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**New Modern Home Limited**

新現代家居有限公司

*(Incorporated in Hong Kong  
with limited liability)*

**Nature Home Holding Company Limited**

大自然家居控股有限公司

*(Incorporated in the Cayman Islands  
with limited liability)  
(Stock code: 2083)*

**JOINT ANNOUNCEMENT**  
**(1) PROPOSAL FOR THE PRIVATISATION**  
**OF**  
**NATURE HOME HOLDING COMPANY LIMITED**  
**BY**  
**NEW MODERN HOME LIMITED**  
**BY WAY OF A SCHEME OF ARRANGEMENT**  
**UNDER SECTION 86 OF THE COMPANIES ACT**  
**(2) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY**  
**(3) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**  
**AND**  
**(4) RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY**

**Financial Adviser to the Offeror**



**Independent Financial Adviser to the Independent Board Committee**



## **INTRODUCTION**

The Offeror and the Company jointly announce that, on 26 July 2021, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders regarding the proposed privatisation of the Company by way of the Scheme under Section 86 of the Companies Act.

Upon the Scheme having become unconditional and effective: (i) the Scheme Shares will be cancelled in exchange for the Cancellation Price and the Shares will be withdrawn from listing on the Stock Exchange; and (ii) the Offeror and the Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholder will hold approximately 19.60% of the issued share capital of the Company).

## **TERMS OF THE PROPOSAL**

The Proposal will be implemented by way of the Scheme and the Option Offer. Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.70 in cash for each Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Effective Date. The Shares in which the Offeror Concert Parties (including the Rollover Shareholder) are interested will not form part of the Scheme Shares and will not be cancelled.

The Cancellation Price of HK\$1.70 per Scheme Share represents:

- (a) a premium of approximately 57.4% over the average closing price of approximately HK\$1.08 per Share based on the daily closing prices as quoted on the Stock Exchange over the 12-month period up to and including the Last Trading Date; and
- (b) a discount of approximately 15.8% to the NAV per Share of approximately RMB1.68 (equivalent to approximately HK\$2.02) as at 31 December 2020, based on the number of Shares in issue as at the Announcement Date.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**

Having reviewed the Proposal, the Board has resolved to put the Proposal forward to the Scheme Shareholders.

## **OPTION OFFER**

As at the Announcement Date, there were 71,200,000 outstanding Options granted under the Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 71,200,000 Shares at an exercise price of HK\$1.45 or HK\$1.61 (as the case may be).

The 19,500,000 Options held by the OCP Optionholders will not be subject to the Option Offer. If all of the outstanding Options (other than those held by the OCP Optionholders and the Committed Optionholders) are exercised in full before the Scheme Record Date, the Company will have to issue 15,700,000 new Shares.

The Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders (other than the OCP Optionholders) to cancel every Option they hold in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective.

Under the Option Offer, the Offeror will offer Optionholders (other than the OCP Optionholders) a “see-through” price (being the Cancellation Price minus the exercise price of the relevant Options) for the cancellation of each outstanding Option they hold in accordance with Rule 13 of the Takeovers Code.

## **SHAREHOLDING STRUCTURE AND SCHEME SHARES**

As at the Announcement Date, the authorised share capital of the Company was US\$4,000,000 divided into 4,000,000,000 Shares, and the Company had 1,377,783,990 Shares in issue.

Only Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Rollover Arrangement. The Shares owned by the Offeror and the Offeror Concert Parties (including the Rollover Shareholder) will not form part of the Scheme Shares, and will not be voted on the Scheme at the Court Meeting and will not be voted on the Rollover Arrangement at the EGM.

All Shareholders will be entitled to attend the EGM and vote on the resolutions approving and to give effect to: (i) the Reduction; and (ii) the application of the credit amount arising in the books of the Company 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, to be issued to the Offeror simultaneously with the cancellation of the Scheme Shares.

As at the Announcement Date, the Scheme Shareholders (who are also the Independent Shareholders) were interested in 292,121,000 Shares (representing approximately 21.20% of the issued share capital of the Company).

As at the Announcement Date, the Offeror and the Offeror Concert Parties were interested in 1,085,662,990 Shares (representing approximately 78.80% of the issued share capital of the Company), among which the Rollover Shareholder held 269,999,990 Shares (representing approximately 19.60% of the total issued share capital of the Company).

## **FINANCIAL RESOURCES**

On the assumption that: (i) all Optionholders (other than the OCP Optionholders and the Committed Optionholders) exercise their outstanding Options to become Scheme Shareholders before the Scheme Record Date; and (ii) no other Shares are issued before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK\$523,295,700 and the amount of cash required for the Option Offer is approximately HK\$9,000,000.

Consequently, the maximum amount of cash required for the Proposal (including the Scheme and the Option Offer) on the basis described above would be approximately HK\$532,295,700.

The Offeror is financing the entire cash consideration under the Proposal from its internal cash resources.

GF Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of Proposal in accordance with its terms.

## **CONDITIONS OF THE PROPOSAL**

The Proposal will be conditional upon the fulfilment or waiver (as applicable) of the Conditions described in the section headed “3. Conditions of the Proposal” in this announcement (which include, among others, the approval of the Scheme by the Scheme Shareholders at the Court Meeting, the sanction of the Scheme by the Grand Court, the approval of the Rollover Arrangement by the Independent Shareholders at the EGM, and the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement).

All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Proposal will lapse.

## **SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT**

The Offeror proposes that the Rollover Shareholder will retain its shareholding in the Company and remain as a Shareholder after the Scheme becomes effective. The Rollover Shareholder held 269,999,990 Shares (representing approximately 19.60% of the issued share capital of the Company) as at the Announcement Date.

The Offeror is of the view that it is important to retain the Rollover Shareholder as a Shareholder after completion of the Scheme, in order to seek potential opportunities for business cooperation to facilitate the implementation of the Offeror's future plans for the Group.

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will make an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the IFA to the IBC confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement.

The Rollover Shareholder is considered to be acting in concert with the Offeror as a result of the Rollover Arrangement.

## **PROFIT ALERT ANNOUNCEMENT**

It was mentioned in the Profit Alert Announcement that, based on the preliminary estimation of the Company, the consolidated revenue and consolidated net profit of the Group for the six months ended 30 June 2021 will not be less than those for the six months ended 30 June 2019 (being approximately RMB1,282,094,000 and approximately RMB34,932,000 respectively). The Profit Alert constitutes a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code.

However, as the unaudited interim results announcement of the Company for the six months ended 30 June 2021 will have been published by the time of release of the Scheme Document and the relevant results (together with the notes to the financial statements) will be included in the Scheme Document, the requirements to report on the Profit Alert under Rule 10.4 of the Takeovers Code will no longer apply.

**Shareholders and potential investors should note that the Profit Alert has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should therefore exercise caution in placing reliance on the Profit Alert in assessing the merits and demerits of the Proposal. Shareholders and potential investors are advised to exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.**

### **INDEPENDENT ADVICE**

The IBC has been formed to advise the Scheme Shareholders on the Proposal and the Rollover Arrangement. The recommendation of the IBC as to whether the terms of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Scheme Shareholders at the Court Meeting and the EGM, will be set out in the Scheme Document.

Opus Capital Limited has been appointed as the IFA to advise the IBC on (among others) the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. The appointment of Opus Capital Limited as the IFA has been approved by the IBC.

The Directors (excluding members of the IBC whose views will be set out in the Scheme Document) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

### **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of New Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme becomes effective.

## **DESPATCH OF THE SCHEME DOCUMENT**

The Scheme Document (including further details of the Proposal, the Scheme, the Option Offer, the Rollover Arrangement, the expected timetable, an explanatory memorandum as required under the rules of the Grand Court, information regarding the Company and the Offeror, the recommendation of the IBC in respect of the Proposal and the Rollover Arrangement, a letter of advice from the IFA, and the notice of the Court Meeting and the notice of the EGM, together with forms of proxy in relation thereto) will be despatched to the Shareholders and (together with a letter to the Optionholders and the acceptance form for the Option Offer) the Optionholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

## **TRADING HALT AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 1:00 p.m. on 19 July 2021, pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 July 2021.

## **WARNING**

**The Proposal is conditional upon the satisfaction or (where applicable) waiver of the Conditions. Accordingly, the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not become unconditional. Shareholders and potential investors of the Company 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 licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

## **1. INTRODUCTION**

On 26 July 2021, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders regarding the proposed privatisation of the Company by way of the Scheme under Section 86 of the Companies Act. If the Proposal is approved, under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon the Reduction, the share capital of the Company will be increased to its former amount by the allotment and issue at par to the Offeror of such aggregate number of New 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 Reduction will be applied in paying up in full at par the New Shares so issued, credited as fully paid, to the Offeror.

Upon the Scheme having become unconditional and effective: (i) the Scheme Shares will be cancelled in exchange for the Cancellation Price and the Shares will be withdrawn from listing on the Stock Exchange; and (ii) the Offeror and the Offeror Concert Parties will, in aggregate, hold the entire issued share capital of the Company (among which the Rollover Shareholder will hold approximately 19.60% of the issued share capital of the Company).

Having reviewed the Proposal, the Board has resolved to put the Proposal forward to the Scheme Shareholders. The Directors who have a conflict of interest (namely, Mr. Se, Mrs. Se, Mr. She and Mr. Liang, being Offeror Concert Parties) have abstained from voting in relation to that resolution.

## **2. TERMS OF THE PROPOSAL**

### **Cancellation Price**

Under the Scheme, if the Scheme becomes effective, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.70 in cash for each Scheme Share as consideration for the cancellation of the Scheme Shares held as at the Effective Date.

