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## **MING LAM HOLDINGS LIMITED**

### **銘霖控股有限公司**

*(formerly known as Sino Haijing Holdings Limited 中國海景控股有限公司)*

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

**(Stock Code: 01106)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TARGET COMPANY INVOLVING THE ISSUE OF THE CONSIDERATION SHARES AND THE ISSUE OF THE PROMISSORY NOTE**

Reference is made to the announcement of MING LAM HOLDINGS LIMITED (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) dated 23 March 2020 (“**Announcement**”) in relation to the issue of the new shares under general mandate. Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the **Announcement**.

The Company hereby supplements information contained in the **Announcement** as follows:

### **I. ADDITIONAL INFORMATION OF THE SALE AND PURCHASE AGREEMENT**

#### **Completion**

Pursuant to the Sale and Purchase Agreement, it was agreed to include the following terms granting authority to the Company over other shareholders and board of directors of the Project Company to exert control on the Project Group by passing and adoption of the articles of association and the shareholders’ agreement of the Project Company, among others:

- The board of directors of the Project Company and all of its subsidiary(ies) shall consist of 3 members respectively. The Company shall be entitled to have 2 nomination rights of director as long as it holds not less than 48% equity interests in that company and Party B shall be entitled to have 1 nomination rights of director as long as he holds not less than 32% equity interests in that company;
- The Project Group shall form part of the Group and be required to comply with the financial reporting and internal control requirements in accordance with the standard of a listed company in the Stock Exchange. The Project Company and all of its subsidiary(ies) shall be also required to submit its management accounts for the previous month to the Company on or before the 15th day of every month.
- Unless having obtained the consent from the Company, the Project Company and its subsidiary(ies) would not be allowed to pass resolutions in relation to (a) amend its articles of association; (b) increase or decrease its registered capital; (c) merger and acquisition; (d) deregister; (e) striking off; (f) winding up or (g) change of corporate form (“**Major Shareholders’ Decisions**”);
- Save for the Major Shareholders’ Decisions, the board of the directors of the Project Company shall be granted authority to manage all other issues relating to the Project Company and all of its subsidiary(ies). Unless having obtained the consent from the Company by the Project Company, such authority granted to the board of directors of the Project Company shall be irrevocable;
- Unless having obtained the consent from the Company, the Project Company and its subsidiary(ies) would not be allowed to pass board resolutions in relation to (a) composition of management; (b) operational activities; (c) distributions of profit; or (d) investment return decision;
- If any of the following events (the “**Material Change**”) occurs on either party (the “**1<sup>st</sup> Party**”), the other party (the “**2<sup>nd</sup> Party**”) has the right to issue a written notice of Material Change. Unless the Material Change will be remedied and the 1<sup>st</sup> Party completes the remedial measures with reasonable satisfaction of the 2<sup>nd</sup> Party within 30 days, the 2<sup>nd</sup> Party will have the right to terminate the cooperation of the Project Company due to the Material Change. The 2<sup>nd</sup> Party will have the right to acquire the shares of the Project Company held by the 1<sup>st</sup> Party at a fair price based on the valuation conducted by a valuer jointly appointed by the parties. The Material Change includes: (i) the 1<sup>st</sup> Party’s company is fallen into bankruptcy, liquidation, capital incompatibility, major business or assets being appointed receivers, or under the scheme of arrangement due to the compromise with general creditors; or (ii) change of control of the 1<sup>st</sup> Party (including its ultimate beneficial owner) (If either party does not have a single controlling shareholder, it reflects whether there are any major changes in the composition of the board of directors or the major shareholders of either party); or (iii) the 1<sup>st</sup> Party has significantly violated the company’s articles of association or the terms of the shareholders’ agreement;

- the parties to the Sale and Purchase Agreement agree that when the Project Company has a need of fund-raising, any one or more shareholders of the Project Company holding at least 10% equity interest in the Project Company, shall have the right to initiate a request for fund-raising event of the Project Company. All shareholders of the Project Company shall be given a first right to participate in such fund raising according to the respective shareholding of the Project Company held by all shareholders at that time. Any shareholders of the Project Company does not participate in the fund raising event or subscribe part of the amount of fund-raising event, other shareholders shall subscribe the outstanding amount given up by the non-participating shareholders by proportion. If the outstanding amount given up by the non-participating shareholders is not fulfilled by the other shareholders of the Project Company, other parties from outside shall participate the fund-raising event.

