are summarised below:

THE SALE AND PURCHASE AGREEMENT

Date: 26 September 2021

Parties:

Joint Receivers over the Sale Shares: Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu

Purchaser: Perfect Gain Group Limited (精益集團有限公司)

Consideration

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Joint Receivers have (as receiver exercising their power pursuant to the Deed of Appointment of Receivers) conditionally agreed to sell, the Sale Shares, being 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company as at the date of this joint announcement), free and clear from all Encumbrances and together with all rights attaching to them, including but not limited to all rights to any dividend or other distribution declared, made or paid, on or after the Completion Date. As at the date of this joint announcement, the Company does not have any

dividends or distributions announced, declared, recommended or made but unpaid and the Company does not intend to declare any dividend for the six months ended 30 September 2021.

The Consideration is HK\$200,000,000, equivalent to approximately HK\$1.546 per Sale Share. The Consideration was determined after arm's length negotiations between the Joint Receivers and the Purchaser taking into account:

- (i) net asset value of the Company of approximately HK\$1.190 per Share as at 31 March 2021;
- (ii) the historical financial performance of Group; and
- (iii) the historical price of the Company traded on the Stock Exchange.

The Consideration has been paid by the Purchaser in the following manner:

- (i) a sum of HK\$20,000,000, representing 10% of the Consideration, to the Joint Receivers on 1 September 2021 as earnest money after the entering into of a memorandum of understanding by the Purchaser and the Joint Receivers in respect of the Sale Shares, which has been applied as part payment of the Consideration; and
- (ii) the balance of HK\$180,000,000 to the Joint Receivers on the date of the Sale and Purchase Agreement or by latest the next Business Day from the date thereof. As at the date of this joint announcement, the said balance of HK\$180,000,000 has been paid to the Joint Receivers.

All of the Conditions have been satisfied and Completion took place on 30 September 2021.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to Completion, none of the Purchaser, its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company. Immediately following Completion, the Purchaser, its ultimate beneficial owner and their respective parties acting in concert own 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company).

The Purchaser (i.e. the Offeror) is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional general offer in cash for all issued Shares other than those already owned or agreed to be acquired by the Offeror and its parties acting in concert.

Somerley will make the Offer, which will be unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

The Offer

For every Share..... HK\$1.546 in cash

The Offer Price of HK\$1.546 per Offer Share under the Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer, when made, will be unconditional in all respects.

The Offer Price of HK\$1.546 per Offer Share represents:

- (i) a discount of approximately 22.70% to the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 10.12% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.720 per Share;
- (iii) a discount of approximately 5.04% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.628 per Share;
- (iv) a premium of approximately 18.47% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$1.305 per Share;
- (v) a premium of approximately 68.04% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.920 per Share;
- (vi) a premium of approximately 77.29% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.872 per Share; and
- (vii) a premium of approximately 29.92% over the audited consolidated net asset value of the Group of approximately HK\$1.190 per Share as at 31 March 2021 based on 172,600,000 Shares in issue as at the date of this joint announcement.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding the commencement of the offer period (as defined in the Takeovers Code), i.e. 13 March 2020 and up to and including the Last Trading Day, were HK\$2.08 per Share on 25 September 2019 and HK\$0.57 per Share on 30 June 2021 and 2 July 2021.

Value and total consideration of the Offer

Based on the published information of the Company available to the public, there are 172,600,000 Shares in issue as at the date of this joint announcement. On the basis of the Offer Price of HK\$1.546 per Share and 172,600,000 Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company would be valued at HK\$266,839,600. Excluding the Sale Shares and assuming no change in the issued share capital of the Company from the date of this joint announcement up to the close of the Offer, a total of 43,227,506 Shares will be subject to the Offer (assuming there is no change to the issued share capital of the Company from the date of this joint announcement up to the close of the Offer). Based on the Offer Price of HK\$1.546 per Offer Share and on the basis of full acceptance of the Offer, the maximum payment obligations payable by the Offeror under the Offer will amount to approximately HK\$66,829,724.3.

Confirmation of financial resources available for the Offer

The maximum payment obligations payable for the Offer shall be payable in cash. The Offeror intends to finance the maximum payment obligations payable for the Offer by its own internal resources. As at the date of this joint announcement, the Consideration has been paid in full to the Joint Receivers.