As at the Announcement Date, the Company did not have outstanding dividends or distribution which have been declared but not yet paid. The Company does not intend to declare or pay any dividend or other distribution during the Offer Period. If (after the Announcement Date) any dividend, distribution and/or return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or return of capital (as the case may be), in which case any reference in this announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

**The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so.**



## Comparison of value

The Cancellation Price of HK\$1.70 per Scheme Share represents:

- (a) a premium of approximately 17.2% over the closing price of approximately HK\$1.45 per Share as quoted on the Stock Exchange immediately before the suspension of trading in the Shares on the Stock Exchange on 19 July 2021;
- (b) a premium of approximately 39.3% over the closing price of approximately HK\$1.22 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a premium of approximately 38.2% over the average closing price of approximately HK\$1.23 per Share based on the daily closing prices as quoted on the Stock Exchange over the five trading days up to and including the Last Trading Date;
- (d) a premium of approximately 31.8% over the average closing price of approximately HK\$1.29 per Share based on the daily closing prices as quoted on the Stock Exchange over the 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 30.8% over the average closing price of approximately HK\$1.30 per Share based on the daily closing prices as quoted on the Stock Exchange over the 60 trading days up to and including the Last Trading Date;
- (f) a premium of approximately 38.2% over the average closing price of approximately HK\$1.23 per Share based on the daily closing prices as quoted on the Stock Exchange over the 90 trading days up to and including the Last Trading Date;
- (g) a premium of approximately 45.3% over the average closing price of approximately HK\$1.17 per Share based on the daily closing prices as quoted on the Stock Exchange over the 120 trading days up to and including the Last Trading Date;
- (h) a premium of approximately 57.4% over the average closing price of approximately HK\$1.08 per Share based on the daily closing prices as quoted on the Stock Exchange over the 12-month period up to and including the Last Trading Date; and
- (i) a discount of approximately 15.8% to the NAV per Share of approximately RMB1.68 (equivalent to approximately HK\$2.02) as at 31 December 2020, based on the 1,377,783,990 Shares in issue as at the Announcement Date.

The Cancellation Price has been determined on an arm's length 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 similar privatisation transactions in Hong Kong in recent years.

### **Highest and lowest prices**

In respect of the Shares which are listed on the Stock Exchange, during the six-month period preceding the Last Trading Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.47 per Share on 2 June 2021, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.97 per Share on 5 March 2021 (which was also the closing price on 5 February 2021, 3 February 2021, 1 February 2021, 29 January 2021 and 28 January 2021).

### **Option Offer**

As at the Announcement Date, there were 71,200,000 outstanding Options granted under the Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 71,200,000 Shares at an exercise price of HK\$1.45 or HK\$1.61 (as the case may be).

As at the Announcement Date, the following Options were held by the OCP Optionholders:

| <b>Name</b>  | <b>Option<br/>exercise price<br/>(HK\$)</b> | <b>Number of<br/>outstanding<br/>Options held</b> |
|--------------|---|---|
| Mr. Se       | 1.45  | 1,500,000   |
| Mrs. Se      | 1.45  | 1,500,000   |
| Mr. She      | 1.45  | 1,500,000   |
| Mr. Liang    | 1.45  | <u>15,000,000</u>                                 |
| <b>Total</b> |   | <b><u><u>19,500,000</u></u></b>                   |

Save as disclosed above, none of the Offeror or the Offeror Concert Parties held any Option as at the Announcement Date. The 19,500,000 Options held by the OCP Optionholders will not be subject to the Option Offer. Pursuant to the OCPO Confirmations, each of the OCP Optionholders has acknowledged that the Options held by them will not be subject to the Option Offer and has undertaken that they

will not exercise any Options held by them. The OCPO Confirmations are effective from signing and will cease to be binding only upon the expiry of the Offer Period.

The Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders (other than the OCP Optionholders) to cancel every Option they hold in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective.

On 27 July 2021, each of the following Committed Optionholders has entered into the Irrevocable Option Undertakings in favour of the Offeror and the Company, pursuant to which each of the Committed Optionholders has undertaken (among other things) to accept the Option Offer and not to exercise the Options held by them as set out below:

| <b>Name</b>       | <b>Position within the Group</b> | <b>Option exercise price (HK\$)</b> | <b>Number of outstanding Options held</b> |
|-------------------|----------------------------------|-------------------------------------|---|
| Mr. Lin Hao       | Vice president                   | 1.45                                | 15,000,000                                |
| Mr. He Hou Hong   | Factory general manager          | 1.45                                | 6,500,000                                 |
| Ms. Lei Sun       | Finance manager                  | 1.45                                | 6,000,000                                 |
| Ms. Choi Weng Ha  | Finance manager                  | 1.45                                | 6,000,000                                 |
| Mr. Yang Wei Ming | Vice president                   | 1.45                                | <u>2,500,000</u>                          |
| <b>Total</b>      |                                  |                                     | <b><u>36,000,000</u></b>                  |

The Irrevocable Option Undertakings are effective from signing and will cease to be binding only upon the expiry of the Offer Period.

Under the Option Offer, the Offeror will offer Optionholders (other than the OCP Optionholders) a “see-through” price (being the Cancellation Price minus the exercise price of the relevant Options) for the cancellation of each outstanding Option they hold in accordance with Rule 13 of the Takeovers Code.

The following table sets out the exercise price and the “see-through” price of the outstanding Options under the Option Offer (apart from the Options held by the OCP Optionholders):

| <b>Option exercise price<br/>(HK\$)</b> | <b>“See-through” price<br/>(HK\$)</b> | <b>Number of outstanding<br/>Options</b> |
|---|---------------------------------------|--|
| 1.45                                    | 0.25                                  | 42,100,000 <sup>(Note)</sup>             |
| 1.61                                    | 0.09                                  | 9,600,000                                |

*Note:* Including an aggregate of 36,000,000 Options held by the Committed Optionholders.

Further information on the Option Offer will be set out in a letter to the Optionholders, which will be despatched at the same time as the despatch of the Scheme Document. If any of the outstanding Options are exercised in accordance with the terms of the Share Option Scheme on or before the Scheme Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme.

Pursuant to the terms of the Share Option Scheme, the Company will give notice to all Optionholders on the same date as it gives notice of the EGM to the Shareholders, and each Optionholder may at any time thereafter (but before such time as to be specified by the Company in such notice, being the Option Lapsing Date) exercise all or any of his Options (to the extent not already exercised). Subject to the Company receiving such exercise notice and the Option exercise price, the Company will as soon as possible (and in any event no later than the business day immediately prior to the date of the EGM) issue and register under the name of the Optionholder such number of Shares which fall to be issued on the exercise of such Options. Any Options not so exercised will lapse.

**If any Optionholder does not: (i) exercise his/her outstanding Options before the Option Lapsing Date to become a Scheme Shareholder before the Scheme Record Date in accordance with the rules of the Share Option Scheme and the Scheme Document; or (ii) accept the Option Offer on or before the Option Lapsing Date, his/her Options will lapse without any payment made to him/her.**

#### **Total consideration**

As at the Announcement Date, there were: (i) 1,377,783,990 Shares in issue and the Scheme Shareholders were interested in 292,121,000 Shares (representing approximately 21.20% of the issued share capital of the Company as at the Announcement Date); and (ii) 71,200,000 outstanding Options granted under the

Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 71,200,000 Shares at an exercise price of HK\$1.45 or HK\$1.61 (as the case may be).

The 19,500,000 Options held by the OCP Optionholders will not be subject to the Option Offer and each of the OCP Optionholders has undertaken that he/she will not exercise any Options held by him/her pursuant to the OCPO Confirmations. Pursuant to the Irrevocable Option Undertakings, each of the Committed Optionholders has undertaken, among other things, to accept the Option Offer and not to exercise the Options held by him/her.

On the assumption that: (i) none of the Optionholders exercise their outstanding Options to become Scheme Shareholders before the Scheme Record Date; and (ii) no further Shares are issued before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK\$496,605,700 and the amount of cash required for the Option Offer is approximately HK\$11,389,000.

If all of the outstanding Options (other than those held by the OCP Optionholders and the Committed Optionholders) are exercised in full before the Scheme Record Date, the Company will have to issue 15,700,000 new Shares.

On the assumption that: (i) all Optionholders (other than the OCP Optionholders and the Committed Optionholders) exercise their outstanding Options to become Scheme Shareholders before the Scheme Record Date; and (ii) no other Shares are issued before the Scheme Record Date, the amount of cash required for the Scheme is approximately HK\$523,295,700 and the amount of cash required for the Option Offer is approximately HK\$9,000,000.

Consequently, the maximum amount of cash required for the Proposal (including the Scheme and the Option Offer) on the basis described above would be approximately HK\$532,295,700.

### **Confirmation of financial resources**

The Offeror is financing the entire cash consideration under the Proposal from its internal cash resources.

The Offeror has appointed GF Capital as its financial adviser in connection with the Proposal.

GF Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of Proposal in accordance with its terms.

## **Approval by Scheme Shareholders**

Only Scheme Shareholders may vote at the Court Meeting on the resolution to approve the Scheme and vote at the EGM on the resolution to approve the Rollover Arrangement. The Shares owned by the Offeror and the Offeror Concert Parties (including the Rollover Shareholder) will not form part of the Scheme Shares, and will not be voted on the Scheme at the Court Meeting and will not be voted on the Rollover Arrangement at the EGM.

All Shareholders will be entitled to attend the EGM and vote on the resolutions approving and to give effect to: (i) the Reduction; and (ii) the application of the credit amount arising in the books of the Company 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, to be issued to the Offeror simultaneously with the cancellation of the Scheme Shares.

As at the Announcement Date, the Scheme Shareholders (who are also the Independent Shareholders) were interested in 292,121,000 Shares (representing approximately 21.20% of the issued share capital of the Company).

As at the Announcement Date, the Offeror and the Offeror Concert Parties were interested in 1,085,662,990 Shares (representing approximately 78.80% of the issued share capital of the Company), among which the Rollover Shareholder held 269,999,990 Shares (representing approximately 19.60% of the total issued share capital of the Company).