Save for the abovementioned terms, there is no other arrangements regarding shareholders' rights other than those stipulated in the articles of association of the Project Company. The arrangements of the Proposed Acquisition, including the adoption of the articles of association and the shareholders' agreement of the Project Company are primarily agreements among shareholders on the authority over the board and shareholders, which are common even in non-restricted business in the PRC, while not using contract-based arrangements or structures to indirectly own or pledge any shareholdings and control any part of the business with a view to circumvent certain laws, rules or regulations. Thus, such arrangements shall not be subject to the contractual arrangements under the guidance letter HKEx-GL77-14.

Having consulted the PRC legal advisor of the Company, Yingke Law Firm, the Company is advised that the abovementioned terms are legitimate having considered the foreign ownership restriction in the industry of the Project Group.

The profit sharing arrangement of the Project Company among the Company, Party B and Mr Yao Hao will be based on their respective shareholdings in the Project Company upon the Completion.

The Company's preliminary view on the proposed accounting treatment is that, with the control of the majority of board and authority granted over other shareholders of the Project Group, the Company will be able to consolidate the accounts of the Project Group upon Completion. The Company is still in the course of engaging and consulting with auditor regarding the Company's proposed accounting treatment of the Project Group and is expected the assessment will be finalized and published in the Annual Report 2019. The Company will make further announcement to update the Shareholders and potential investors as and when appropriate.

Having considered that (i) the Consideration justified the 49% of the unaudited consolidated adjusted net asset value of no less than RMB75,000,000 after the Debt Restructuring; (ii) the Group could be able to exert effective control over the Project Company with its 49% shareholding in the Project Company; (iii) the potential synergy to be created through business combination of the Group and the Project Group, the Director maintain its view that the Consideration is fair and reasonable if the Project Group cannot be consolidated into the Group's financial statements upon Completion.

## II. ADDITIONAL INFORMATION OF INFORMATION OF THE TARGET GROUP

### (i) the information of the Vendor

As at the date of the Announcement, the Vendor was owned by Party A and Mr. Wei Xiao (韋嘯)(“**Mr. Wei**”), an Independent Third Party, as to 30% and 70% respectively.

Mr. Wei Xiao, who is a PRC businessman and one of the shareholders of the Vendor, has known Mr. Wei Liyi (the “**ED**”), the executive director of the Company for years. On one business occasion in September 2019, Mr. Wei introduced the ED to Party A, who is operating the Project Company which is primarily engaged in the packaging business by providing decorated printing products, among others, tickets, forms, books and business cards in PRC and the Paper Company, which was acquired by the Project Company in January 2020, is primarily engaged in (i) sales of paper products, printing equipment and accessories, stationery, daily necessities, environmental protection materials, advertising materials, packaging materials; (ii) e-commerce; and (iii) providing corporate marketing planning services.

Due to the similarity of business nature between the Group and the Project Group, Party A and Mr. Wei discussed with ED the feasibility of various ways of business cooperation and the potential synergy to be created between the Project Group and the Company. After several rounds of discussion, Party A expressed his intention to dispose of his equity interest in the Project Group to the Company and Party B, as a result, the Company started the negotiation about the terms and conditions with Mr. Wei, Party A and Part B in relation to the Proposed Acquisition.

Having made all reasonable enquiries, to the best of the knowledge of the Directors, none of the Vendor, the Target Company, the Hong Kong Company, Party A, Party B, the Project Company and the Paper Company have any other past or present relationships (formal or informal, business or otherwise) with the Company or its connected persons and among each other.