Somerley has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum payment obligations upon full acceptance of the Offer in respect of 43,227,506 Offer Shares.

Effect of accepting the Offer

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

By accepting the Offer, Shareholders will sell their Shares free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of posting of the Composite Document. Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made. As at the date of this joint announcement, the Company does not have any dividends or distributions announced, declared, recommended or made but unpaid and the Company does not intend to declare any dividend for the six months ended 30 September 2021.

Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.13% of the amount payable in respect of relevant acceptances by the Independent Shareholders, or the market value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), whichever is higher, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its parties acting in concert, the Company, Somerley and their respective directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the Sale Shares under the Sale and Purchase Agreement, none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them has dealt in the Shares or other options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to the date of publication of the Rule 3.7 Announcement and up to the date of this joint announcement.

Other arrangements or agreements

The Offeror confirms that, as at the date of this joint announcement:

- (i) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;
- (ii) there is no outstanding derivative in respect of the securities in the Company which is entered into by the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer;
- (iv) save for the Sale and Purchase Agreement, there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (v) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them have borrowed or lent;
- (vi) none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them has received any irrevocable commitment(s) to accept or reject the Offer;
- (vii) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (viii) save for the Consideration paid by the Purchaser to the Joint Receivers under the Sale and Purchase Agreement, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Purchaser or any parties acting in concert with it to the Joint Receivers or any party acting in concert with any of them in connection with the sale and purchase of the Sale Shares;
- (ix) save for the Sale and Purchase Agreement, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them on one hand, and (a) the Joint Receivers and/or parties acting in concert with any of them and (b) the Company and its subsidiaries on the other hand;
- (x) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, its ultimate beneficial owner and/or parties acting in concert with it on one hand, and the Shareholders (including the Vendor) on the other hand; and

(xi) save as the proposed re-designation of Mr. Tom Xie (who is not a Shareholder) from the position of non-executive Director to the position of executive Director, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders which had any connection with or dependence upon the Offer.

Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer and as to acceptance that will be included in the Composite Document before deciding whether or not to accept the Offer.

Overseas Independent Shareholders

To the extent practicable and permissible under applicable laws and regulations, the Offeror intends to make available the Offer to all Independent Shareholders, including those who are residents outside Hong Kong. The making of the Offer to persons who are not residents in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are residents. Overseas Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

It is the sole responsibility of the overseas Independent Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such overseas Independent Shareholders in respect of such jurisdictions).

Any acceptance by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.

If the receipt of the Composite Document by overseas Independent Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to such overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and before the Offer:

	Immediately prior to Completion		Immediately after Completion and before the Offer	
	<i>Number of Shares</i>	<i>approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>approximate % of issued Shares</i>
The Joint Receivers (<i>Note 1</i>)	129,372,494	74.96	—	—
The Offeror (<i>Note 2</i>) and parties acting in concert with it	<u>—</u>	<u>—</u>	<u>129,372,494</u>	<u>74.96</u>
Directors	30,000	0.02	30,000	0.02
Public Shareholders	<u>43,197,506</u>	<u>25.02</u>	<u>43,197,506</u>	<u>25.02</u>
Total	<u><u>172,600,000</u></u>	<u><u>100.00</u></u>	<u><u>172,600,000</u></u>	<u><u>100.00</u></u>

Notes:

- HKA Group Holdings Company Limited (a related company of the Vendor, as borrower) has defaulted on its repayment obligations under the Facility Agreement and the security over the Sale Shares in favour of Option Best has become enforceable. The Joint Receivers were appointed under the Deed of Appointment of Receivers for the Sale Shares. On 28 September 2021, the Deed of Release has been executed by Option Best in favour of the Vendor and the Share Charge has been released accordingly.
- The Offeror is beneficially wholly owned by Dr. So.

INFORMATION ON THE OFFEROR

Perfect Gain is an investment holding company incorporated in British Virgin Islands with limited liability. As at the date of this joint announcement, save for entering into the Sale and Purchase Agreement, Perfect Gain has not engaged in any business activities.

As at the date of this joint announcement, Perfect Gain is beneficially wholly owned by Dr. So who is also the sole director of the company.