### **3. CONDITIONS OF THE PROPOSAL**

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

- (a) the approval of the Scheme (by way of a poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders on the Meeting Record Date (and, if applicable, any class of such holders as directed by the Grand Court) present and voting at the Court Meeting (either in person or by proxy), provided that:
  - (i) the Scheme is approved (by way of a poll) by the Independent Shareholders (who are also Scheme Shareholders) holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted at the Court Meeting (either in person or by proxy); and

- (ii) the number of votes cast (by way of a poll) by all the Independent Shareholders (who are also Scheme Shareholders) present and voting at the Court Meeting (either in person or by proxy) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to the Scheme Shares held by all the Independent Shareholders;
- (b) (i) the passing of a special resolution by a majority of at least three-fourths of the votes cast by the Shareholders present and voting (either in person or by proxy) at the EGM to approve and give effect to the Reduction; and (ii) the passing of an ordinary resolution by the Shareholders at the EGM to increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of New Shares as is equal to the number of Scheme Shares cancelled and the application of the credit arising in the Company's books of accounts as a result of the Reduction in paying up in full at par value the New Shares issued to the Offeror, credited as fully paid;
- (c) the sanction of the Scheme (with or without modifications) by the Grand Court and its confirmation of the Reduction, and the delivery to the Companies Registrar in the Cayman Islands of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the Reduction for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Act in relation to the Reduction;
- (e) (i) the receipt of an opinion from the IFA to the IBC confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (f) all Authorisations having been obtained from the relevant Authorities in the Cayman Islands, Hong Kong and/or any other relevant jurisdictions on terms reasonably satisfactory to the Offeror; and
- (g) all Authorisations 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 of the relevant Authorities which is not expressly provided for (or is in addition to requirements expressly provided for) in the relevant laws, rules,

regulations or codes in connection with the Proposal (or any matters, documents or things relating to the Proposal), in each case up to the date immediately preceding the Effective Date.

Conditions (a) to (e) above cannot be waived. The Offeror reserves the right to waive all or any of Conditions (f) to (g), either in whole or in respect of any particular matter. The Company has no right to waive any of the Conditions.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror 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 a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

As at the Announcement Date, other than pursuant to the Conditions in paragraphs (a) to (e) (inclusive), the Offeror and the Company were not aware of any circumstances which may result in any of the Conditions in paragraphs (f) to (g) (inclusive) not being satisfied.

All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the Shares on the Stock Exchange will not be withdrawn.

In accordance with Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any person who acted in concert with it 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 Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company (if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer).

On the other hand, if the Scheme is approved, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

A detailed timetable for the Proposal will be included in the Scheme Document to be despatched to the Shareholders.



## **WARNING**

**The Proposal is conditional upon the satisfaction or (where applicable) waiver of the Conditions (including the approval of the Rollover Arrangement as a special deal under Rule 25 of the Takeovers Code). Accordingly, the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not become unconditional. Shareholders and potential investors of the Company 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 licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

## **4. ROLLOVER ARRANGEMENT**

The Offeror proposes that the Rollover Shareholder will retain its shareholding in the Company and remain as a Shareholder after the Scheme becomes effective. The Rollover Shareholder held 269,999,990 Shares (representing approximately 19.60% of the issued share capital of the Company) as at the Announcement Date.

### **Information on the Rollover Shareholder**

The Rollover Shareholder is a joint stock company established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 002043), which is principally engaged in the manufacture and distribution of interior decoration materials and products. Based on publicly available information, as at 31 December 2020: (i) Dehua Group Holding Co., Ltd.\* (德華集團控股股份有限公司) was the largest shareholder of the Rollover Shareholder interested in approximately 29.60% of the Rollover Shareholder; and (ii) Mr. Ding Hongmin\* (丁鴻敏) was the ultimate controller of the Rollover Shareholder. The Rollover Shareholder has been a Shareholder since 2018. The Offeror is of the view that it is important to retain the Rollover Shareholder as a Shareholder after completion of the Scheme, in order to seek potential opportunities for business cooperation to facilitate the implementation of the Offeror's future plans for the Group.

### **Irrevocable Rollover Undertaking**

On 27 July 2021, the Rollover Shareholder entered into the Irrevocable Rollover Undertaking in favour of the Offeror and the Company, pursuant to which the Rollover Shareholder has:

- (a) acknowledged that the Shares held by it will not form part of the Scheme Shares under the Scheme and will not be cancelled and extinguished when the Scheme becomes effective;

- (b) undertaken that, even if the Scheme is extended to the Rollover Shareholder, it will not accept the Scheme in respect of the Shares held by it;
- (c) undertaken that it will not sell, transfer, pledge or otherwise dispose of any Shares held by it, or directly or indirectly deal or acquire any shares, securities or other interests of the Company before the end of the Offer Period; and
- (d) undertaken that, unless the Scheme or the Proposal prejudice the legal rights and interests of the Rollover Shareholder, it will not take any action or enter into agreements or arrangements which may: (i) restrict or delay the progress of the Scheme or the Proposal; or (ii) prejudice the successful outcome of the Scheme or the Proposal.

The Irrevocable Rollover Undertaking is effective from signing and will cease to be binding only upon the expiry of the Offer Period (or, if earlier, 31 December 2021).

### **Special Deal and Independent Shareholder Approval**

As the Rollover Arrangement is not offered to all Shareholders, the Rollover Arrangement constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will (before the despatch of the Scheme Document) make an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the IFA to the IBC confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement.

Accordingly, as set out in Condition (e), the Proposal is subject to: (i) the receipt of an opinion from the IFA to the IBC confirming that the Rollover Arrangement is fair and reasonable so far as the Independent Shareholders are concerned; (ii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rollover Arrangement; and (iii) the grant of consent from the Executive in respect of the Rollover Arrangement.

The Rollover Shareholder is considered to be acting in concert with the Offeror as a result of the Rollover Arrangement.

## 5. THE CONSORTIUM

The Offeror is directly wholly-owned by LLP, which is a limited partnership established in the PRC specifically for the purpose of funding the Proposal. The following table sets forth the amount of capital contributed by each member of the Consortium to LLP and the number of New Shares that each member of the Consortium is entitled to direct the dealings thereof after the Effective Date.

| <b>Members of<br/>the Consortium</b>     | <b>Amount of<br/>capital<br/>contributed<br/>(RMB)</b> | <b>Number of<br/>attributable<br/>New<br/>Shares<sup>(1)(2)</sup></b> | <b>Approximate<br/>% of total<br/>issued share<br/>capital<sup>(1)(3)</sup></b> | <b>Approximate<br/>% of total<br/>number<br/>of New<br/>Shares<sup>(1)(3)</sup></b> |
|--|--|---|---|---|
| Founders<br>(through LP8) <sup>(4)</sup> | 10,000,000   | 181,898,282   | 13.20   | 62.27   |
| <b><i>Financial Investors</i></b>        |  |   |   |   |
| GP                                       | 100  | 24  | 0.00  | 0.00  |
| LP1                                      | 60,000,000   | 14,607,094  | 1.06  | 5.00  |
| LP2                                      | 150,000,000  | 36,517,734  | 2.65  | 12.50   |
| LP3                                      | 69,750,000   | 16,980,746  | 1.23  | 5.81  |
| LP4                                      | 70,000,000   | 17,041,609  | 1.24  | 5.83  |
| LP5                                      | 30,000,000   | 7,303,547   | 0.53  | 2.50  |
| LP6                                      | 70,000,000   | 17,041,609  | 1.24  | 5.83  |
| LP7                                      | 3,000,000  | 730,355   | 0.05  | 0.25  |
| <b>Subtotal</b>                          | <b>_____</b>   | <b><u>110,222,718</u></b>   | <b><u>8.00</u></b>  | <b><u>37.73</u></b>   |
| <b>Total</b>                             | <b><u>462,750,100</u></b>                              | <b><u>292,121,000</u></b>   | <b><u>21.20</u></b>   | <b><u>100.00</u></b>  |

*Notes:*

- (1) Assuming no Optionholder exercises his/her outstanding Options to become a Scheme Shareholder before the Scheme Record Date.
- (2) The number of New Shares attributable to each member of the Consortium refers to the number of New Shares which such member is entitled to deal with and dispose of after the Effective Date. Such number is not proportional to the amount of capital contributed by such member due to the financing arrangement of the Consortium (as further described in the section headed “6. The Consortium Agreement” in this announcement).
- (3) The shareholding percentage in the table is subject to rounding adjustment.
- (4) LP8 is indirectly wholly-owned by the Founders.

None of the Financial Investors and their respective general partners, shareholders or limited partners (as applicable) holds any Shares.

For further information about LLP and the members of the Consortium, please refer to the section headed “13. Information on the Offeror and the Offeror Concert Parties — (b) LLP” in this announcement.

The Consortium Shares will be split into three tranches (being the Tranche A Shares, the Tranche B Shares and the Tranche C Shares) and will be allocated among the members of the Consortium.

The number of Tranche A Shares, Tranche B Shares and Tranche C Shares is calculated as follows:

**Tranche A Shares:** such number of New Shares equivalent to 8% of the Shares in issue as at the Announcement Date.

**Tranche B Shares:** such number of New Shares equivalent to the product of: (i) the number of New Shares; and (ii) the amount of capital contributed by LP8 to LLP as a percentage of the total amount of capital contributed to LLP.

**Tranche C Shares:** such number of New Shares equivalent to: (i) the number of New Shares; minus (ii) the total number of the Tranche A Shares and the Tranche B Shares.

For further information about the allocation of the New Shares, please refer to the section headed “6. The Consortium Agreement — (c) Allocations of New Shares” in this announcement.

## 6. THE CONSORTIUM AGREEMENT

On 27 July 2021, the Financial Investors, LP8, the Founders, LLP and Freewings entered into the Consortium Agreement. The material terms of the Consortium Agreement in connection with the Proposal are summarised below:

- (a) **Implementation of the Proposal:** the implementation of the Proposal will be led by Mr. Se, and the Founders will bear all the costs and expenses incurred by the Consortium in connection with the Proposal.
- (b) **Board composition and voting rights:** Mr. Se will have the right to appoint three of the Offeror Directors and the Financial Investors will together have the right to appoint two of the Offeror Directors. A decision of the Offeror Directors may only be taken by a majority of the Offeror Directors, except all major decisions relating to the Proposal will be made by unanimous approval of all the Offeror Directors.

