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Profit Strong Investments Limited
利堅投資有限公司
(Incorporated in the British Virgin Islands with
limited liability)

Max Glory Ltd.
(Incorporated in the Cayman Islands with
limited liability)



DONGPENG HOLDINGS COMPANY LIMITED
東 鵬 控 股 股 份 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3386)

JOINT ANNOUNCEMENT

**(1) PRE-CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
DONGPENG HOLDINGS COMPANY LIMITED
BY THE JOINT OFFERORS
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

Financial Adviser to the Joint Offerors



China International Capital Corporation Hong Kong Securities Limited

SCHEME OF ARRANGEMENT

The respective directors of the Joint Offerors and the Company jointly announce that on 30 January 2016, the Joint Offerors requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, subject to satisfaction of the Pre-Condition.

The Scheme will provide that the Scheme Shares will be cancelled in exchange for HK\$4.48 in cash for each Scheme Share. Under the Scheme, the total consideration payable for cancellation of the Scheme Shares will be payable by the Joint Offerors.

The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.

The Cancellation Price represents:

- a premium of approximately 31.76% over the closing price of HK\$3.40 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 46.89% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 51.86% over the average closing price of approximately HK\$2.95 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 50.34% over the average closing price of approximately HK\$2.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- a premium of approximately 35.76% over the average closing price of approximately HK\$3.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day.

Upon the Scheme having become effective, assuming no Share Options are exercised before the Record Date, the Joint Offerors, namely Profit Strong and Max Glory, will hold approximately 42.75% and 14.57% of the issued share capital of the Company, respectively.

The making of the Proposal is, and the implementation of the Scheme will be, subject to the satisfaction of the Pre-Condition, namely that Sequoia RMB SP Fund has obtained the relevant overseas investment approvals of (i) the National Development and Reform Commission of the PRC or its local counterpart; and (ii) the Ministry of Commerce of the PRC or its local counterpart, in respect of its investment through the Scheme. All references to the Scheme in this announcement are references to the possible Scheme which will be implemented if and only if the Pre-Condition is satisfied.

The Joint Offerors will issue a Further Announcement as soon as practicable after the Pre-Condition has been satisfied or if the Pre-Condition has not been satisfied and the Proposal will not be made.

The implementation of the Proposal and the Scheme will be conditional upon the fulfilment or waiver, as applicable, of all the Conditions as described in the section headed “Conditions of the Proposal and the Scheme” below. All of the Conditions must be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse.

As at the Announcement Date, the authorised share capital of the Company is US\$50,000 divided into 25,000,000,000 Shares, and the Company has 1,263,452,800 Shares in issue. As at the Announcement Date, the Scheme Shares, comprising 331,794,000 Shares, represent approximately 26.26% of the issued share capital of the Company.

As at the Announcement Date, there are 22,250,000 outstanding Share Options granted under the Pre-IPO Share Option Scheme, each relating to one Share and no share options have been granted under the Post-IPO Share Option Scheme. Among the 22,250,000 outstanding Share Options, 4,625,000 outstanding Share Options are expected to vest on 1 April 2016 and 6,500,000 Share Options are expected to lapse on 1 April 2016. The exercise of the 4,625,000 Share Options in full would result in the issue of 4,625,000 new Shares, representing approximately 0.37% of the issued share capital of the Company as at the Announcement Date and approximately 0.36% of the issued share capital of the Company as enlarged by the issue of such new Shares. The Joint Offerors will make (or procure to be made on their behalf) an appropriate offer to the Optionholders to cancel every vested and unvested Share Option in accordance with Rule 13 of the Takeovers Code. Such Option Offer will be conditional upon the Scheme becoming effective.

On the assumption that no outstanding Share Options are exercised or lapse before the Record Date, the amount of cash required for the Proposal (before taking into account the Option Offer to be made) is approximately HK\$1,486.44 million, and the amount of cash required for the Option Offer is approximately HK\$23.47 million.

The Joint Offerors intend to finance the cash required for the Proposal and the Option Offer from a combination of their respective internal financial resources and available loan facilities. CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging their respective obligations in respect of the full implementation of the Proposal and the Option Offer.

Under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares, and forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Joint Offerors at par of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. YIN Hong, Ms. HSIEH H., Lily and Mr. WU Haibing, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting, and to the Optionholders as to its views on acceptance of the Option Offer.

Although Ms. SUN Limei, Mr. SUN Qian and Mr. SU Sen are non-executive directors of the Company, as Ms. SUN Limei is expected to hold a position with the Group after the Scheme becomes effective, Mr. SUN Qian is a director nominated for appointment to the Board by Sequoia Existing Shareholders, which are Joint Offerors Concert Parties, and Mr. SU Sen holds a 100% equity interest in Cosmo Ray, which is a Participating Shareholder, Ms. SUN Limei, Mr. SUN Qian and Mr. SU Sen are regarded as being interested in the Proposal and therefore have not participated in any vote of the Board in relation to the Proposal and the Scheme and will not form part of the Independent Board Committee.

The executive directors of the Company and the non-executive directors of the Company may have a material interest in the Proposal and have not participated in any vote of the Board in relation to the Proposal and the Scheme. The directors of the Company (excluding members of the Independent Board Committee) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal the Scheme, the Rollover Arrangement and the Option Offer.

DESPATCH OF SCHEME DOCUMENT

Subject to and after satisfaction of the Pre-Condition, the Scheme Document containing, inter alia, further details of the Proposal and the Scheme, the expected timetable, an explanatory memorandum as required under the Companies Law and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme, the Rollover Arrangement and the Option Offer and the letter of advice from the independent financial adviser to the Independent Board Committee, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable regulations.

The Joint Offerors have applied to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to the despatch of the Scheme Document within seven days after the Pre-Condition is satisfied (or such later date to which the Executive, at the request of the Joint Offerors, may consent).

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, it is anticipated that listing of the Shares on the Stock Exchange will be withdrawn. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Pre-Condition is not satisfied, the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors should exercise caution when dealing in the Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

WARNINGS

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Pre-Condition and the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote in favour of the Proposal. Any acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.

INTRODUCTION

On 30 January 2016, the Joint Offerors requested the Board to put forward a proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange, subject to satisfaction of the Pre-Condition.