Dr. So Shu Fai, aged 70, is currently the vice-chairman, an executive director and CEO of SJM Holdings Limited (a company principally engaged in casino gaming operations and gaming-related activities and provision of hotel, catering retail and related services in Macau; and listed on the Stock Exchange with stock code 880) and the executive director of China Merchants Land Limited (a company principally engaged in development, sale, lease, investment of properties; assets management; and investment holding; and listed on the Stock Exchange with stock code 978). He is also the chairman of the board of directors of MACAUPORT — Sociedade de Administração de Portos, S.A.

Dr. So graduated with a Bachelor of Science degree from The University of Hong Kong in 1973, and received a doctoral degree in Management Studies from The International Management Centre as validated by Southern Cross University, Australia in 2001. He is currently a Chartered Secretary and a Chartered Governance Professional and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Dr. So is also a fellow member of The Hong Kong Institute of Directors.

INFORMATION ON THE GROUP

The Company is an investment holding company listed on the Main Board. The Group is principally engaged in the manufacture and sale of jewellery products, trading of precious metals and other raw jewellery materials and luxury watches.

The following table sets out a summary of certain financial information of the Group for the two years ended 31 March 2020 and 31 March 2021:

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	162,644	154,038
Gross profit	7,019	8,885
Loss attributable to the equity holders of the Company	(74,998)	(67,694)
Net assets	205,333	278,306

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

While the Offeror intends to continue the principal business of the Group and has no intention to dispose of the businesses of the Company immediately after completion of the Offer, the Offeror is considering utilising livestream e-commerce as a new channel for the sale of the Group's jewellery products and further expanding the Group's jewellery sales to other overseas countries. Having said that, following the close of the Offer, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may also consider exploring other business opportunities to diversify the business of the Group with an objective to broaden its income source. However, as the date of this joint announcement, no such investment or business opportunity has been identified nor has the Offeror entered into any agreements, arrangements, understandings, intention or negotiation in relation to injection of any asset or business into the Group. As at the date of this joint announcement, the Offeror has not entered into any agreement, arrangement, understanding, intention or negotiation in relation to redeployment of the employees, disposal and/or redeployment of the assets of the Group, or termination or scaling-down of any business of the Group.

Proposed change of Board composition of the Company

As at the date of this joint announcement, the Board is made up of 11 Directors, comprising three executive Directors, namely Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si; two non-executive Directors, namely Ms. Mary Ang Mei Lee and Mr. Tom Xie; and six independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui.

It is expected that all executive Directors, Ms. Mary Ang Mei Lee, Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong will resign from the Board with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code.

On the other hand, it is intended that (i) Mr. Tom Xie shall be re-designated from the position of non-executive Director to the position of executive Director; and (ii) Mr. Chan Wai Dune shall be appointed as the non-executive Director, both with effect from a date no earlier than the date of the close of the Offer or at a date as permitted under the Takeovers Code.

The biographies of Mr. Tom Xie and Mr. Chan Wai Dune are set out below:

Mr. Xie, aged 72, obtained a Master of Science degree and a Master's Graduation Certificate in Gemology, both from China University of Geosciences (Beijing). He was an independent non-executive director of U-Right International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited, a company listed on the Stock Exchange with stock code 627) from August 2013 to December 2017, and a non-executive director of China Investment Development Limited (a company listed on the Stock Exchange with stock code 204) from September 2019 to September 2020. Mr. Xie is currently an independent non-executive director of Yuan Heng Gas Holdings Limited (a company listed on the Stock Exchange with stock code 332) since January 2010. He was appointed as a

non-executive Director on 12 July 2021. Upon his re-designation as an executive Director, Mr. Xie will be responsible for making major operation decisions for the Group and supervising business administration of the Group.

Mr. Chan, aged 69, is currently the chairman and chief executive officer of Crowe (HK) CPA Limited. He has over 40 years of experience in the finance sector, particularly in the areas of auditing and taxation. Mr. Chan is a certified public accountant and is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the Taxation Institute of Hong Kong. He is also an associate chartered accountant of The Institute of Chartered Accountants in England and Wales. Mr. Chan is currently serving various public positions such as the executive vice chairman of the GMC Hong Kong Members Association Ltd. and a member and a standing committee member of CPPCC of the Guangzhou Municipal Committee. He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently an independent non-executive director of Wai Chun Group Holdings Limited (a company principally engaged in (i) general trading; (ii) network and system integration by the production of software and provision of solutions and related services; and (iii) investment holdings; and listed on the Stock Exchange with stock code 1013) and Tianjin Tianbao Energy Co., Ltd. (a power operator in Tianjin engaging in co-generation of steam, electricity, heating and cooling listed on the Stock Exchange with stock code 1671).

