PALINDA GROUP HOLDINGS LIMITED
百利達集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8179)

SUPPLEMENTAL ANNOUNCEMENT RELATING TO DISCLOSEABLE TRANSACTION DISPOSAL OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY

Reference is made to the announcement (the "**Announcement**") of Palinda Group Holdings Limited (the "**Company**") dated 9 December 2024 in relation to the disposal of an indirect wholly-owned subsidiary. Unless otherwise defined, capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement.

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

CONSIDERATION

The Consideration of HK$49,980,000 was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the financial position of the Target Company; and (ii) the valuation of approximately AUD8,500,000 (equivalent to approximately HK$43,400,000) as at 31 October 2024 was conducted by an independent valuer engaged by the Company.

BASIS OF THE VALUATION

The valuation of Target Company of approximately AUD8,500,000 (equivalent to approximately HK$43,400,000) as at 31 October 2024 (the "**Valuation**") was conducted by an independent valuer engaged by the Company. In arriving at the appraised value of the Target Company, BMI Appraisals Limited (the "**Valuer**") used the income approach to determine the value of the Sales Shares as at 31 October 2024.

The Valuer considered that the cost approach is not an adequate approach for the valuation, as this approach does not take future growth potential into consideration. Besides, the Valuer also considered that the market approach is not applicable for the valuation, as there are insufficient comparable transactions in the market. Thus, the Valuer determined that the income approach is the most appropriate valuation approach to value the equity interest in the Company.

VALUATION METHOD: DISCOUNTED CASH FLOW METHOD

The Valuer considered the income approach the most appropriate valuation approach as it takes the future growth potential and firm-specific issues of the Target Company into consideration. Therefore, the Valuer utilised the income approach for the Valuation. For the valuation of the equity interest in the Target Company, the Valuer have adopted the Discounted Cash-Flow ("**DCF**") method under income approach. The discounted cash-flow method is premised on the concept that the value is based on the present value of anticipated future economic benefits generated by subject asset by applying an appropriate discount rate.

In applying DCF method, the free cash flows of the Target Company in future years were determined as follows:

$$FCF = NI + NCE + Int\ (1 - T_{int}) - NCI - InvFA - InvNWC$$

In which:

FCF	=	*Free cash flow;*
NI	=	*Net income after tax;*
NCE	=	*Non-cash expenses;*
Int	=	*Interest expenses;*
T_{int}	=	*Tax rate applied to interest expenses;*
$Int\ (1 - T_{int})$	=	*After-tax interest expenses;*
NCI	=	*Non-cash incomes;*
$InvFA$	=	*Investment in capital expenditure; and*
$InvNWC$	=	*Investment in net working capital.*

The results of the free cash flow were then discounted using a discount rate to determine the present value of the expected free cash flows, which was determined as follows:

$$PVFCF = FCF_1/(1 + r)^1 + FCF_2/(1 + r)^2 + ... + FCF_n/(1 + r)^n$$

In which:

$PVFCF$	=	*Present value of free cash flows;*
FCF	=	*Free cash flow;*
r	=	*Discount rate; and*
n	=	*Number of year of projections.*

Comparable Companies

For the purpose of the Valuation, the Valuer referred to the information in relation to public companies whose shares are listed on the major stock exchange and are considered to be comparable to the Target Company (the "**Comparable Companies**").

Based on the comparability of the overall industry sector and geographical location, the Valuer selected a number of Comparable Companies that meet the following criteria in the Valuation:

1. the principal activities of the Comparable Companies are located in Australia and New Zealand;

2. the Comparable Companies are principally engaged in the wine industry and the related operation;

3. shares of the Comparable Companies are listed on a major stock exchange and are being actively traded in a reasonable period of time. Major stock exchanges are refer to exchanges with sizeable market capitalization and high liquidity, including, but not limited to, Australian Stock Exchange and New Zealand Exchange, where the Comparable Companies are currently trading; and

4. detailed financial and operational information in respect of the Comparable Companies are available at publicly available sources.

KEY PARAMETERS USED IN THE VALUATION

The value of the Sale Shares was derived from the present value of the Target Company's expected free cash flows in future years, further discounted by various specific factors, including the discount for lack of marketability.