If the Proposal is approved and implemented, under the Scheme, the share capital of the Company will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Joint Offerors, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Joint Offerors.

TERMS OF THE PROPOSAL

The Scheme

The Scheme will provide that the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive HK\$4.48 in cash for each Scheme Share.

Under the Scheme, the total consideration payable for the Scheme Shares will be payable by the Joint Offerors.

The Cancellation Price will not be increased, and the Joint Offerors do not reserve the right to do so.

The Cancellation Price of HK\$4.48 per Scheme Share represents:

- a premium of approximately 31.76% over the closing price of HK\$3.40 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 46.89% over the average closing price of approximately HK\$3.05 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- a premium of approximately 51.86% over the average closing price of approximately HK\$2.95 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 50.34% over the average closing price of approximately HK\$2.98 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- a premium of approximately 35.76% over the average closing price of approximately HK\$3.30 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day.

The Cancellation Price has been determined on a commercial basis after taking into account the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The Option Offer

The Joint Offerors will make (or procure to be made on their behalf) an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options, vested and unvested, in exchange for cash, being an amount equal to HK\$4.47 for each outstanding Share Option with an exercise price of HK\$0.01. Such Option Offer will be conditional upon the Scheme becoming effective. Further information on the Option Offer will be set out in a letter to the Optionholders which will be despatched as far as practicable contemporaneously with the despatch of the Scheme Document.

In the event that any of the outstanding Share Options are exercised on or prior to the Record Date in accordance with the relevant provisions of the Pre-IPO Share Option Scheme, any Shares issued as a result of the exercise of such outstanding Share Options will be subject to and eligible to participate in the Scheme (excluding any Shares issued as a result of the exercise of such outstanding Share Options by Mr. HE Xinming and the Participating Shareholders, as applicable).

Allocation Proportion between the Joint Offerors

The Joint Offerors' payment obligations to the Scheme Shareholders in respect of the Cancellation Price in cash pursuant to and in accordance with the Scheme shall be fulfilled by Profit Strong as to 44.50% and by Max Glory as to 55.50%. The Joint Offerors' payment obligations to the Optionholders shall be fulfilled in the same proportion as their payment obligations to the Scheme Shareholders.

Joint Offerors	Scheme Shares Allocation (assuming no Share Options are exercised before the Record Date)	Scheme Shares Allocation (assuming all the outstanding Share Options that are expected to vest before the Record Date are exercised before the Record Date)	Proportion of Allocation
Profit Strong	147,664,273	147,831,166	44.50%
Max Glory	184,129,727	184,337,834	55.50%
Total Scheme Shares	331,794,000	332,169,000	100.00%

Total Consideration and Financial Resources

On the basis of the Cancellation Price of HK\$4.48 per Scheme Share and 331,794,000 Scheme Shares in issue as at the Announcement Date, the Scheme Shares are in aggregate valued at approximately HK\$1,486.44 million. As at the Announcement Date, there are 22,250,000 outstanding Share Options. Except the outstanding Share Options, there are no outstanding warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares.

On the assumption that no outstanding Share Options are exercised or lapse before the Record Date, the amount of cash required for the Proposal (before taking into account the Option Offer to be made) is approximately HK\$1,486.44 million, and the amount of cash required for the Option Offer is approximately HK\$23.47 million, which is equal to the see-through price of HK\$4.47 per Share Option multiplied by 5,250,000 outstanding Share Options, excluding 17,000,000 Share Options held by Mr. HE Xinming and the Participating Shareholders, as applicable. Please refer to the section headed "Share Options" for further details.

The Joint Offerors intend to finance the cash required for the Proposal and the Option Offer from a combination of their respective internal financial resources and available loan facilities. CICC, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging their respective obligations in respect of the full implementation of the Proposal and the Option Offer.

PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The making of the Proposal is, and the implementation of the Scheme will be, subject to the satisfaction of the Pre-Condition, namely that Sequoia RMB SP Fund has obtained the relevant overseas investment approvals of (i) the National Development and Reform Commission of the PRC or its local counterpart; and (ii) the Ministry of Commerce of the PRC or its local counterpart, in respect of its investment through the Scheme.

If the Pre-Condition is satisfied on or before the Pre-Condition Long Stop Date, the Joint Offerors will issue the Further Announcement as soon as practicable thereafter. The Pre-Condition is not waivable. All references to the Scheme in this announcement are references to the possible Scheme which will be implemented if and only if the Pre-Condition is satisfied.

If the Pre-Condition is not satisfied by the Pre-Condition Long Stop Date, the Proposal will not be made, the Scheme will not be implemented (unless the Joint Offerors extend the Pre-Condition Long Stop Date with the consent of the Company) and Shareholders will be notified by the Further Announcement as soon as practicable thereafter.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders;
- (c) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable, (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement, and (iii) the consent from the Executive to the Rollover Arrangement;
- (f) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of the Company;
- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong and any other relevant jurisdictions;

- (h) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;
- (j) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Joint Offerors to proceed with the Proposal or the Scheme; and
- (k) since the Announcement Date there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal).

The Joint Offerors reserve the right to waive conditions (g), (h), (i), (j) and (k) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d), (e) and (f) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Joint Offerors may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Joint Offerors in the context of the Proposal. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Joint Offerors and the Company may agree or, to the extent applicable,

as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the conditions. In respect of condition (g), as at the Announcement Date, the Joint Offerors and the Company do not reasonably foresee any necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals required for the Proposal and the Scheme, save for the approvals set out in the Pre-Condition, the consents from the Executive and the sanction of the Grand Court.

The implementation of the Option Offer will be conditional upon the Scheme becoming effective.

Warnings:

Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Pre-Condition and the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company is US\$50,000 divided into 25,000,000,000 Shares, and the Company has 1,263,452,800 Shares in issue.

As at the Announcement Date, Profit Strong held 392,518,463 Shares representing approximately 31.07% of the issued share capital of the Company, the Joint Offerors Concert Parties held in aggregate 539,140,337 Shares, representing approximately 42.67% of the issued share capital of the Company, and the Scheme Shares, comprising 331,794,000 Shares, represent approximately 26.26% of the issued share capital of the Company.