- (c) **Allocations of New Shares:** The Tranche A Shares will be allocated among the Financial Investors, pro rata to the amount of their respective capital contribution to LLP. The Tranche B Shares will be allocated to LP8. The Founders will have the right to deal with and dispose of the Tranche C Shares subject to the payment terms set out in the Consortium Agreement as summarised in paragraph (e) below, and the Tranche B Shares will be transferred to LP8 when LLP is to be wound up.
- (d) **Funding for Cancellation Price:** The funding for the Cancellation Price is primarily provided by the Financial Investors, and the Founders have an obligation to purchase (or procure the purchase of) the Tranche C Shares from the Offeror within 36 months after the Effective Date, at a price no less than the Offer Price plus a fixed rate return of 9% per annum, accruing from the Contribution Date. It is expected that the Founders will purchase (or procure the purchase of) around 30% of the Tranche C Shares within one year (and the remaining Tranche C Shares within three years) from the Effective Date.
- (e) **Distribution of the proceeds of the sale of the Tranche C Shares:** The distribution of the proceeds from the sale of any part of the Tranche C Shares will be made in the following order:
- (i) firstly, to the Financial Investors, until the Financial Investors receive the aggregate Contributed Amounts in respect of the relevant part of the Tranche C Shares which is the subject of the sale;
  - (ii) in case there is any surplus proceeds after the distributions set out in paragraph (i) above, to the Financial Investors in proportion to the amount of capital contributed by the Financial Investors to LLP, until the Financial Investors achieve a fixed rate return of 9% per annum on the aggregate Contributed Amounts in respect of the relevant part of the Tranche C Shares which is the subject of the sale;
  - (iii) in case there is any surplus proceeds after the distributions set out in paragraph (ii) above, to the Financial Investors in proportion to the amount of capital contributed by the Financial Investors to LLP, until the Financial Investors receive the aggregate Contributed Amounts (and achieve a fixed rate return of 9% per annum on the aggregate Contributed Amounts) in respect of the remaining part of the Tranche C Shares which has not yet been sold; and
  - (iv) in case there is any surplus proceeds after the distributions set out in paragraphs (i) to (iii) above, to LP8.

On the assumption that: (i) all the Tranche C Shares are purchased by the Founders; and (ii) no Optionholder has exercised his/her outstanding Options to become a Scheme Shareholder before the Scheme Record Date, the shareholding structure of the Company after the Effective Date will be as follows:

| <b>Shareholders</b>                       | <b>Number of<br/>Shares</b> | <b>Approximate<br/>% of total<br/>issued share<br/>capital<sup>(Note)</sup></b> |
|---|-----------------------------|---|
| Financial Investors (through the Offeror) | 110,222,718                 | 8.00  |
| Founders                                  | 201,898,282                 | 14.65   |
| Freewings                                 | 663,768,000                 | 48.18   |
| Mr. She                                   | 1,500,000                   | 0.11  |
| Mr. Liang                                 | 2,500,000                   | 0.18  |
| Weng Hou                                  | 92,300,000                  | 6.70  |
| Ms. Se                                    | 35,595,000                  | 2.58  |
| Rollover Shareholder                      | <u>269,999,990</u>          | <u>19.60</u>  |
| <b>Total number of Shares in issue</b>    | <b><u>1,377,783,990</u></b> | <b><u>100.00</u></b>  |

*Note:* The shareholding percentage in the table is subject to rounding adjustment.

- (f) **Charge of securities:** As security for the due and punctual payment and discharge of the Secured Liabilities, Freewings has charged 275,557,000 Shares (representing approximately 20% of the issued share capital of the Company as at the Announcement Date) (the “**Charged Securities**”) in favour of the Offeror as security trustee pursuant to a share charge entered into between Freewings and the Offeror. Such charge will be released on the earlier of: (a) the date on which the Secured Liabilities have ceased in accordance with the terms of the Consortium Agreement or been paid, discharged or released in full; or (b) the obligation of Freewings to provide the Charged Securities as security under the Consortium Agreement has ceased.
- (g) **Listing in the PRC:** After the Effective Date, the Company will conduct a restructuring to prepare for the listing of its businesses in the PRC. If such listing does not happen by 31 December 2024, the Founders will purchase the Tranche A Shares from the Financial Investors at the Contributed Amount per Tranche A Shares (plus a fixed rate return of 9% per annum accruing from the Contribution Date).

## 7. SHAREHOLDING STRUCTURE OF THE COMPANY

### Shares

As at the Announcement Date, the authorised share capital of the Company was US\$4,000,000 divided into 4,000,000,000 Shares, and the Company had 1,377,783,990 Shares in issue. As at the Announcement Date, the Scheme Shares, comprising 292,121,000 Shares, represented approximately 21.20% of the issued share capital of the Company.

Assuming that (i) there is no other change in shareholding of the Company before completion of the Proposal; and (ii) no outstanding Options have been exercised before the Scheme Record Date, the table below sets out the shareholding structure of the Company: (a) as at the Announcement Date; and (b) upon the Scheme becoming effective:

| Shareholders                                       | As at the<br>Announcement Date |   | Immediately after<br>the Effective Date |   |
|--|--------------------------------|---|---|---|
|  | Number of<br>Shares            | Approximate<br>% of total<br>issued share<br>capital <sup>(9)</sup> | Number of<br>Shares                     | Approximate<br>% of total<br>issued share<br>capital <sup>(9)</sup> |
| <b>Offeror</b>                                     | —                              | —   | 292,121,000                             | 21.20   |
| <b>Offeror Concert<br/>Parties:</b> <sup>(1)</sup> |                                |   |   |   |
| Mr. Se <sup>(2)(9)</sup>                           | 20,000,000                     | 1.45  | 20,000,000                              | 1.45  |
| Freewings <sup>(3)</sup>                           | 663,768,000                    | 48.18   | 663,768,000                             | 48.18   |
| Mr. She <sup>(4)(9)</sup>                          | 1,500,000                      | 0.11  | 1,500,000                               | 0.11  |
| Mr. Liang <sup>(5)(9)</sup>                        | 2,500,000                      | 0.18  | 2,500,000                               | 0.18  |
| Weng Hou <sup>(6)</sup>                            | 92,300,000                     | 6.70  | 92,300,000                              | 6.70  |
| Ms. Se <sup>(7)</sup>                              | 35,595,000                     | 2.58  | 35,595,000                              | 2.58  |
| Rollover Shareholder <sup>(8)</sup>                | 269,999,990                    | 19.60   | 269,999,990                             | 19.60   |
| <b>Subtotal</b>                                    | <b>1,085,662,990</b>           | <b>78.80</b>  | <b>1,377,783,990</b>                    | <b>100.00</b>   |
| <b>Scheme Shareholders</b>                         | <u>292,121,000</u>             | <u>21.20</u>  | <u>—</u>                                | <u>—</u>  |
| <b>Total number of<br/>Shares in issue</b>         | <b><u>1,377,783,990</u></b>    | <b><u>100.00</u></b>  | <b><u>1,377,783,990</u></b>             | <b><u>100.00</u></b>  |

*Notes:*

1. The Shares in which the Offeror Concert Parties (including the Rollover Shareholder) are interested will not form part of the Scheme Shares and will not be cancelled.
2. Mr. Se is a director of the Offeror and is also indirectly interested in 60.19% of LP8. Mr. Se is the leading party of the Consortium and a party acting in concert with the Offeror.
3. Freewings is indirectly wholly-owned by the Founders and is a party acting in concert with the Offeror.
4. Mr. She is the elder brother of Mr. Se. As a result, Mr. She is presumed to be a party acting in concert with the Offeror.
5. Mr. Liang is the brother-in-law of Mr. Se. As a result, Mr. Liang is considered to be a party acting in concert with the Offeror.
6. Weng Hou is owned by the children of the Founders and is a party acting in concert with the Offeror.
7. Ms. Se is the elder sister of Mr. Se. As a result, Ms. Se is presumed to be a party acting in concert with the Offeror.
8. The Rollover Shareholder is considered to be acting in concert with the Offeror as a result of the Rollover Arrangement.
9. Mr. Se and Mr. She are executive Directors, and Mr. Liang is a non-executive Director.
10. The shareholding percentage in the table is subject to rounding adjustment.

## **Options**

As at the Announcement Date, there were 71,200,000 outstanding Options granted under the Share Option Scheme, entitling the Optionholders to subscribe for an aggregate of 71,200,000 Shares at an exercise price of HK\$1.45 or HK\$1.61 (as the case may be).

The Share Option Scheme has expired as at the Announcement Date, and no further options can be granted thereunder. However, the provisions of the Share Option Scheme remain in full force to the extent necessary to give effect to the exercise of the Options which were granted during the life of the Share Option Scheme, and continue to be exercisable in accordance with their terms of grant.



As at the Announcement Date, the number of Options held by Optionholders were as follows:

| <b>Name</b>                      | <b>Number of<br/>outstanding<br/>Options held</b> |
|----------------------------------|---|
| <b>Offeror Concert Parties</b>   |   |
| Mr. Se                           | 1,500,000 <sup>(1)</sup>                          |
| Mrs. Se                          | 1,500,000 <sup>(1)</sup>                          |
| Mr. She                          | 1,500,000 <sup>(1)</sup>                          |
| Mr. Liang                        | <u>15,000,000<sup>(1)</sup></u>                   |
| <b>Sub-total</b>                 | <b><u>19,500,000</u></b>                          |
| <b>Other Directors</b>           |   |
| Mr. Teoh Chun Ming               | 1,500,000   |
| Professor Li Kwok Cheung, Arthur | 1,000,000   |
| Mr. Chan Siu Wing, Raymond       | 1,000,000   |
| Mr. Ho King Fung, Eric           | <u>1,000,000</u>                                  |
| <b>Subtotal</b>                  | <b><u>4,500,000</u></b>                           |
| Employees of the Group           | <u>47,200,000</u>                                 |
| <b>Total</b>                     | <b><u><u>71,200,000</u></u></b>                   |

*Note:*

- (1) Pursuant to the OCPO Confirmations, each of Mr. Se, Mrs. Se, Mr. She and Mr. Liang has undertaken that they will not exercise any Options held by them.

Save as disclose above, none of the Offeror, the Offeror Concert Parties or the Directors held any Option as at the Announcement Date. Should Mr. Teoh Chun Ming, Professor Li Kwok Cheung, Arthur, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric exercise their Options and become Shareholders before the Meeting Record Date, they will not be regarded as Independent Shareholders and Shares held by them will not be voted on the Scheme at the Court Meeting and will not be voted on the Rollover Arrangement at the EGM.

As at the Announcement Date, save for the 1,377,783,990 Shares in issue and the 71,200,000 outstanding Options, the Company had no other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in issue.