Mr. Chan was also a non-executive director of Pickquick Plc., a company incorporated in the United Kingdom, prior to its dissolution. As confirmed by Mr. Chan, as far as he is aware, the dissolution of Pickquick Plc. has not resulted in any liability or obligation being imposed against him. Further information of Pickquick Plc. is set out below:

Name of Company	Principal business before dissolution	Date of dissolution	Reason for dissolution
Pickquick Plc.	Sale of golf products	May 2004	Creditors’ voluntary liquidation

On 2 February 2010, the HKICPA reprimanded Mr. Chan and CCIF CPA Limited (“**CCIF**”) and imposed a penalty of HK\$40,000 due to their breach of a professional standard issued by the HKICPA in relation to the preparation of the audited financial statements of a listed company in Hong Kong for the year ended 31 July 2004. Mr. Chan was the then managing director of CCIF.

The reprimand was related to the internal procedures of handling the audit of CCIF’s client where Mr. Chan had to assume some responsibilities as being the managing director of CCIF and responsible for signing the relevant auditors’ report.

Based on the above information and his past performance, the Board is of the view that with his professional knowledge and experience, Mr. Chan is fit and proper to act as a non-executive Director and to the best knowledge and belief of Mr. Chan, no approval or consent from any regulatory body is required in respect of his proposed appointment as the non-executive Director.

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders in connection with the above proposed appointments, and there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

In addition to the above nominees, the Offeror is currently considering nominating Dr. So to be a Director after the completion of the Offer and is also in the course of identifying suitable candidates to be nominated to the Board with effect from a date no earlier than the date of the Composite Document or at a date as permitted under the Takeovers Code while no concrete list of candidates has been reached as at the date of this joint announcement. In any event, any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

Public float and maintenance of the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed (whose appointment will be effective upon the close of the Offer) will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that not less than 25% of the Shares will be held by the public.

For the avoidance of doubt, the Offer Shares to be tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the listed issuer, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

GENERAL

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui, has been established by the Company to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Meanwhile, Mr. Tom Xie is not included as a member of the Independent Board Committee in view of his proposed re-designation from the position of non-executive Director to the position of executive Director with effect from a date no earlier than the date of the close of the Offer or a date as permitted under the Takeovers Code.

Red Sun has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance. The appointment of Red Sun as the Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

Despatch of the Composite Document

It is the intention of the Offeror and the Company to combine the offer document with the offeree response document in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among others, (i) details of the Offer (including the expected timetable and terms of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer; and (iv) the relevant Form of Acceptance, is required to be despatched to the Shareholders as soon as practicable within 21 days of the date of this joint announcement unless the Executive grants a consent for extension.

Disclosure of dealings in the Shares

In accordance with Rule 3.8 of the Takeovers Code, associates (as defined under the Takeovers Code) of the Offeror and the Company (including but not limited to persons who own or control 5% or more of any class of relevant securities issued by the Company or the Offeror) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 September 2021 pending the release of this joint announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11 October 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“acting in concert”	has the meaning as ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning as ascribed thereto under the Takeovers Code
“Board”	board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business, operate and provide normal banking services (excluding Saturdays, Sundays, public holidays and the days when tropical cyclone warning signal No. 8 or above or black rainstorm warning signal is hoisted during any time between 9:00 a.m. and 5:00 p.m.)
“Company”	Hifood Group Holdings Co., Limited (stock code: 442), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Composite Document”	the composite document to be issued jointly by the Offeror and the Company in relation to the Offer in accordance with the Takeovers Code
“Conditions”	the conditions precedent to Completion as set out on the Sale and Purchase Agreement
“Consideration”	the consideration in the amount of HK\$200,000,000 for the Sale Shares pursuant to the Sale and Purchase Agreement