On the assumption that no outstanding Share Options are exercised before the Record Date and that there is no change in shareholdings of the Company, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Upon completion of the Proposal	
	Number of Shares	%	Number of Shares	%
Joint Offerors				
Profit Strong ¹	392,518,463	31.07	540,182,736	42.75
Max Glory	—	—	184,129,727	14.57
Joint Offerors Concert Parties				
Sequoia Existing Shareholders ²	97,552,800	7.72	97,552,800	7.72
Mr. HE Xinming ³	2,812,500	0.22	2,812,500	0.22
Superb Idea ⁴	160,763,325	12.72	160,763,325	12.72
Mr. CHEN Kunlie	1,125,000	0.09	1,125,000	0.09
Cosmo Ray ⁵	33,074,966	2.62	33,074,966	2.62
High Ride ⁶	188,617,978	14.93	188,617,978	14.93
Rich Blossom ⁷	45,025,268	3.56	45,025,268	3.56
Senior Management Shareholders ⁸	<u>10,168,500</u>	<u>0.80</u>	<u>10,168,500</u>	<u>0.80</u>
Aggregate number of Shares of the Joint Offerors and the Joint Offerors Concert Parties	<u>931,658,800</u>	<u>73.74</u>	<u>1,263,452,800</u>	<u>100.00</u>
Other public Shareholders	331,794,000	26.26	—	—
Total number of Shares of the Independent Shareholders	<u>331,794,000</u>	<u>26.26</u>	<u>—</u>	<u>—</u>
Total	<u>1,263,452,800</u>	<u>100.00</u>	<u>1,263,452,800</u>	<u>100.00</u>
Total number of Scheme Shares	331,794,000	26.26		

Notes:

1. Profit Strong is wholly owned by Mr. HE Xinming, the controlling shareholder of the Company.
2. Sequoia Growth, Sequoia Partners and Sequoia Principals hold 6.73%, 0.16% and 0.83% of the issued share capital of the Company, respectively.
3. Mr. HE Xinming holds 3,750,000 Share Options as at the Announcement Date, of which, 937,500 Share Options are expected to vest on 1 April 2016, 937,500 Share Options are expected to lapse on 1 April 2016 and as a result, 1,875,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.

4. Superb Idea is wholly owned by Mr. CHEN Kunlie, an executive director of the Company. Mr. CHEN Kunlie also holds 1,500,000 Share Options as at the Announcement Date, of which, 375,000 Share Options are expected to vest on 1 April 2016, 375,000 Share Options are expected to lapse on 1 April 2016 and as a result, 750,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.
5. Cosmo Ray is wholly owned by Mr. SU Sen, a non-executive director of the Company.
6. High Ride's shareholders comprise HE Xinzong (23.15%), CHEN Yezhi (20.68%), OU Haoquan (20.45%), LUO Siwei (15.29%), ZHONG Baomin (9.33%), JIANG Anning (6.68%), and KUANG Zhijun (4.42%), all of whom are either current or former employees of the Group.
7. Rich Blossom's shareholders comprise BAO Jianyong (an executive director of the Company, 31.82%), FENG Zhihua (11.74%), ZHAO Haobiao (10.17%), CHEN Haihong (10.07%), LIN Zhihua (10.06%), CHEN Susong (7.69%), ZHONG Guoxiong (6.15%), LONG Xiang (6.15%) and LI Weixuan (6.15%), who are either current or former employees of the Group.
8. The Senior Management Shareholders comprise CAI Chuyang, JIN Guoting, LIN Hong, SHAO Yu, SHI Yufeng and BAO Jianyong, who are members of the senior management of the Company. The Senior Management Shareholders also hold 11,750,000 Share Options in aggregate as at the Announcement Date, of which, 2,937,500 Share Options are expected to vest on 1 April 2016, 2,937,500 Share Options are expected to lapse on 1 April 2016 and as a result, 5,875,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.
9. All percentages in the above table are approximations.

On the assumption that no outstanding Share Options are exercised before the Record Date and that there is no change in shareholdings of the Company, following the effective date of the Scheme and the withdrawal of listing of the Shares on the Stock Exchange, Profit Strong and Max Glory will hold approximately 42.75% and 14.57% of the issued share capital of the Company, respectively.

Share Options

As at the Announcement Date, there are 22,250,000 outstanding Share Options granted under the Pre-IPO Share Option Scheme each relating to one Share, of which 3,750,000 Share Options are held by Mr. HE Xinming, 13,250,000 Share Options are held by certain Participating Shareholders (including Mr. CHEN Kunlie and the Senior Management Shareholders), and the remaining 5,250,000 Share Options are held by other employees of the Group.

Among the 22,250,000 outstanding Share Options, 4,625,000 Share Options are expected to vest on 1 April 2016, 6,500,000 Share Options are expected to lapse pursuant to the terms of the Pre-IPO Share Option Scheme on 1 April 2016 and as a result, 11,125,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme. The exercise of the 4,625,000 outstanding Share Options in full would result in the issue of 4,625,000 new Shares, representing approximately 0.37% of the issued share capital of the Company as at the Announcement Date and approximately 0.36% of the issued share capital of the Company as enlarged by the issue of such new Shares. The exercise price of each of those outstanding Share Options is HK\$0.01 per Share.

Mr. HE Xinming will, and Mr. CHEN Kunlie and the Senior Management Shareholders have each undertaken to, exercise those Share Options held by them, which are expected to vest on 1 April 2016, before the Record Date. Mr. HE Xinming, Mr. CHEN Kunlie and the Senior Management Shareholders have each further undertaken not to accept the Option Offer for all the unvested Share Options held by them. Please refer to the section headed “Rollover Arrangement” for further details. Accordingly, 4,250,000 new Shares are expected to be issued to Mr. HE Xinming, Mr. CHEN Kunlie and the Senior Management Shareholders before the Record Date and the Joint Offerors will not need to make the Option Offer in relation to all the Share Options held by Mr. HE Xinming, Mr. CHEN Kunlie and the Senior Management Shareholders in accordance with Rule 13 of the Takeovers Code.

Among the above-mentioned 5,250,000 Share Options that are not held by Mr. HE Xinming, Mr. CHEN Kunlie and the Senior Management Shareholders, 2,250,000 Share Options are expected to lapse on 1 April 2016 and the remaining 3,000,000 Share Options comprise 375,000 Share Options which are expected to vest on 1 April 2016 and 2,625,000 unvested Share Options.