## 8. PROFIT ALERT ANNOUNCEMENT

It was mentioned in the Profit Alert Announcement that, based on the preliminary estimation of the Company, the consolidated revenue and consolidated net profit of the Group for the six months ended 30 June 2021 will not be less than those for the six months ended 30 June 2019 (being approximately RMB1,282,094,000 and approximately RMB34,932,000 respectively). The Profit Alert constitutes a profit forecast under Rule 10 of the Takeovers Code and should be reported on by the Company's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code.

However, as the unaudited interim results announcement of the Company for the six months ended 30 June 2021 will have been published by the time of release of the Scheme Document and the relevant results (together with the notes to the financial statements) will be included in the Scheme Document, the requirements to report on the Profit Alert under Rule 10.4 of the Takeovers Code will no longer apply.

**Shareholders and potential investors should note that the Profit Alert has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors should therefore exercise caution in placing reliance on the Profit Alert in assessing the merits and demerits of the Proposal. Shareholders and potential investors are advised to exercise caution when dealing in securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.**

## 9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The IBC (comprising one of the non-executive Directors, namely, Mr. Teoh Chun Ming; and all of the independent non-executive Directors, namely, Professor Li Kwok Cheung, Arthur, Mr. Chan Siu Wing, Raymond and Mr. Ho King Fung, Eric) has been formed to advise the Scheme Shareholders on the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. The recommendation of the IBC as to whether the terms of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Scheme Shareholders at the Court Meeting and the EGM, will be set out in the Scheme Document.

Although Mr. Liang is a non-executive Director, as he is the brother-in-law of Mr. Se, Mr. Liang is an Offeror Concert Party and is regarded as being interested in the Proposal and therefore does not form part of the IBC.

Opus Capital Limited has been appointed as the IFA to advise the IBC on (among others) the Proposal, the Scheme, the Option Offer and the Rollover Arrangement. The appointment of Opus Capital Limited as the IFA has been approved by the IBC.

The Directors (excluding members of the IBC whose views will be set out in the Scheme Document) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

The Scheme Shareholders and Optionholders are reminded to carefully read the Scheme Document and the letter of advice from the IFA to the IBC contained therein before making a decision.

## **10. REASONS FOR AND BENEFITS OF THE PROPOSAL**

### **For the Company — low trading price and trading liquidity of the Shares**

The Company's trading price performance has not been satisfactory and the Shares have been trading at a price below the NAV per Share for at least the past 12 months. During the twelve-month period preceding the Last Trading Date, the average closing price of the Shares was approximately HK\$1.08 (which represents: (i) a discount of approximately 46.5% to the NAV per Share of approximately RMB1.68, equivalent to approximately HK\$2.02, as at 31 December 2020; and (ii) a discount of approximately 45.7% to the NAV per Share of approximately RMB1.66, equivalent to approximately HK\$1.99, as at 31 December 2019, based on the number of Shares in issue as at the Announcement Date).

There are only few companies listed on the Stock Exchange that are engaged in similar businesses or in similar industries as the Group, leading to a lower recognition by the market. This limits the ability of the Group to attract investors and enhance its market image. The Share Option Scheme is also less effective in retaining and recruiting staff as a result of the weak trading price performance which has led to its granted Options being "under the water".

The trading liquidity of the Shares had been at a low level over a prolonged period of time, with an average daily trading volume of less than 487,000 Shares for the 24 months up to and including the Last Trading Date, representing less than 0.04% of the total issued Shares as at the Last Trading Date. Low trading liquidity of the Shares renders it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. Further, the Directors (excluding members of the IBC whose views will be given after taking into account the advice of the IFA) believe that such low trading liquidity

hinders the Company's ability to raise funds from the Hong Kong public equity market, which no longer serves as a viable source of funding for developing the Group's business.

In addition, the listing of Shares on the Stock Exchange 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 and development. After the Scheme and the withdrawal of the listing of Shares on the Stock Exchange have become effective, the Company plans to achieve a listing of all or part of its businesses in the PRC. For further details, please refer to the section headed "11. Intention of the Offeror with regard to the Company" in this announcement.

### **For Scheme Shareholders — an attractive opportunity to realise investments**

The Proposal is intended to provide the Scheme Shareholders with an attractive opportunity to realise their investments and interests in the Company for cash at a premium to the recent trading price levels.

The Cancellation Price represents a premium of approximately: (i) 39.3% over the closing price of the Shares on the Last Trading Date; (ii) 38.2% over the average closing price of the Shares for the five trading days up to and including the Last Trading Date; (iii) 31.8% over the average closing price of the Shares for the 30 trading days up to and including the Last Trading Date; (iv) 30.8% over the average closing price of the Shares for the 60 trading days up to and including the Last Trading Date; (v) 38.2% over the average closing price of the Shares for the 90 trading days up to and including the Last Trading Date; (vi) 45.3% over the average closing price of the Shares for the 120 trading days up to and including the Last Trading Date; and (vii) 57.4% over the average closing price of the Shares for the 12-month period up to and including the Last Trading Date.

## 11. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

After the Scheme and the withdrawal of the listing of Shares on the Stock Exchange have become effective, the Company plans to conduct a restructuring in order to achieve a listing of all or part of its businesses in the PRC.

The Offeror intends that the Group will continue to carry on its existing principal business of manufacture and sale of flooring products and customised home decoration products and (save for transactions for the purpose of the restructuring to achieve a listing in the PRC) does not expect there to be a significant redeployment of fixed assets of the Group.

Under the current market conditions, the Offeror has no plans to make any significant changes to the continued employment of the employees of the Group as a result of the implementation of the Proposal.

## 12. INFORMATION ON THE COMPANY

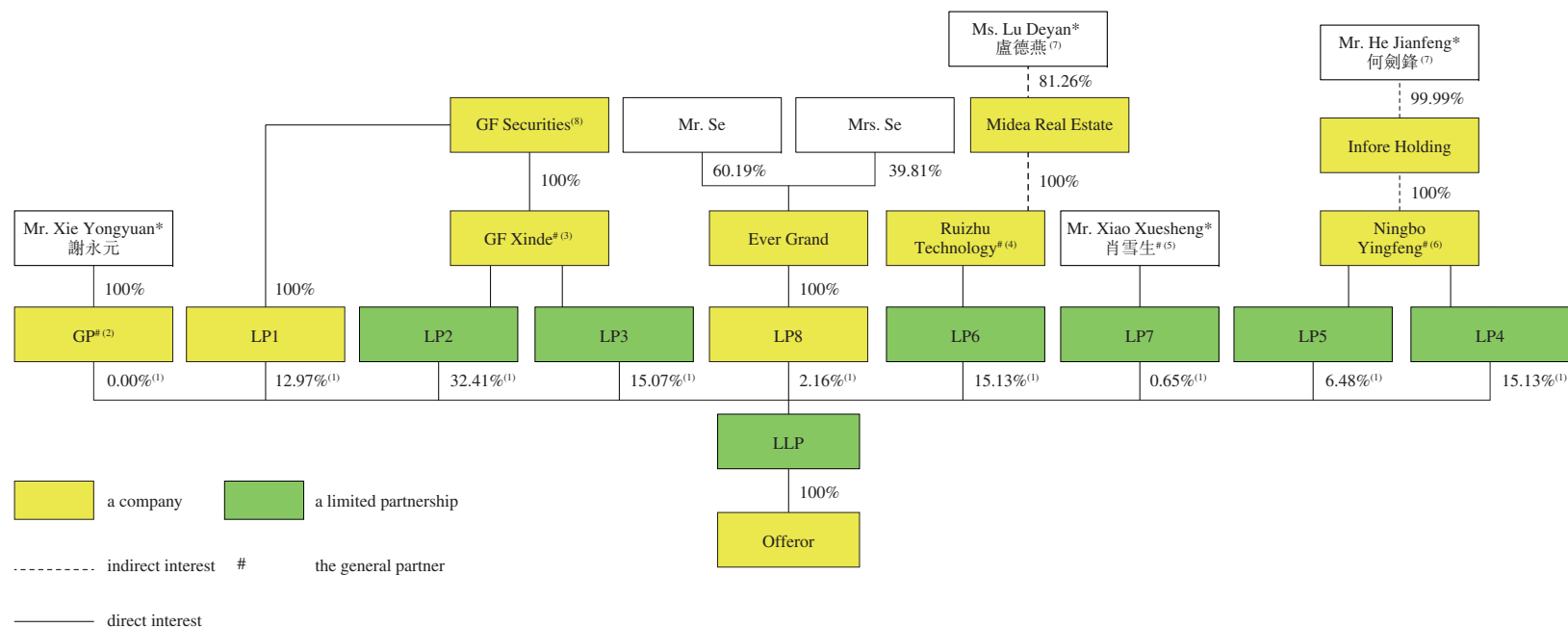
The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 26 May 2011. The Group is principally engaged in the manufacture and sale of flooring products and customised home decoration products.