“Deed of Appointment of Receivers”	the deed of appointment of receivers dated 26 February 2020 under the Share Charge pursuant to which the Joint Receivers were appointed as joint and several receivers over 129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) held by the Vendor
“Deed of Release”	the deed of release in respect of the Share Charge dated 28 September 2021 executed by Option Best in favour of the Vendor
“Director(s)”	director(s) of the Company
“Dr. So”	Dr. So Shu Fai, the sole shareholder and the sole director of the Offeror
“Encumbrance(s)”	any option, right of acquisition, right of priority, mortgage, charge, lien, right of retention of title, right of set-off, counterclaim, trust arrangement, or any other right to collateral of any kind or equity interest or restriction (including the restrictions imposed by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in respect of any asset
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“Facility Agreement”	the facility agreement dated 8 September 2017 entered into between HKA Group Holdings Company Limited, a related company of the Vendor, as borrower, and Option Best as lender in relation to a term loan facility up to HK\$600 million
“Form of Acceptance”	the form of acceptance and transfer of Share(s) in respect of the Offer accompanying the Composite Document
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the non-executive Director, namely Ms. Mary Ang Mei Lee, and all independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui

“Independent Financial Adviser” or “Red Sun”	Red Sun Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in Securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee, the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Receivers”	Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu who were appointed pursuant to the Deed of Appointment of Receivers as joint and several receivers over the Sale Shares
“Last Trading Day”	24 September 2021, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of this joint announcement
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Offer”	the mandatory unconditional general offer in cash to be made by Somerley for and on behalf of the Offeror to acquire all of the Offer Shares in accordance with the terms and conditions set out in the Composite Document and the accompanying Form of Acceptance
“Offer Price”	the price at which the Offer will be made, being HK\$1.546 per Share
“Offer Share(s)”	all issued Shares other than those already acquired by the Offeror and parties acting in concert with it when the Offer is made
“Option Best”	Option Best Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and ultimately wholly-owned by Huarong International Financial Holdings Limited (stock code: 0993), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board

“Perfect Gain” or “Purchaser” or “Offeror”	Perfect Gain Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Dr. So
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement, excluding Hong Kong, Macau and Taiwan
“Rule 3.7 Announcement”	the announcement of the Company dated 13 March 2020 in relation to, among others, the appointment of the Joint Receivers over 129,372,494 Shares
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 September 2021 and entered into by the Joint Receivers and the Purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	129,372,494 Shares (representing approximately 74.96% of the entire issued share capital of the Company) acquired by the Offeror from the Joint Receivers pursuant to the terms of the Sale and Purchase Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.005 each in the issued share capital of the Company
“Share Charge”	the share charge dated 12 September 2017 entered into between the Vendor (as chargor) and Option Best (as chargee) in respect of 129,372,494 Shares held by the Vendor to secure the Vendor’s obligations under the Facility Agreement
“Shareholder(s)”	holder(s) of Shares
“Somerley”	Somerley Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in Securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC

“Vendor”

HNA Aviation Investment Holding Company Ltd., a company incorporated in the Cayman Islands with limited liability whose ultimate beneficial owners are Hainan Province Cihang Foundation and Cihang Sino-Western Cultural and Educational Exchange Foundation Limited, based on the 2021 annual report of the Company published on 21 July 2021; and the Shares of HNA Aviation Investment Holding Company Ltd. were the subject of the Share Charge and such Shares were sold by the Joint Receivers as the Sale Shares to the Offeror

“%”

per cent

By order of the board of directors
Perfect Gain Group Limited
精益集團有限公司
So Shu Fai
Sole director

By order of the Board
Hifood Group Holdings Co., Limited
海福德集團控股有限公司
Su Zhiyi
Chairman and Executive Director

Hong Kong, 8 October 2021

As at the date of this joint announcement, the sole director of the Offeror is Dr. So Shu Fai.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, the Directors, the Vendor, the Joint Receivers and Option Best), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Group, the Directors, the Vendor, the Joint Receivers and Option Best) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.

As at the date of this joint announcement, the Board comprises Mr. Su Zhiyi, Mr. Xiong Cong and Mr. Cai Si as executive Directors; Ms. Mary Ang Mei Lee and Mr. Tom Xie as non-executive Directors; and Mr. Ting Tit Cheung, Mr. Chan Chi Kuen, Mr. Lo Chun Pong, Mr. Yau Pak Yue, Mr. Chung Wai Man and Mr. Ning Rui as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Joint Receivers, the Purchaser, the Vendor, the Offeror, the sole director of the Offeror and the nominee Director of the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Offeror) in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statements in this joint announcement misleading.

In the case of inconsistency, the English text of this joint announcement shall prevail over the Chinese text.