Accordingly, as far as practicable contemporaneously with the despatch of the Scheme Document, the Joint Offerors will make (or procure to be made on their behalf) the Option Offer for 5,250,000 Share Options held by other employees of the Group assuming no exercise or lapse of such Share Options by them before the Record Date. Such Option Offer is conditional upon the Scheme becoming effective.

On the assumption that all the above-mentioned 4,625,000 outstanding Share Options vest on 1 April 2016 and are exercised before the Record Date and that there is no change in shareholdings of the Company, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Upon completion of the Proposal	
	Number of Shares	%	Number of Shares	%
Joint Offerors				
Profit Strong ¹	392,518,463	31.07	540,349,629	42.61
Max Glory	—	—	184,337,834	14.54
Joint Offerors Concert Parties				
Sequoia Existing Shareholders ²	97,552,800	7.72	97,552,800	7.69
Mr. HE Xinming ³	2,812,500	0.22	3,750,000	0.30
Superb Idea ⁴	160,763,325	12.72	160,763,325	12.68
Mr. CHEN Kunlie	1,125,000	0.09	1,500,000	0.12
Cosmo Ray ⁵	33,074,966	2.62	33,074,966	2.61
High Ride ⁶	188,617,978	14.93	188,617,978	14.87
Rich Blossom ⁷	45,025,268	3.56	45,025,268	3.55
Senior Management Shareholders ⁸	<u>10,168,500</u>	<u>0.80</u>	<u>13,106,000</u>	<u>1.03</u>
Aggregate number of Shares of the Joint Offerors and the Joint Offerors Concert Parties	<u>931,658,800</u>	<u>73.74</u>	<u>1,268,077,800</u>	<u>100.00</u>
Other public Shareholders	331,794,000	26.26	—	—
Total number of Shares of the Independent Shareholders	<u>331,794,000</u>	<u>26.26</u>	<u>—</u>	<u>—</u>
Total	<u>1,263,452,800</u>	<u>100.00</u>	<u>1,268,077,800</u>	<u>100.00</u>
Total number of Scheme Shares	331,794,000	26.26		

Notes:

1. Profit Strong is wholly owned by Mr. HE Xinming, the controlling shareholder of the Company.
2. Sequoia Growth, Sequoia Partners and Sequoia Principals hold 6.73%, 0.16% and 0.83% of the issued share capital of the Company, respectively.
3. Mr. He Xinming holds 3,750,000 Share Options as at the Announcement Date, of which, 937,500 Share Options are expected to vest on 1 April 2016, 937,500 Share Options are expected to lapse on 1 April 2016 and as a result, 1,875,000 Share Options will remain outstanding and will only be vested on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.

4. Superb Idea is wholly owned by Mr. CHEN Kunlie, an executive director of the Company. Mr. CHEN Kunlie also holds 1,500,000 Share Options as at the Announcement Date, of which, 375,000 Share Options are expected to vest on 1 April 2016, 375,000 Share Options are expected to lapse on 1 April 2016 and as a result, 750,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.
5. Cosmo Ray is wholly owned by Mr. SU Sen, a non-executive director of the Company.
6. High Ride's shareholders comprise HE Xinzong (23.15%), CHEN Yezhi (20.68%), OU Haoquan (20.45%), LUO Siwei (15.29%), ZHONG Baomin (9.33%), JIANG Anning (6.68%), and KUANG Zhijun (4.42%), which are either current employees or former employees of the Group.
7. Rich Blossom's shareholders comprise BAO Jianyong (an executive director of the Company, 31.82%), FENG Zhihua (11.74%), ZHAO Haobiao (10.17%), CHEN Haihong (10.07%), LIN Zhihua (10.06%), CHEN Susong (7.69%), ZHONG Guoxiong (6.15%), LONG Xiang (6.15%) and LI Weixuan (6.15%), who are either current employees or former employees of the Group.
8. The Senior Management Shareholders comprise CAI Chuyang, JIN Guoting, LIN Hong, SHAO Yu, SHI Yufeng and BAO Jianyong, who are members of the senior management of the Company. The Senior Management Shareholders also hold 11,750,000 Share Options in aggregate as at the Announcement Date, of which, 2,937,500 Share Options are expected to vest on 1 April 2016, 2,937,500 Share Options are expected to lapse on 1 April 2016 and as a result, 5,875,000 Share Options will remain outstanding and will only vest on 1 April 2017 subject to the fulfilment of certain conditions set out in the Pre-IPO Share Option Scheme.
9. All percentages in the above table are approximations.

No share options have been granted under the Post-IPO Share Option Scheme. As at the Announcement Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offerors Concert Parties (other than 3,750,000 outstanding Share Options held by Mr. HE Xinming and 13,250,000 outstanding Share Options held by certain Participating Shareholders), or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offerors Concert Parties. Save for the outstanding Share Options, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Announcement Date.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. YIN Hong, Ms. HSIEH H., Lily and Mr. WU Haibing, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and as to voting, and to the Optionholders as to its views on acceptance of the Option Offer.

Although Ms. SUN Limei, Mr. SUN Qian and Mr. SU Sen are non-executive directors of the Company, as Ms. SUN Limei is expected to hold a position with the Group after the Scheme becomes effective, Mr. SUN Qian is a director nominated for appointment to the Board by Sequoia Existing Shareholders, which are Joint Offerors Concert Parties, and Mr. SU Sen holds a 100% equity interest in Cosmo Ray, which is a Participating Shareholder, Ms. SUN Limei, Mr. SUN Qian and Mr. SU Sen are regarded as being interested in the Proposal and therefore have not participated in any vote of the Board in relation to the Proposal and the Scheme and will not form part of the Independent Board Committee.

The executive directors of the Company and the non-executive directors of the Company may have a material interest in the Proposal and have not participated in any vote, and will continue to abstain from voting at meetings, of the Board in relation to the Proposal and the Scheme. The directors of the Company (excluding members of the Independent Board Committee) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders are reminded to carefully read the Scheme Document and the letter of advice from the independent financial adviser to the Independent Board Committee contained therein before making a decision.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

An independent financial adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal, the Scheme, the Rollover Arrangement and the Option Offer.