Set out below is a summary of certain audited financial information in respect of the continuing operations of the Group for the financial years ended 31 December 2019 and 31 December 2020, as extracted from the Company's annual reports in respect of such financial years:

|                        | <b>Year ended<br/>31 December<br/>2019</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|------------------------|--|--|
|                        | <i>(RMB'000)</i>                           | <i>(RMB'000)</i>                           |
| Turnover               | 3,426,786                                  | 3,931,432                                  |
| Profit from operations | 257,972                                    | 124,452                                    |
| Profit before taxation | 210,987                                    | 32,355                                     |
| Profit for the year    | 153,943                                    | 14,218                                     |
| NAV                    | 2,291,673                                  | 2,311,831                                  |

### 13. INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES

The group chart below sets out: (i) the direct shareholder of the Offeror; (ii) members of the Consortium; (iii) the general partners of the members of the Consortium (in the case where such members of the Consortium are limited partnerships) and the ultimate beneficial owners of such general partners; and (iv) the ultimate beneficial owners of the members of the Consortium (in the case where such members of the Consortium are companies):



Notes:

1. The percentages refer to the approximate percentage of the total capital contributed by the relevant entities to LLP. The attributable interest in New Shares for those parties are set out in the table under the section headed “5. The Consortium” in this announcement.
2. GP is the general partner of LLP.
3. GF Xinde is the general partner of LP2 and LP3, which also holds an approximately 1% and 14.3% interest in LP2 and LP3, respectively.
4. Ruizhu Technology is the general partner of LP6, which also holds an approximately 1.41% interest in LP6.
5. Mr. Xiao Xuesheng\* (肖雪生) is the general partner of LP7, who also holds a 25% interest in LP7.
6. Ningbo Yingfeng is the general partner of LP4 and LP5, which also holds an approximately 1.43% and 1% interest in LP4 and LP5, respectively.
7. Based on the 2020 annual report of Midea Real Estate, as at 31 December 2020: (i) Ms. Lu Deyan\* (盧德燕) (“**Ms. Lu**”) was deemed to be interested in approximately 81.26% of the total issued share capital of Midea Real Estate by virtue of the SFO; (ii) Mr. He Xiangjian\* (何享健) and Ms. Lu were parties acting in concert and he is deemed to be interested in Ms. Lu’s interest in Midea Real Estate by virtue of the SFO; and (iii) Mr. He Jianfeng\* (何劍鋒) is the spouse of Ms. Lu and is deemed to be interested in Ms. Lu’s interest in Midea Real Estate by virtue of the SFO.
8. Based on the 2020 annual report of GF Securities, as at 31 December 2020, the two largest shareholders of GF Securities were Jilin Aodong Pharmaceutical Group Co., Ltd. and Liaoning Cheng Da Co., Ltd., which were interested in approximately 18.06% and 17.77% of the total issued shares of GF Securities, respectively.
9. The shareholding percentages in the diagram are subject to rounding adjustment.

**(a) Offeror**

The Offeror is an investment holding company incorporated in Hong Kong with limited liability set up for the implementation of the Proposal. The Offeror is wholly-owned by LLP. All the capital contributions in LLP were injected into the Offeror for the implementation of the Proposal.

Pursuant to the Consortium Agreement, Mr. Se is the leading party of the Consortium and the implementation of the Proposal will be led by Mr. Se.

**(b) LLP**

LLP is a limited partnership enterprise established in the PRC specifically set up by the Consortium to be the financing vehicle for the Offeror for the implementation of the Proposal and is the sole shareholder of the Offeror. The general partner of LLP is GP. The limited partners of LLP are LP1, LP2, LP3, LP4, LP5, LP6, LP7 and LP8. Details of the general partner and limited partners of LLP are set out below:

**(i) *General partner***

**GP:** GP is a company established in the PRC with limited liability, which is wholly-owned by Mr. Xie Yongyuan\* (謝永元), who is an employee of GF Xinde, which is wholly-owned by GF Securities. GP is a special purpose vehicle specifically formed for the purpose of managing LLP.

GF Securities is a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 000776) and the Stock Exchange (stock code: 1776), and it is principally engaged in the provision of financial services.

**(ii) *Limited partners***

**LP1:** LP1 is a company established in the PRC with limited liability, which is wholly-owned by GF Securities. LP1 is principally engaged in equity investment.

**LP2:** LP2 is a limited partnership fund established in the PRC on 22 May 2018. The general partner of LP2 is GF Xinde, and GF Xinde and GF Securities are investors in LP2. LP2 is principally engaged in equity investment and primarily carries out investments in leading and large scale listed companies in the Guangdong Province which operate in industries encouraged and supported by the PRC government. The current subscribed capital of LP2 is RMB5 billion.

**LP3:** LP3 is a limited partnership fund established in the PRC on 12 May 2021. The general partner of LP3 is GF Xinde. Yuecai Chanye, an investment fund related to the Guangdong Provincial Government is the majority investor in LP3 and is interested in approximately 85.7% of LP3. Yuecai Chanye is a limited partnership fund established in the PRC on 14 December 2017 with an AUM of RMB12.5 billion and primarily carries out investments in manufacturing and strategic emerging industries in Guangdong Province. LP3 is principally engaged in equity investment and was established for the purpose of investing in LLP. The total paid-up capital of LP3 is RMB70 million.

**LP4:** LP4 is a limited partnership fund established in the PRC on 12 May 2021. The general partner of LP4 is Ningbo Yingfeng, a company wholly-owned by Infore Holding. Kechuang Shunxing, an investment fund related to the State-owned Assets Supervision and Administration Bureau of Shunde District, Foshan City\* (佛山市順德區國有資產監督管理局) is the majority investor in LP4 and is interested in approximately 57.15% of LP4. Ningbo Yingfeng is interested in approximately 1.43% of LP4 and the remaining investors of LP4 are four other independent individuals in the PRC. Kechuang Shunxing is a limited partnership fund established in the PRC on 31 March 2021 with a total subscribed capital of RMB100 million and primarily engages in equity investment, investment and asset management and financing consulting services. LP4 is principally engaged in equity investment and was established for the purpose of investing in LLP. The AUM of LP4 is RMB70 million.

Infore Holding is a PRC company owned as to 98% by Mr. He Jianfeng\* (何劍鋒) and 2% by Foshan Infore Trading Co., Ltd.\* (佛山市盈峰貿易有限公司), which is in turned owned as to 99.5% and 0.5% by Mr. He and an independent individual in the PRC, respectively. Infore Holding is principally engaged in financial investments and primarily carries out investments in environmental protection, culture, consumption, advanced manufacturing and chip semiconductor sectors.

**LP5:** LP5 is a limited partnership fund established in the PRC on 25 April 2017. The general partner of LP5 is Ningbo Yingfeng, a company wholly-owned by Infore Holding. Ningbo Yingfeng and Infore Holding is interested in 1% and 20% of LP5, respectively, and the remaining investors of LP5 comprise independent third parties including a company listed on the Shenzhen Stock Exchange, an investment fund related to the State-owned Assets Supervision and Administration Bureau of Shunde District, Foshan City\* (佛山市順德區國有資產監督管理局), and other independent investment funds and individuals in the PRC. LP5 is



principally engaged in equity investment and primarily carries out investments in high-growth companies in the fields of industrial robotics and automation equipment, mid and high-end computer numerical control machine tools and intelligent control systems and instruments. The AUM of LP5 is RMB100 million.

**LP6:** LP6 is a limited partnership enterprise established in the PRC on 1 December 2020. The general partner of LP6 is Ruizhu Technology, a company established in the PRC with limited liability and wholly-owned by Midea Real Estate, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (stock code: 3990). LP6 is owned as to 1.41% by Ruizhu Technology and 98.59% by Ningbo Meishan Free Trade Port Zone Yuechen Investment Management Co., Ltd.\* (寧波梅山保稅港區越宸投資管理有限公司), a company wholly-owned by Midea Real Estate. LP6 is principally engaged in equity investment and primarily carries out investments in high growth companies in the real estate industry chain. The current subscribed capital of LP6 is RMB71 million.

**LP7:** LP7 is a limited partnership enterprise established in the PRC on 6 January 2021. The general partner of LP7 is Mr. Xiao Xuesheng\* (肖雪生) who also holds a 25% interest in LP7. Mr. Xiao is the general manager of GF Xinde. Mr. Xu Yiyu\* (許一字) is the other investor in LP7 and is interested in 75% of LP7. LP7 is the employee co-investment platform of GF Xinde. It is principally engaged in equity investment and primarily carries out investments in the advanced manufacturing and the technology, media and telecom sectors. The total paid-up capital of LP7 is RMB39 million.

**LP8:** LP8 is a company established in the PRC with limited liability and is principally engaged in property development and management in the PRC. LP8 is wholly-owned by Ever Grand, which is in turn owned as to 60.19% by Mr. Se and 39.81% by Mrs. Se.

**(c) Other Offeror Concert Parties**

**(i) Mr. Se**

Mr. Se is the ultimate controlling shareholder of the Company and a director of the Offeror. Mr. Se is also indirectly interested in 60.19% of LP8, a limited partner of LLP. Mr. Se is a party acting in concert with the Offeror.

**(ii) *Freewings***

Freewings is the controlling shareholder of the Company and wholly-owned by the Founders. As a result, Freewings is a party acting in concert with the Offeror.

**(iii) *Mrs. Se***

Mrs. Se is the spouse of Mr. Se and a director of the Offeror. Mrs. Se is also indirectly interested in 39.81% of LP8, a limited partner of LLP. Mrs. Se is a party acting in concert with the Offeror.

**(iv) *Mr. She***

Mr. She is an executive Director and the elder brother of Mr. Se. As a result, Mr. She is presumed to be a party acting in concert with the Offeror.

**(v) *Mr. Liang***

Mr. Liang is a non-executive Director and the brother-in-law of Mr. Se. As a result, Mr. Liang is considered to be a party acting in concert with the Offeror.

**(vi) *Weng Hou***

Weng Hou is a company incorporated in Macau owned by Mr. Se Ka Chon, Ms. Se Ka Ian, Mr. Se Ka Chun and Mr. Se Ka Wai as to 25% each, who are the children of the Founders. As a result, Weng Hou is presumed to be a party acting in concert with the Offeror.

**(vii) *Ms. Se***

Ms. Se is the elder sister of Mr. Se. As a result, Ms. Se is presumed to be a party acting in concert with the Offeror.

**(viii) *Rollover Shareholder***

The Rollover Shareholder is a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002043), which is principally engaged in the manufacture and distribution of interior decoration materials and products. The Rollover Shareholder is considered to be acting in concert with the Offeror as a result of the Rollover Arrangement.

#### **14. WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of New Shares being issued as fully paid to the Offeror) and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application for the listing of the Shares to be withdrawn from the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect from the date on which the Scheme becomes effective.

An announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective will be made by the Company. A detailed timetable of the Scheme will be included in the Scheme Document (which will also contain further details of the Scheme).

#### **15. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The Scheme will lapse if any of the Conditions is not fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if 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 Offeror nor any person who acted in concert with it 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 Proposal is withdrawn or lapses, either announce an offer or possible offer for the Company or acquire any voting rights of the Company (if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer).

If the IBC or the IFA does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith will be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Pursuant to the Consortium Agreement, the Founders will bear all costs and expenses incurred by the Consortium in connection with the Proposal.