## **(ii) the information of the Paper Company**

As at the date of the Announcement, apart from the 51% shareholding owned by the Project Company, the remaining 49% shareholding in the Paper Company was owned by Mr. Lu Xing (盧新) and Ms. Zhang Xuanxuan (張炫炫) as to 30% and 19% respectively. Both Mr. Lu Xing and Ms. Zhang Xuanxuan are Independent Third Parties.

### **Restructuring**

After the Restructuring, Mr. Yao Hao (姚號) (“**Mr. Yao**”), an Independent Third Party will be interested in 5% of the Project Company.

As stated in the Announcement, WFOE will enter into an acquisition agreement with Party A pursuant to which the WFOE will acquire 49% of the equity interest of the Project Company. The main reason for the above arrangement of acquiring 49% of the equity interest of the Project Group while exerting effective control on the Project Group through amendments of Articles of Association and shareholders’ agreement is that the Project Company owns all the operating licenses to perform business in publication and printing (出版物印刷) sector, which is an industry sector subject to foreign investment restrictions that foreign owner shall only hold less than 50% of the ownership of the company in such sector.

As a part of the Restructuring, the Project Group will undergo a debt restructuring, in which Party A shall waive, capitalize or assign to WFOE on a pro rata basis his advance to the Project Group and therefore increase the net asset value of the Project Group from around RMB18 million to no less than RMB75 million, which was also reflected in the Consideration of 49% equity interest of the Company. Such advance was used for funding the purchases of fixed assets and equipment for the operation and production of the Project Group.

After the Completion, the Company is not required or subject to a risk to bear any of the debts or the costs of the Restructuring.

### **Information to the financial information of the Target Group**

- i. The consideration paid by the Project Company for acquisition of the 51% of the equity interest in the Paper Company in January 2020 was RMB4,992,000, which was arrived with reference to the net asset value of the Paper Company as at 31 December 2019.
- ii. The assets to be held by the Target Company after Restructuring would consist of, among others, trade receivables, inventory, property, plant and equipment in use.

- iii. The net asset value of the Paper Company and Project Company were approximately RMB10.3 million and 12.7 million respectively as at 31 January 2020.
- iv. There was no goodwill recognized by the Project Company upon completion of its acquisition of the 51% of the equity interest in the Paper Company in January 2020.
- v. The major assets of the Project Company include machines, equipment inventories and receivables for major business operations.

Taking into account (i) and (ii) above, and having considered (a) the Consideration justified the 49% of the consolidated net asset value of the Project Group after the Debt Restructuring; (b) the assets to be held by the Project Company and Paper Company after Completion would enable the Company to effectively save the time in expanding its production capacity and immediately utilize the production and business resource of the Project Group and (c) synergy to be created through the business combination of the Group and the Project Group, the Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **III. ADDITIONAL INFORMATION OF REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

One of the principal business segments of the Company is the sales and production of packaging products in PRC which has similarities with the business nature of the Project Group. The Directors believes that the Proposed Acquisition could bring the potential prospects and synergy, as follows:

- to penetrate into the packaging market in Jiangsu Province and to explore further business potential and opportunity primarily in the packaging industry by developing the e-commerce platform;
- to enhance the Group's production capacity and enlarge Group's expertise, the Group could take on larger scale orders and further expand and develop its business;
- to share resources such as technology know-how and machine and consolidation of the business development force, as well as benefiting from the economies of scale;
- to save cost arising from sharing of network resources and manpower resources, and opportunities to develop new services and areas to expend its sales to a larger customer demography;

- to expand the Group’s product diversity and meet the diverse needs of downstream customers; and
- to effectively save the time in expanding its production capacity and stabilise the development through the industry integration.

By order of the Board  
**Ming Lam Holdings Limited**  
**Li Zhenzhen**  
*Chairman*

Hong Kong, 27 May 2020

*As at the date of this announcement, the Board comprises of Ms. Li Zhenzhen, Mr. Lam Wai Hung, Mr. Wang Xin, Mr. Wei Liyi and Mr. Chui Kwong Kau as executive Directors; Mr. Lee Tao Wai, Mr. Lam Hoi Lun and Ms. Lee Yin Ting as independent non-executive Directors.*

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