ROLLOVER ARRANGEMENT

The Joint Offerors would like to allow the Participating Shareholders to retain their respective shareholdings in the Company after the Scheme becomes effective. The Participating Shareholders hold 34.73% of the issued share capital of the Company as at the Announcement Date.

A substantial majority of the Participating Shareholders are directors, senior management, or other employees of the Company. They constitute a key part of the management team of the Group that has extensive operational expertise and an in-depth understanding of the PRC home improvement industry. It is important for the Company to retain them as Shareholders after the completion of the Scheme so that they will have incentives to continue to contribute to the development of the Group.

Rollover Agreement

The Joint Offerors and each of the Participating Shareholders have entered into the Rollover Agreement. Under the Rollover Agreement:

- (a) subject to, among others, the Independent Shareholders' approval as set out in the section headed "Independent Shareholders' Approval" below, the Participating Shareholders will remain as Shareholders after the Scheme becomes effective and none of the Shares held by the Participating Shareholders (including any Shares held by them as a result of exercising the Share Options before the Record Date) will constitute Scheme Shares or will be voted on the Scheme at the Court Meeting;
- (b) the Participating Shareholders have each undertaken, to the extent permitted under the Takeovers Code, the Listing Rules and applicable laws, to exercise, or as the case may be, to procure the exercise of the voting rights in respect of the Shares owned by them directly on resolutions in relation to the Scheme in accordance with the Joint Offerors' directions, and in the absence of any such directions, to vote in favor of all resolutions which are necessary to implement the Scheme proposed at a general or class meeting of the Company, and that they shall be bound by, and take all actions necessary to implement, the Scheme;
- (c) Mr. CHEN Kunlie and the Senior Management Shareholders have each undertaken to exercise their Share Options immediately after the Share Options vest on 1 April 2016 and before the Record Date and will not accept the Option Offer for all the unvested Share Options held by them;

- (d) the Participating Shareholders have further undertaken that they shall not, directly or indirectly, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by them, nor will they accept any other offer in respect of all or any of such Shares; and
- (e) the Participating Shareholders will remain on the register of the Company immediately after the Scheme becomes effective and shall be entitled to the Special Dividend as set out in the section headed “Dividend Payment and Loan Agreement”.

The Rollover Agreement will be terminated if the Scheme lapses or is withdrawn in accordance with its terms.

Independent Shareholders’ Approval

As the Rollover Agreement was only entered into by and between the Joint Offerors and the Participating Shareholders and the Rollover Arrangement thereunder is not offered to all Shareholders, the Rollover Arrangement requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Joint Offerors have made an application for consent from the Executive in relation to the Rollover Arrangement conditional on the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable, and the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement. Accordingly, as set out in Condition (e), the Proposal and the Scheme are subject to (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable, and (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the Rollover Arrangement.

DIVIDEND PAYMENT AND LOAN AGREEMENT

Under the Consortium Agreement, the Joint Offerors have agreed to procure that the Company declares and pays the Special Dividend in cash of an aggregate amount of HK\$735.09 million within 3 business days after the withdrawal of the listing of the Shares on the Stock Exchange becomes effective to the Post-Scheme Shareholders in proportion to their shareholdings in the Company at that time.

The Participating Shareholders have entered into a loan agreement with Profit Strong, pursuant to which each Participating Shareholder has agreed to provide Profit Strong with a loan in an amount equal to the amount of its entitlement from the Special Dividend without any interest for a term of two years commencing from the date of the Participating Shareholders having received their share of the Special Dividend and transferred such principal amount to Profit Strong. Such loans will amount to HK\$256.27 million in total.

CONSORTIUM AGREEMENT

Profit Strong and Max Glory have entered into the Consortium Agreement pursuant to which they have agreed, among other things, that:

- (a) the new Shares as are equal to the number of Scheme Shares will be issued to Profit Strong as to 44.50% and Max Glory as to 55.50%;
- (b) all decisions relating to the Proposal will be made jointly by the Joint Offerors;
- (c) each Joint Offeror shall ensure to arrange sufficient financial resources to announce and implement the Scheme and the Option Offer and to fulfill their respective payment obligations under the Scheme and the Option Offer and to comply with the requirements of the Takeovers Code on a several but not joint basis;
- (d) before the Scheme becomes effective, lapses or is withdrawn, each party shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it, nor will it accept any other offer in respect of all or any of such, except for the security granted or to be granted under its relevant financing arrangement for implementation of the Scheme;
- (e) none of the Joint Offerors shall acquire, subscribe for or otherwise deal in the Shares, convertible securities, options or other securities of the Company without the prior consent of the other Joint Offeror;
- (f) the Joint Offerors shall procure that the Company declares and pays the Special Dividend in cash of an aggregate amount of HK\$735.09 million within 3 business days after the withdrawal of the listing of the Shares on the Stock Exchange becomes effective to the Post-Scheme Shareholders in proportion to their shareholdings in the Company at that time; and

- (g) without the prior written consent of the other Joint Offeror, upon the Scheme becoming effective, no Joint Offeror, if applicable, shall exercise its voting rights to agree to the: (i) change or alteration of the share capital of the Company; (ii) disposal of all or substantially all of the assets of the Company; (iii) amendment to the memorandum and articles of association of the Company; or (iv) appointment or removal of any director of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Company plans to implement a series of long-term growth strategies, which may affect the Company's short-term growth profile and may result in divergence between the Joint Offerors' views on the Company's potential long-term value and investors' views on the Company's share price. Following the implementation of the Proposal and the Option Offer, the Joint Offerors and the Company can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company.

Since its listing in December 2013, the Company's share price performance has not been satisfactory. As a leading ceramic material producer in China, the Company values its reputation. The Joint Offerors consider that the depressed share price has had an adverse impact on the Company's reputation with customers, and therefore on its business, and also on employee morale. The implementation of the Proposal could eliminate this adverse impact.

The liquidity of Shares has been at a low level over a long period of time. The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 1.11 million Shares per day, representing only approximately 0.09% of the issued Shares as at the Announcement Date. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs.

The Proposal and the Option Offer are intended to provide the Scheme Shareholders and the Optionholders with an opportunity to realise their investment in the Company for cash at an attractive premium without having to suffer any illiquidity discount.