**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.**

## **16. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS**

The making and implementation of the Proposal to, and acceptance of the Proposal by, Scheme Shareholders, Optionholders or persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders, Optionholders or persons are located. Such Scheme Shareholders, Optionholders or persons should inform themselves about and observe any applicable legal, tax or regulatory requirements.

It is the responsibility of any overseas Scheme Shareholders and overseas Optionholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with such acceptance (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 from such Shareholder in any such jurisdiction.

Any acceptance by such Scheme Shareholders and Optionholders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers that those laws and regulatory requirements have been complied with.

In the event that the despatch or receipt of the Scheme Document to or by overseas Scheme Shareholders or overseas Optionholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders or overseas Optionholders. For that purpose, the Offeror will apply for any waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders or overseas Optionholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders and overseas Optionholders. The Executive may or may not give such waiver.

## **17. TAXATION AND INDEPENDENT ADVICE**

Scheme Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation or any other implications of accepting the Proposal.

It is emphasised that none of the Offeror, the Offeror Concert Parties and the Company or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

## **18. DESPATCH OF THE SCHEME DOCUMENT**

The Scheme Document (including further details of the Proposal, the Scheme, the Option Offer, the Rollover Arrangement, the expected timetable, an explanatory memorandum as required under the rules of the Grand Court, information regarding the Company and the Offeror, the recommendation of the IBC in respect of the Proposal, the Scheme, the Option Offer and the Rollover Arrangement, a letter of advice from the IFA, and the notice of the Court Meeting and the notice of the EGM, together with forms of proxy in relation thereto) will be despatched to the Shareholders and (together with a letter to Optionholders and the acceptance form for the Option Offer) the Optionholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

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

## **19. FURTHER AGREEMENTS OR ARRANGEMENTS**

As at the Announcement Date:

- (a) save as disclosed in the section headed “7. Shareholding Structure of the Company” in this announcement, none of the Offeror or the Offeror Concert Parties owned or had control or direction over any voting rights and rights over the Shares;
- (b) save for the 19,500,000 Options held by the OCP Optionholders, none of the Offeror or the Offeror Concert Parties held any convertible securities, warrants or options in respect of voting rights and rights over Shares;
- (c) save for the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, none of the Offeror or the Offeror Concert Parties had received any irrevocable commitment to accept the Proposal to cancel the Scheme Shares or the Options or to vote for or against the Scheme;

- (d) the Offeror and the Offeror Concert Parties had not entered into any derivative in respect of the securities of the Company;
- (e) save for the Proposal, the Consortium Agreement, the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, there were no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares (or the shares of the Offeror) between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (f) save as disclosed in the section headed “3. Conditions of the Proposal” in this announcement, there were no agreements or arrangements to which the 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;
- (g) the Offeror and the Offeror Concert Parties had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (h) save for the Cancellation Price and the Option Offer Price, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or the Offeror Concert Parties to any Scheme Shareholders in connection with the Proposal; and
- (i) save for the Consortium Agreement and the Irrevocable Rollover Undertaking, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between: (i) any Shareholder; and (ii)(a) the Offeror and Offeror Concert Parties; or (b) the Company, its subsidiaries or associated companies.

None of the Offeror or the Offeror Concert Parties had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company during the six-month period preceding the Announcement Date.

## **20. DISCLOSURE OF DEALINGS**

In accordance with Rule 22 of the Takeovers Code, associates of the Offeror and the Company (as defined under 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 Offeror or the Company) are hereby reminded to disclose their dealings in any securities of the Company pursuant to the requirements of the Takeovers Code during the Offer Period commencing on 27 July 2021, being the Announcement Date.

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

*“Responsibilities of stockbrokers, banks and other intermediaries*

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

*This dispensation does not alter the obligations 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.”*

## **21. NOTICE TO US INVESTORS**

The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. The financial information included in this announcement (if any) has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities and Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.

The receipt of cash pursuant to the Proposal by US holders of Scheme Shares as consideration for the cancellation of their Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under

applicable US state and local, as well as foreign and other tax laws. Holders of Scheme Shares are urged to consult their independent professional advisers immediately regarding the tax consequences of the Proposal applicable to them.

It may be difficult for US holders of Scheme Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the US, and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

## **22. TRADING HALT AND RESUMPTION OF TRADING IN THE SHARES ON THE STOCK EXCHANGE**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 1:00 p.m. on 19 July 2021, pending the issue of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 July 2021.

### **WARNING**

**The Proposal is conditional upon the satisfaction or (where applicable) waiver of the Conditions. Accordingly, the Proposal may or may not be implemented, the Scheme may or may not become effective and the Option Offer may or may not become unconditional. Shareholders and potential investors of the Company 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 licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

### **DEFINITIONS**

In this announcement, the following expressions have the meanings respectively set opposite them, unless the context otherwise requires:

“acting in concert” has the meaning given to it in the Takeovers Code, and “persons acting in concert” and “concert parties” shall be construed accordingly

“Announcement Date” 27 July 2021, being the date of this announcement



|                           |  |
|---------------------------|--|
| “associate”               | has the meaning given to it in the Takeovers Code  |
| “AUM”                     | asset under management   |
| “Authorisations”          | all necessary authorisations, registrations, filings, rulings, consents, permissions, waivers, exemptions and approvals required from an Authority or other third parties which are necessary for any member of the Group to carry on its business           |
| “Authority”               | any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department having jurisdiction over members of the Group in matters relevant to the Proposal |
| “Board”                   | the board of Directors   |
| “Cancellation Price”      | the consideration of HK\$1.70 per Scheme Share cancelled, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme   |
| “Committed Optionholders” | Mr. Lin Hao, Mr. He Hou Hong, Ms. Lei Sun, Ms. Choi Weng Ha and Mr. Yang Wei Ming, who are employees of the Group  |
| “Companies Act”           | the Companies Act (2021 Revision) of the Cayman Islands, as amended  |
| “Companies Registrar”     | the Registrar of Companies appointed in accordance with the Companies Act  |
| “Company”                 | Nature Home Holding Company Limited (大自然家居控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2083)                               |
| “Conditions”              | the conditions to the implementation of the Proposal becoming effective as set out in the section headed “3. Conditions of the Proposal” in this announcement  |
| “Consortium”              | the Founders and the Financial Investors   |

|                        |  |
|------------------------|--|
| “Consortium Agreement” | the investment and cooperation agreement* (投資合作協議) dated 27 July 2021 entered into between the Financial Investors, LP8, the Founders, LLP and Freewings   |
| “Consortium Shares”    | the corresponding New Shares to be allocated among members of the Consortium pursuant to the terms of the Consortium Agreement   |
| “Contributed Amount”   | the amount per Consortium Share which is deemed to be contributed by the Financial Investors based on their capital contributions to LLP pursuant to the terms of the Consortium Agreement   |
| “Contribution Date”    | the date on which all the Financial Investors made their capital contributions to LLP pursuant to the terms of the Consortium Agreement  |
| “Court Meeting”        | a meeting of the Scheme Shareholders (and, if applicable, any class of such holders) on the Meeting Record Date to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof   |
| “Directors”            | the directors of the Company   |
| “Effective Date”       | the date on which the Scheme becomes effective in accordance with the Companies Act (assuming the Proposal has become unconditional in all respects)   |
| “EGM”                  | the extraordinary general meeting of the Company to be convened and held immediately following the Court Meeting to consider (and, if thought fit, approve), among others, the Rollover Arrangement, the Reduction, the increase in the issued share capital of the Company and the implementation of the Proposal |
| “Ever Grand”           | Ever Grand Inc Limited, a company incorporated in Hong Kong with limited liability and is owned as to 60.19% by Mr. Se and 39.81% by Mrs. Se   |
| “Executive”            | the Executive Director of the Corporate Finance Division of the SFC (or any delegate thereof)  |

|                       |   |
|-----------------------|---|
| “Financial Investors” | GP, LP1, LP2, LP3, LP4, LP5, LP6 and LP7, being members of the Consortium which provide the funding for the Proposal  |
| “Founders”            | Mr. Se and Mrs. Se, the founders of the Company   |
| “Freewings”           | Freewings Development Co., Ltd., a BVI business company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company  |
| “GF Capital”          | GF Capital (Hong Kong) Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror   |
| “GF Securities”       | GF Securities Co., Ltd. (廣發證券股份有限公司), a joint stock company established in the PRC with limited liability and whose shares are listed on the Shenzhen Stock Exchange (stock code: 000776) and the Stock Exchange (stock code: 1776) |
| “GF Xinde”            | GF Xinde Investment Management Co., Ltd.* (廣發信德投資管理有限公司), a company established in the PRC with limited liability and which is wholly-owned by GF Securities  |
| “GP”                  | Zhuhai Houjiang Consulting Service Co., Ltd.* (珠海厚疆諮詢服務有限責任公司), a company established in the PRC with limited liability and one of the Financial Investors  |
| “Grand Court”         | the Grand Court of the Cayman Islands   |
| “Group”               | the Company and its subsidiaries  |
| “HK\$”                | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC  |

|                                    |   |
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| “IBC”                              | the independent board committee of the Company established by the Board to make a recommendation to the Scheme Shareholders in respect of, among others, the Proposal, the Scheme, the Option Offer and the Rollover Arrangement  |
| “IFA”                              | Opus Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the IBC on, among others, the Proposal, the Scheme, the Option Offer and the Rollover Arrangement |
| “Independent Shareholders”         | Shareholders other than the Offeror and the relevant Offeror Concert Parties who hold Shares  |
| “Infore Holding”                   | Infore Holding Group Co., Ltd.* (盈峰控股集團有限公司), a company established in the PRC with limited liability   |
| “Irrevocable Option Undertakings”  | the irrevocable undertakings dated 27 July 2021 entered into by the Committed Optionholders in favour of the Offeror and the Company in respect of the Options held by them   |
| “Irrevocable Rollover Undertaking” | the irrevocable undertaking dated 27 July 2021 entered into by the Rollover Shareholder in favour of the Offeror and the Company in respect of the Shares held by the Rollover Shareholder  |
| “Kechuang Shunxing”                | Guangdong Shunde Kechuang Shunxing Tongxiang Equity Investment Limited Partnership* (廣東順德科創順星同享股權投資合夥企業(有限合夥)), a limited partnership fund established in the PRC   |
| “Last Accounting Date”             | 31 December 2020, being the date to which the latest published audited accounts of the Company were made up   |
| “Last Trading Date”                | 16 July 2021, being the last full trading day prior to the trading halt in the Shares pending the issue of this announcement  |