Below are the key parameters used in the Valuation, along with a brief explanation of each:

Discount Rate

The discount rate needs to be determined before the present value of the expected cash flows of the Target Company can be calculated. In the Valuation, the Weighted Average Cost of Capital (the "**WACC**") was adopted as the discount rate, which is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source. Under the income approach, only some financial characteristics (e.g. the beta coefficient and capital structure) of the comparable companies were referenced to in deriving the discount rate (i.e. the WACC). The discount rate has also considered other parameters unrelated to the comparable companies.

In the Valuation, the WACC was computed using the following formula:

$$WACC = R_e\,(E/V) + R_d\,(D/V)\,(1 - T_c)$$

In which:

$WACC$	=	*Weighted average cost of capital;*
R_e	=	*Cost of equity;*
R_d	=	*Cost of debt;*
E	=	*Value of the firm's equity;*
D	=	*Value of the firm's debt;*
V	=	*Sum of the values of the firm's equity and debt; and*
T_c	=	*Corporate tax rate.*

Discount for lack of marketability

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Target Company is unlikely to undergo public offering and its shares are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability has been adopted in the valuation.

VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, the following major assumptions were adopted in the Valuation to support the Valuer's concluded opinion of the value of the Sale Shares:

General market assumptions

(i) there will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Company is currently or will be situated;

(ii) there will be no material change in the taxation laws and regulations in the jurisdiction where the Target Company is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

(iii) the market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

(iv) the supply and demand, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;

(v) the market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;

(vi) the products and/or services of the Target Company or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Company or similar products and/or services; and

(vii) the market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

Specific assumptions

(i) all licenses, permits, certificates and consents issued by any local, provincial or national government or other authorised entity or organisation that will affect the operation of the Target Company have been obtained or can be obtained upon request with an immaterial cost;

(ii) the core operation of the Target Company will not differ materially from those of present or expected;

(iii) the financial and operational information in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

(iv) the Target Company currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;

(v) the Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

(vi) the senior management of the Target Company will implement only those prospective financial and operational strategies that will maximise the efficiency of the operation of the Target Company;

(vii) the senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;

(viii) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company; and

(ix) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company.

Key input and assumptions underlying the financial projection

The revenue growth rate of approximately 2.8% was determined with reference to the global revenue growth rate for the wine industry, as research issued by Statista Market Insights. The production cost growth rate of approximately 2.0% was determined with reference to the average of historical producer price index in Australia. The net profit margin was expected to be approximately 50% with an expected corporate tax rate of 30%.

The discount rate applied for the cash flow projection of approximately 10.7% is calculated with reference to the market data, including the risk-free rate and market risk premium, along with the relevant Comparable Companies' beta values.

The discount for lack of marketability is approximately 15.6%, based on the findings from the Stout Restricted Stock Study published by Business Valuation Resources, LLC.

LISTING RULES IMPLICATIONS

As disclosed in this announcement, the valuation of the Target Company was prepared based on the discounted cashflow method under the income approach and therefore constitutes a profit forecast under Rule 19.61 of the Listing Rules. As such, the requirements under Rules 19.60A of the Listing Rules is applicable.

Pursuant to Rule 19.60A of the Listing Rules, the Company has engaged Privatco CPA Limited (the "**Reporting Accountants**") to review the arithmetical calculation of the discounted future estimated cash flows upon which the Valuation prepared by the Valuer were based. The Reporting Accountants have reviewed the calculations of the discounted future cash flows on which the Valuation is based and are of the opinion that so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions made by the Directors as set out in the Valuation.

Pursuant to Rule 19.60A of the GEM Listing Rules, a report from Reporting Accountants dated 9 December 2024 and a letter from the Board dated 9 December 2024 in relation to the calculations of the discounted future cash flows are set out in Appendix I and Appendix II to this Supplemental Announcement in accordance with the requirements under the GEM Listing Rules.