In addition, the listing of Shares requires the Company to bear administrative, compliance and other listing-related costs and expenses; if these costs and expenses are eliminated, the funds saved could be used for the Company's business operations.

INFORMATION ON THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability whose shares have been listed on the Main Board of the Stock Exchange since 9 December 2013. The Group is principally engaged in the design, development, production, marketing and sale of a wide variety of ceramic tile products and bathroom products.

As at the Announcement Date, the Company is solvent and is not unable to pay its debts as they fall due and will not become unable to do so immediately after the Announcement Date.

INFORMATION ON THE JOINT OFFERORS

Profit Strong

Profit Strong is a company incorporated in the British Virgin Islands which is directly and wholly owned by Mr. HE Xinming, the chairman and an executive director of the Company. The principal activity of Profit Strong is investment holding.

Max Glory

Max Glory is an exempted company incorporated in the Cayman Islands. Its shares are held by Sequoia Advisors, an affiliate of the Sequoia Existing Shareholders, but it is effectively controlled by Sequoia RMB SP Fund through certain arrangements under a share purchase agreement between Sequoia RMB SP Fund, Sequoia Advisors and Max Glory.

Pursuant to this share purchase agreement, (a) Sequoia Advisors has granted an irrevocable voting proxy to Sequoia RMB SP Fund for all the matters of Max Glory that require its shareholder's approval until the termination of the share purchase agreement or the closing of the share purchase set out in (d) below and cause the director of Max Glory to act in accordance with the instructions of Sequoia RMB SP Fund during the same period; (b) Sequoia RMB SP Fund will indemnify Sequoia Advisors for all losses that may result therefrom; (c) Sequoia RMB SP Fund will be solely responsible for arranging financial resources for Max Glory for the purpose of the Scheme; and (d) subject to the satisfaction of the Pre-Condition, Sequoia RMB SP Fund will purchase the entire issued share capital of Max Glory from Sequoia Advisors at par value.

Max Glory's principal business is investment holding. Sequoia RMB SP Fund is a limited partnership established under the PRC law and managed by its general partner 北京紅杉坤德投資管理中心(有限合夥).

INFORMATION ON THE JOINT OFFERORS CONCERT PARTIES

Profit Strong is directly and wholly owned by Mr. HE Xinming. Accordingly, Mr. HE Xinming is presumed to be acting in concert with Profit Strong under class (1) of the definition of “acting in concert” in the Takeovers Code.

Max Glory is effectively controlled by Sequoia RMB SP Fund and is wholly owned by Sequoia Advisors, an affiliate of Sequoia Existing Shareholders. Accordingly, the Sequoia Existing Shareholders are presumed to be acting in concert with Max Glory under class (1) of the definition of “acting in concert” in the Takeovers Code.

The Participating Shareholders are parties acting in concert with the Joint Offerors on the following basis:

- (a) **Key Participating Shareholders presumed to be acting in concert with the Joint Offerors.** Mr. CHEN Kunlie and Mr. BAO Jianyong are both executive directors of the Company and Mr. SU Sen is a non-executive director of the Company. Mr. HE Xinzong is Mr. HE Xinming’s brother. Mr. HE Xinming is an executive director and a controlling shareholder of the Company and directly holds a 100% equity interest in Profit Strong, a Joint Offeror. Accordingly, when the Joint Offerors approached the directors of the Company including Mr. CHEN Kunlie, Mr. SU Sen and Mr. BAO Jianyong to discuss the Scheme, they have been presumed to be acting in concert with the Joint Offerors under class (6) of the definition of “acting in concert” in the Takeovers Code. In addition, as Mr. HE Xinzong is a close relative of Mr. HE Xinming, Mr. HE Xinzong is presumed to be acting in concert with Mr. HE Xinming under class (8) of the definition of “acting in concert” in the Takeovers Code.
- (b) **Loan arrangement.** Pursuant to the loan agreement as set out in the section headed “Dividend Payment and Loan Agreement”, Profit Strong will borrow from the Participating Shareholders an amount equal to their respective share of the Special Dividend to repay part of Profit Strong’s bank loan. Given this financial assistance arrangement in connection with the Scheme, the Participating Shareholders are presumed to be acting in concert with Profit Strong under class (9) of the definition of “acting in concert” in the Takeovers Code.
- (c) **Historical concert party arrangements.** Mr. HE Xinming, Mr. CHEN Kunlie, Mr. SU Sen, and a majority of the High Ride shareholders comprising Mr. HE Xinzong, Mr. CHEN Yezhi, Mr. OU Haoquan, Mr. LUO Siwei and Mr. ZHONG Baomin (together, the “**Historical Concert Parties**”), have been acquainted with each other since 1997 as colleagues of Shiwan Central Factory, the Company’s predecessor. On 7 April 2006, they entered into an oral agreement in respect of

the management of the Group as a group of persons acting in concert (the “**Oral Agreement**”). Pursuant to the Oral Agreement, Mr. HE Xinming had taken the leading role in the decision-making, operation, and management of the Group since 7 April 2006. The other Historical Concert Parties had supported Mr. HE Xinming’s decisions in relation to the operation and management of the Group by exercising their voting rights at the shareholders’ meetings and board meetings of the Group members in accordance with the decisions of Mr. HE Xinming since then. On 6 June 2013, Mr. HE Xinming and the other Historical Concert Parties entered into a confirmation and an undertaking to confirm the existence of such concert party arrangement set out in the Oral Agreement, which was disclosed in the prospectus of the Company dated 18 November 2013.

Although Mr. HE Xinming entered into a termination deed with the other Historical Concert Parties on 16 February 2015 to terminate the concert party arrangement between them, nearly a decade of concert party arrangement among Mr. HE Xinming and the other Historical Concert Parties, which includes most of the key Participating Shareholders, presents strong evidence to support their concert party relationship given the newly proposed concert party arrangements described above.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Pre-Condition is not satisfied, the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Joint Offerors nor any person who acted in concert with them in the course of the

Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors should exercise caution when dealing in the Shares and any options or other rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal to Scheme Shareholders and the Option Offer to Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and Optionholders are located. Such Scheme Shareholders and Optionholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and Optionholders wishing to take any action in relation to the Proposal and the Option Offer respectively to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by the Scheme Shareholders and Optionholders will be deemed to constitute a representation and warranty from such persons to the Joint Offerors and the Company and their respective advisers that those laws and regulatory requirements have been complied with.