|                  |   |
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| “Listing Rules”  | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |
| “LLP”            | Shanghai Houcheng Enterprise Management Center Limited Partnership* (上海厚城企業管理中心(有限合夥)), a limited partnership enterprise established in the PRC and which wholly-own the Offeror  |
| “Long Stop Date” | 31 January 2022 (or such later date, if any, as: (i) the Offeror and the Company may agree in writing; or (ii) to the extent applicable, as the Grand Court may direct, and in all cases, as may be permitted by the Executive) |
| “LP1”            | GF Qianhe Investment Co., Ltd.* (廣發乾和投資有限公司), a company established in the PRC with limited liability and one of the Financial Investors  |
| “LP2”            | Guangdong Xindongneng Equity Investment Limited Partnership* (廣東新動能股權投資合夥企業(有限合夥)), a limited partnership fund established in the PRC and one of the Financial Investors  |
| “LP3”            | Zhuhai GF Xinde Houyue Equity Investment Limited Partnership* (珠海廣發信德厚粵股權投資合夥企業(有限合夥)), a limited partnership fund established in the PRC and one of the Financial Investors  |
| “LP4”            | Guangdong Fengyue Equity Investment Limited Partnership* (廣東峰悅股權投資合夥企業(有限合夥)), a limited partnership fund established in the PRC and one of the Financial Investors   |
| “LP5”            | Foshan Shunde Yingfeng Lingyi Gaoduanzhineng Equipment Industry Investment Fund Limited Partnership* (佛山市順德區盈峰零壹高端智能裝備產業投資基金合夥企業(有限合夥)), a limited partnership fund established in the PRC and one of the Financial Investors   |

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| “LP6”                 | Ningbo Meishan Free Trade Port Zone Yuehong Enterprise Management Consulting Limited Partnership* (寧波梅山保稅港區越弘企業管理諮詢合夥企業(有限合夥)), a limited partnership enterprise established in the PRC and one of the Financial Investors   |
| “LP7”                 | Zhoushan and Zhongxin Equity Investment Limited Partnership* (舟山和眾信股權投資合夥企業(有限合夥)), a limited partnership enterprise established in the PRC and one of the Financial Investors   |
| “LP8”                 | Foshan Shunde Dajia Property Management Company Limited* (佛山市順德區大嘉物業管理有限公司), a company established in the PRC with limited liability and which is indirectly wholly-owned by the Founders  |
| “Macau”               | the Macao Special Administrative Region of the PRC   |
| “Meeting Record Date” | the record date to be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM |
| “Midea Real Estate”   | Midea Real Estate Holding Limited (美的置業控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (stock code: 3990)   |
| “Mr. Liang”           | Mr. Liang Zhihua, a non-executive Director, the brother-in-law of Mr. Se and an Offeror Concert Party  |
| “Mr. Se”              | Mr. Se Hok Pan, an executive Director, the Chairman of the Board, the President of the Company and a director of the Offeror   |
| “Mr. She”             | Mr. She Jian Bin, an executive Director, the elder brother of Mr. Se and an Offeror Concert Party  |
| “Mrs. Se”             | Ms. Un Son I, an executive Director, the spouse of Mr. Se and a director of the Offeror  |
| “Ms. Se”              | Ms. Se Im Cheng, the elder sister of Mr. Se and an Offeror Concert Party   |

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| “NAV”                     | the audited consolidated net asset value attributable to equity shareholders of the Company  |
| “New Shares”              | the new Shares to be issued to the Offeror pursuant to the Scheme, the number of which is equal to the number of Scheme Shares to be cancelled   |
| “Ningbo Yingfeng”         | Ningbo Yingfeng Equity Investment Fund Management Co., Ltd.* (寧波盈峰股權投資基金管理有限公司), a company established in the PRC with limited liability and which is indirectly wholly-owned by Infore Holding  |
| “OCP Optionholders”       | Mr. Se, Mrs. Se, Mr. She and Mr. Liang, being Offeror Concert Parties who hold Options   |
| “OCPO Confirmations”      | the confirmations dated 27 July 2021 entered into by the OCP Optionholders in favour of the Offeror and the Company in respect of the Shares and Options (as the case may be) held by them   |
| “Offer Period”            | in respect of the Scheme, the period commencing on the Announcement Date and ending on the Effective Date (or, if earlier, the date on which the Scheme is withdrawn or lapses in accordance with its terms and the Takeovers Code)  |
| “Offeror”                 | New Modern Home Limited (新現代家居有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by LLP  |
| “Offeror Concert Parties” | parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (including the Founders, Freewings, LP8, Ever Grand, Mr. She, Mr. Liang, Weng Hou, Ms. Se, the Rollover Shareholder, LLP and each of the Financial Investors and their respective general partners, shareholders and limited partners (as applicable)) |
| “Offeror Directors”       | the directors of the Offeror   |

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| “Option Lapsing Date”       | the date as to be specified by the Company in the notice to be given to the Optionholders on which any unexercised Options will lapse   |
| “Option Offer”              | the offer to be made by or on behalf of the Offeror to the Optionholders (other than the OCP Optionholders) for the cancellation of the outstanding Options they hold, subject to the Scheme becoming unconditional                                       |
| “Option Offer Price”        | the price for cancellation of each Option, being the Cancellation Price minus the exercise price of the relevant Option   |
| “Optionholders”             | holders of the Options  |
| “Options”                   | the outstanding options granted under the Share Option Scheme   |
| “PRC”                       | the People’s Republic of China (but excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan)  |
| “Profit Alert”              | the profit alert concerning the results of the Group for the six months ended 30 June 2021  |
| “Profit Alert Announcement” | the announcement of the Company in respect of the Profit Alert dated 13 July 2021   |
| “Proposal”                  | the proposed privatisation of the Company by the Offeror by way of the Scheme and the Option Offer, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions as described in this announcement |
| “Reduction”                 | the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares  |
| “RMB”                       | Renminbi, the lawful currency of the PRC  |
| “Rollover Arrangement”      | the arrangement between the Offeror and the Rollover Shareholder under the Irrevocable Rollover Undertaking   |



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| “Rollover Shareholder” | DeHua TB New Decoration Material Co., Ltd. (德華兔寶寶裝飾新材股份有限公司), a joint stock company established in the PRC with limited liability and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002043)   |
| “Ruizhu Technology”    | Ruizhu Technology Co., Ltd.* (睿住科技有限公司), a company established in the PRC with limited liability and wholly-owned by Midea Real Estate  |
| “Scheme”               | a scheme of arrangement under Section 86 of the Companies Act involving, among other matters, the cancellation of all of the Scheme Shares and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares                  |
| “Scheme Document”      | the composite scheme document of the Company and the Offeror to be issued to all Shareholders containing, among other things, further details of the Proposal together with the additional information specified in the section headed “18. Despatch of the Scheme Document” in this announcement |
| “Scheme Record Date”   | the record date to be announced for determining participation under the Scheme  |
| “Scheme Shares”        | Shares other than those held by the Offeror and the Offeror Concert Parties   |
| “Scheme Shareholders”  | registered holders of Scheme Shares as at the Effective Date  |
| “Secured Liabilities”  | all obligations and liabilities at any time due, owing or incurred by any or all of the Founders, Freewings or LP 8 to the Offeror, LLP and the Financial Investors under or pursuant to the terms of the Consortium Agreement  |
| “SFC”                  | the Securities and Futures Commission of Hong Kong  |
| “SFO”                  | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)   |

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| “Shares”              | ordinary shares of par value US\$0.001 each in the share capital of the Company  |
| “Shareholders”        | holders of the Shares  |
| “Share Option Scheme” | the share option scheme of the Company adopted by the Company on 3 May 2011  |
| “Stock Exchange”      | The Stock Exchange of Hong Kong Limited  |
| “Takeovers Code”      | the Hong Kong Code on Takeovers and Mergers issued by the SFC  |
| “trading day”         | a day on which the Stock Exchange is open for the business of dealings in securities   |
| “Tranche A Shares”    | such number of New Shares equivalent to 8% of the New Shares   |
| “Tranche B Shares”    | such number of New Shares equivalent to the product of: (i) the number of New Shares; and (ii) the amount of capital contributed by LP8 to LLP as a percentage of the total amount of capital contributed to LLP |
| “Tranche C Shares”    | such number of New Shares equivalent to: (i) the number of New Shares; minus (ii) the total number of the Tranche A Shares and the Tranche B Shares  |
| “US”                  | the United States of America   |
| “US\$”                | United States dollars, the lawful currency of the US   |
| “Weng Hou”            | Weng Hou Investment Company Limited, a company incorporated in Macau with limited liability and an Offeror Concert Party   |
| “Yuecai Chanye”       | Guangdong Yuecai Chanye Investment Fund Limited Partnership* (廣東粵財產業投資基金合夥企業(有限合夥)), a limited partnership fund established in the PRC   |
| “%”                   | per cent. or percentage  |

\* *For identification purposes only*

*Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$1.20. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate.*

By order of the board of  
**New Modern Home Limited**  
新現代家居有限公司  
**Se Hok Pan**  
Director

By order of the board of  
**Nature Home Holding Company Limited**  
大自然家居控股有限公司  
**Lai Kwok Keung**  
Company Secretary

Hong Kong, 27 July 2021

*As at the Announcement Date, the directors of the Offeror are Mr. SE Hok Pan, Ms. UN Son I, Ms. WU Xiuting, Mr. LIU Yanjia and Mr. ZENG Jian.*

*The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the 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 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 of their statements in this announcement misleading.*

*As at the Announcement Date, the board of directors of the Company comprises Mr. SE Hok Pan, Ms. UN Son I and Mr. SHE Jian Bin as executive directors; Mr. TEOH Chun Ming and Mr. LIANG Zhihua as non-executive directors; Professor LI Kwok Cheung, Arthur, Mr. CHAN Siu Wing, Raymond and Mr. HO King Fung, Eric as independent non-executive directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Offeror and the Offeror Concert Parties), 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 Offeror) 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 of their statements in this announcement misleading.*