The following are the qualifications of the experts whose opinions and advice are included in this Supplemental Announcement:

Name	**Qualification**
BMI Appraisals Limited	Independent professional valuer
PRIVATCO CPA LIMITED	Certified public accountants

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this Supplemental Announcement, all of the above experts are third parties independent from the Company and its Connected Persons (within the meaning of the GEM Listing Rules), and as at the date of this Supplemental Announcement: (a) none of the above experts had any shareholding in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities in the Company or any of its subsidiaries; and (b) none of the above experts had any direct or indirect interests in any assets which have been since 31 December 2023 (being the date to which the latest published audited annual financial statements of the Company were made up) acquired or disposed of by or leased to the Company or any of its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries. Each of the above experts has given and has not withdrawn its written consent to the issue of this Supplemental Announcement with the inclusion herein of its letter, report or opinion (as the case may be) and reference to its name in the form and context in which they respectively appear.

This supplemental announcement is supplemental to and should be read in conjunction with the Announcement. All other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes.

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

Hong Kong, 23 December 2024

As at the date of this announcement, the Board of the Company comprises Ms. Huang Wei and Mr. Dou Sheng as executive Directors, and Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai, Iris, as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the HKEX website at www.hkexnews.hk for at least seven days from the date of its posting and the website of the Company at www.palinda.com.

APPENDIX I – LETTER FROM PRIVATCO CPA LIMITED

INDEPENDENT ASSURANCE REPORT ON THE CALCULATION OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF RAINBOW FOUNTAIN INTERNATIONAL LIMITED

TO THE DIRECTORS OF PALINDA GROUP HOLDINGS LIMITED

We have examined the calculation of the discounted future estimated cash flows on which the valuation prepared by BMI Appraisals Limited ("**BMI**") dated 9 December 2024, of the valuation of Rainbow Fountain International Limited (the "**Target Company**") as at 31 October 2024 (the "**Valuation**") is based. The Target Company, which is incorporated in British Virgin Islands with limited liabilities, is an investment holding company and its wholly owned subsidiary is Rainbow Fountain International Pty Ltd, which is principally engaged in supply of self-cultivated grapes for winery business and owns a vineyard located in Margaret River region in Western Australia. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under paragraph 19.61 of the GEM Listing Rules and is included in the announcement dated 9 December 2024 issued by Palinda Group Holdings Limited (the "**Company**") in connection with the acquisition of the entire equity interest in the Target Company (the "**Announcement**").

Directors' Responsibilities for the discounted future estimated cash flows forecasts

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows forecasts for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance and Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on whether the calculation of the discounted future estimated cash flows has been properly compiled, in all material respects, in accordance with the bases and assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.60A(2) of Appendix D1B of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of Valuation Report.

Our engagement was conducted in accordance with Hong Kong Standards on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circular" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions adopted by the directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The bases and assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the bases and assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions.

PRIVATCO CPA LIMITED
Certified Public Accountants
Hong Kong
9 December 2024

APPENDIX II – LETTER FROM THE BOARD

The following is the full text of the letter from the Board which was prepared for the purpose of inclusion in this Announcement.

PALINDA GROUP HOLDINGS LIMITED
百 利 達 集 團 控 股 有 限 公 司

9 December 2024

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTION – DISPOSAL OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY

We refer to the announcement of Palinda Group Holdings Limited (the "**Company**") dated 9 December 2024 (the "**Announcement**") in relation to the caption transaction and the valuation report dated 9 December 2024 in relation to the valuation of the entire equity interest of Rainbow Fountain International Limited (the "**Valuation**") prepared by BMI Appraisals Limited (the "**Independent Valuer**").

We understand that the Valuer prepared the Valuation based on the discounted cash flow method and constitutes a profit forecast (the "**Profit Forecast**") under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have reviewed the bases and assumptions of the Profit Forecast and discussed the same with the Valuer. We have also considered the letter dated 9 December 2024 from the Company's auditor, Privatco CPA Limited, in relation to whether the Profit Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the assumptions used in the Valuation. Based on the foregoing, pursuant to the requirements of Rule 19.60A(3) of the GEM Listing Rules, we confirm that the Profit Forecast has been made after due and careful enquiry.

This letter is for the sole purpose of Rule 19.60A(3) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with this letter.

Yours faithfully,
For and on behalf of the Board of
Palinda Group Holding Limited
Huang Wei
Executive Director