SCHEME SHARES, MEETING OF SCHEME SHAREHOLDERS AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Announcement Date, Mr. HE Xinming and Profit Strong hold an aggregate of 395,330,963 Shares representing approximately 31.29% of the issued share capital of the Company; Sequoia Existing Shareholders hold 97,552,800 Shares representing approximately 7.72% of the issued share capital of the Company; and the Participating Shareholders hold 438,775,037 Shares representing approximately 34.73% of the issued share capital of the Company. Such Shares will not constitute Scheme Shares and will not be voted on the Scheme at the Court Meeting.

Each of Mr. HE Xinming, Profit Strong, Sequoia Existing Shareholders and the Participating Shareholders will undertake to the Grand Court that they will be bound by the Scheme, so as to ensure that they will comply with and be subject to the terms and conditions of the Scheme.

Members of CICC group (except those which are exempt principal traders recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Joint Offerors under class (5) of the definition of “acting in concert” in the Takeovers Code. As at the Announcement Date, save as disclosed in the second paragraph of the section headed “General” of this announcement, no Shares are owned, controlled or directed by CICC group (except those which are exempt principal traders recognised by the Executive as such for the purpose of the Takeovers Code).

All Shareholders will be entitled to attend the extraordinary general meeting of the Company and vote on (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Joint Offerors. Mr. HE Xinming, Profit Strong, Sequoia Existing Shareholders and the Participating Shareholders have undertaken that if the Scheme is approved at the Court Meeting, they will cast the votes in respect of those Shares held by them in favour of the resolutions to be proposed at the extraordinary general meeting of the Company.

COSTS OF THE SCHEME

If the Independent Board Committee or the independent financial adviser to the Independent Board Committee does not recommend the Proposal, the Scheme, the Rollover Arrangement or the Option Offer, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Joint Offerors in accordance with Rule 2.3 of the Takeovers Code.

GENERAL

The Joint Offerors have appointed CICC as their financial adviser in connection with the Proposal.

Save as disclosed in the sections headed “Rollover Arrangement”, “Consortium Agreement” and “Information on the Joint Offerors” of this announcement and the share charges provided by Profit Strong and Superb Idea over the Shares held by them (together with any Shares that may be acquired by them) and rights accruing or incidental thereto from time to time as security for Profit Strong’s obligations and liabilities under a facility agreement with CICC for implementation of the Scheme

and the Option Offer, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares between the Joint Offerors or any of the Joint Offerors Concert Parties and any other person which might be material to the Proposal and the Option Offer.

There are no agreements or arrangements to which any Joint Offeror is a party which relate to the circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal and the Option Offer.

The Joint Offerors and the Joint Offerors Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Announcement Date.

As at the Announcement Date, there are no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Joint Offerors or the Joint Offerors Concert Parties (other than 3,750,000 outstanding Share Options held by Mr. HE Xinming and 13,250,000 outstanding Share Options held by certain Participating Shareholders), or outstanding derivatives in respect of the Shares entered into by the Joint Offerors or the Joint Offerors Concert Parties. Save for the undertakings given by the Participating Shareholders under the Rollover Agreement, no irrevocable commitment to vote for or against the Scheme has been received by the Joint Offerors or the Joint Offerors Concert Parties, as at the Announcement Date.

DESPATCH OF SCHEME DOCUMENT

Subject to and after satisfaction of the Pre-Condition, the Scheme Document containing, inter alia, further details of the Proposal, the Scheme, the Rollover Arrangement and the Option Offer, the expected timetable, an explanatory memorandum as required under the Companies Law and the Rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme, the Rollover Arrangement and the Option Offer and the letter of advice from the independent financial adviser to the Independent Board Committee, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable regulations.

The Joint Offerors have applied to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to the despatch of the Scheme Document within seven days after the Pre-Condition is satisfied (or such later date to which the Executive, at the request of the Joint Offerors, may consent).

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the extraordinary general meeting of the Company.

DISCLOSURE OF DEALINGS

Associates of the Joint Offerors and the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Joint Offerors or the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the offer period commencing on 4 February 2016, being the date of the announcement issued by the Company in accordance with Rule 3.7 of 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:

“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 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.”

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement Date”	18 February 2016, being the date of this announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of directors of the Company
“Cancellation Price”	the cancellation price of HK\$4.48 per Scheme Share payable in cash by the Joint Offerors to the Scheme Shareholders pursuant to the Scheme
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Joint Offerors. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Company”	Dongpeng Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961), as consolidated and revised, of the Cayman Islands
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “Conditions of the Proposal and the Scheme” of this announcement

“Consortium Agreement”	the consortium agreement dated 30 January 2016 between Profit Strong and Max Glory in connection with the Proposal
“Cosmo Ray”	Cosmo Ray Investments Limited (普暉投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Further Announcement”	the further announcement to be issued by the Joint Offerors if the Pre-Condition is satisfied on or before the Pre-Condition Long Stop Date relating to the Proposal and implementation of the Scheme or if the Pre-Condition has not been satisfied and the Proposal will not be made
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“High Ride”	High Ride Investments Limited (艾高投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of, among others, the Proposal and the Scheme

“Independent Shareholders”	the Shareholders other than the Joint Offerors and the Joint Offerors Concert Parties and any other Shareholders who are interested in or involved in the Proposal, the Rollover Arrangement, the loan agreement entered into between Profit Strong and the Participating Shareholders as set out in the section headed “Dividend Payment and Loan Agreement”, the Special Dividend, the Scheme and/or the Option Offer
“Joint Offerors”	Profit Strong and Max Glory
“Joint Offerors Concert Parties”	parties acting in concert or presumed to be acting in concert with any of the Joint Offerors under the definition of “acting in concert” under the Takeovers Code, including the Sequoia Existing Shareholders, Mr. HE Xinming, Superb Idea, Mr. CHEN Kunlie, Cosmo Ray, High Ride, Rich Blossom and Senior Management Shareholders
“Last Trading Day”	29 January 2016, being the last trading day prior to the date of suspension of trading in the Shares on the Stock Exchange before the issuance of the announcement by the Company in accordance with Rule 3.7 of the Takeovers Code on 4 February 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means the date which is 90 days after the date of the earlier of the Pre-Condition Long Stop Date or the Further Announcement
“Max Glory”	Max Glory Ltd., an exempted company incorporated in the Cayman Islands with limited liability and wholly owned by Sequoia Advisors, an affiliate of the Sequoia Existing Shareholders
“Optionholder(s)”	holder(s) of the Share Options
“Option Offer”	the offer to be made by or on behalf of the Joint Offerors to the holders of the outstanding Share Options (excluding the Share Options held by Mr. HE Xinming, Mr. CHEN Kunlie and the Senior Management Shareholders)

“Participating Shareholders”	Mr. CHEN Kunlie, Superb Idea, Cosmo Ray, High Ride, Rich Blossom, CAI Chuyang, JIN Guoting, LIN Hong, SHAO Yu, SHI Yufeng and BAO Jianyong
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 5 November 2013
“Post-Scheme Shareholders”	the Shareholders immediately after the Scheme becomes effective, including the Joint Offerors, Mr. HE Xinming, Sequoia Existing Shareholders and the Participating Shareholders
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 31 October 2013
“Profit Strong”	Profit Strong Investments Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly-owned by Mr. HE Xinming
“Profit Strong Group”	Profit Strong, Mr. HE Xinming and their subsidiaries or controlled entities (excluding the Company)
“Proposal”	the proposal for the privatisation of the Company by the Joint Offerors by way of the Scheme and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares, on the terms and subject to the conditions set out in this announcement
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Pre-Condition”	the pre-condition to the making of the Proposal and implementation of the Scheme as described under the paragraph headed “Pre-Condition to the Proposal and the Scheme” of this announcement
“Pre-Condition Long Stop Date”	the date which is 180 days after the date of this announcement (or any other date as may be agreed by the Joint Offerors and the Company)
“Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme

“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Rich Blossom”	Rich Blossom Investments Limited (富芝投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability
“Rollover Agreement”	the rollover agreement entered into between the Joint Offerors and each of the Participating Shareholders on 12 February 2016
“Rollover Arrangement”	the arrangement between the Joint Offerors and the Participating Shareholders under the Rollover Agreement
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares
“Scheme Document”	the scheme document of the Company and the Joint Offerors to be issued to all Shareholders containing, inter alia, further details of the Proposal together with the additional information specified in the section of this announcement headed “Despatch of Scheme Document” above
“Scheme Share(s)”	Share(s) other than those held by the Joint Offerors, Mr. HE Xinming, Sequoia Existing Shareholders and the Participating Shareholders
“Scheme Shareholder(s)”	Holders of Scheme Shares as at the Record Date
“Senior Management Shareholders”	CAI Chuyang, JIN Guoting, LIN Hong, SHAO Yu, SHI Yufeng and BAO Jianyong
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.000002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Share Option(s)”	the share options granted under the Pre-IPO Share Option Scheme from time to time. As at the Announcement date, there are 22,250,000 outstanding Share Options, including 22,250,000 outstanding Share Options unvested as at the Announcement Date
“Special Dividend”	a dividend proposed to be declared and paid by the Company after the Scheme becomes effective pursuant to the Consortium Agreement
“Sequoia Advisors”	Sequoia Capital China Advisors Limited
“Sequoia Existing Shareholders”	Sequoia Growth, Sequoia Partners and Sequoia Principals
“Sequoia Group”	Sequoia Existing Shareholders, Max Glory and any person they control, is controlled by them or is under the same control as them
“Sequoia Growth”	Sequoia Capital China Growth Fund I, L.P., an exempted limited partnership established in the Cayman Islands and its general partner is Sequoia Capital China Growth Fund Management I, L.P.
“Sequoia Partners”	Sequoia Capital China Growth Partners Fund I, L.P., an exempted limited partnership established in the Cayman Islands and its general partner is Sequoia Capital China Growth Fund Management I, L.P.
“Sequoia Principals”	Sequoia Capital China GF Principals Fund I, L.P., an exempted limited partnership established in the Cayman Islands and its general partner is Sequoia Capital China Growth Fund Management I, L.P.
“Sequoia RMB SP Fund”	上海喆德投資中心(有限合夥), a limited partnership established under the PRC law, whose general partner is 北京紅杉坤德投資管理中心(有限合夥)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Superb Idea”	Superb Idea Investments Limited (鴻思投資有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability

“Takeovers Code” The Code on Takeovers and Mergers

“trading day” a day on which the Stock Exchange is open for the
business of dealings in securities

By Order of the Board of
Profit Strong Investments Limited
HE Xinming
Director

By Order of the Board of
Max Glory Ltd.
Kok Wai Yee
Director

By Order of the Board of
Dongpeng Holdings Company Limited
HE Xinming
Chairman

Hong Kong, 18 February 2016

As at the Announcement Date, the sole director of Profit Strong is Mr. HE Xinming.

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

As at the Announcement Date, the sole director of Max Glory is Ms. Kok Wai Yee.

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

As at the Announcement Date, the general partner of Sequoia RMB SP Fund is 北京紅杉坤德投資管理中心(有限合夥). The general partner of 北京紅杉坤德投資管理中心(有限合夥) is 上海恒遠投資管理有限公司. The sole director of 上海恒遠投資管理有限公司 is Mr. ZHOU Kui.

The sole director of 上海恒遠投資管理有限公司 accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group and the Profit Strong Group) and confirms, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this announcement (other than those expressed by the Group and the Profit Strong Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the Announcement Date, the directors of the Company are:

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent non-executive Directors:</i>
<i>Mr. HE Xinming (Chairman)</i>	<i>Mr. SU Sen</i>	<i>Mr. YIN Hong</i>
<i>Mr. CHEN Kunlie</i>	<i>Mr. SUN Qian</i>	<i>Ms. HSIEH H., Lily</i>
<i>Mr. BAO Jianyong</i>	<i>Ms. SUN Limei</i>	<i>Mr. WU Haibing</i>

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Profit Strong Group and the Sequoia Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Profit Strong Group and the Sequoia Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.