

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in doubt as to any aspect of this document, the Proposal or as to the actions to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying Proxy Forms to the purchaser or the transferee (or to the licensed securities dealer or other registered institution in securities or agent, through whom the sale or transfer was effected, for transmission to the purchaser or the transferee).

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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)**

**(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) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT  
AND**

**(3) PROPOSED WITHDRAWAL OF LISTING OF NATURE HOME HOLDING COMPANY LIMITED**

**Financial Adviser to the Offeror**



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



Unless the context requires otherwise, capitalised terms used in this document (including this cover page) have the same meaning as those defined in the section headed "Definitions" of this document.

The Board Letter is set out on pages 29 to 43 of this document. The IBC Letter, containing the IBC's advice and recommendation to the Independent Shareholders in respect of the Proposal and the Rollover Arrangement, is set out on pages 44 and 46 of this document. The IFA Letter, containing the IFA's advice and recommendation to the IBC in respect of the Proposal and the Rollover Arrangement, is set out on pages 47 to 90 of this document. The Explanatory Statement is set out on pages 91 to 123 of this document.

The actions to be taken by the Shareholders and the Optionholders are set out in the section headed "Actions to be taken" on pages 1 to 10 of this document.

Notices convening the Court Meeting to be held at 11:00 a.m. on Wednesday, 6 October 2021 and the EGM to be held at 12:00 noon on Wednesday, 6 October 2021 (or immediately after the conclusion or adjournment of the Court Meeting) are set out in Appendix V and Appendix VI to this document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** Proxy Form in respect of the Court Meeting and the enclosed **white** Proxy Form in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Company's branch share registrar in Hong Kong (being Computershare Hong Kong Investor Services Limited) at the Specified Address (being 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) as soon as possible, but in any event not later than the respective times and date as stated in the section headed "Actions to be Taken" on pages 1 to 10 of this document. If the **pink** Proxy Form is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting who will have absolute discretion as to whether or not to accept it.

This document is issued jointly by the Offeror and the Company. The English language texts of this document and the accompanying Proxy Forms will prevail over their respective Chinese texts for the purpose of interpretation.

14 September 2021

<b>IMPORTANT NOTICE</b>
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**PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM**

Please refer to the section headed “Actions to be Taken” of this document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting and the EGM, including: (i) compulsory body temperature checks; (ii) compulsory wearing of surgical face masks for each attendee; and (iii) no food or drinks will be served. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM.

Qualifying Shareholders and Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/its proxy to vote on the relevant resolutions at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

**NOTICE TO OVERSEAS INVESTORS**

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

It is the responsibility of any overseas holders of Scheme Shares 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.

**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 document (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.

## **IMPORTANT NOTICE**

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.

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## ACTIONS TO BE TAKEN

### ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purposes of determining the entitlements of the Qualifying Shareholders to attend and vote at the Court Meeting and Shareholders to attend and vote at the EGM, the Register will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021 (both days inclusive) and during such period, no transfers of Shares will be effected. In order to qualify to attend and vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at the Transfer Office (being Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) before 4:30 p.m. (Hong Kong time) on Wednesday, 29 September 2021.

The Register will be closed during such period for the purpose of determining the entitlements of the Qualifying Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. **This book closure period is not for determining entitlements under the Scheme.**

A **pink** Proxy Form for use at the Court Meeting and a **white** Proxy Form for use at the EGM are enclosed with copies of this document sent to Registered Owners. Subsequent purchasers of Scheme Shares will need to obtain the proxy forms from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the EGM.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a holder of Scheme Shares, we strongly urge you to complete and sign the enclosed **pink** Proxy Form in respect of the Court Meeting (and, if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** Proxy Form in respect of the EGM) in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at the Specified Address (being 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong). **The pink Proxy Form for use at the Court Meeting must be lodged not later than 11:00 a.m. (Hong Kong time) on Monday, 4 October 2021 or be handed to the chairman of the Court Meeting at the Court Meeting (who will have absolute discretion as to whether or not to accept it). The white Proxy Form for use at the EGM must be lodged not later than 12:00 noon (Hong Kong time) on Monday, 4 October 2021.** The completion and return of a Proxy Form for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned Proxy Form will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the resolutions are passed by the requisite majorities of the holders of the Scheme Shares or the holders of the Shares (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll.

## ACTIONS TO BE TAKEN

A dial-in will be provided to allow attendees of the Court Meeting and the EGM to attend the meetings by telephone. Qualifying Shareholders who wish to attend the Court Meeting and/or the EGM by telephone should contact the company secretary of the Company at (852) 2858 6786 or EGM2021@nature-cn.cn for registration by no later than 4:00 p.m. on Monday, 4 October 2021. Please note that **no Voting will be permitted by way of the telephone dial-in** and any person entitled to and seeking to vote at the Court Meeting or EGM must either attend and vote in person at the relevant meeting or appoint a proxy to vote on his behalf, in the manner described above.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM no later than 7:00 p.m. on Wednesday, 6 October 2021. If all the resolutions are passed at those meetings, the Company and the Offeror will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Grand Court (and, if the Scheme is sanctioned by the Grand Court, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange).

### ACTIONS TO BE TAKEN BY HOLDERS THROUGH TRUST

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM.

A Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint the Beneficial Owner as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into the Beneficial Owner's name (i.e. the Beneficial Owner becoming the Registered Owner of such Shares).

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of Proxy Forms in respect of the Court Meeting and the EGM (or, as applicable, the latest time for lodging transfers of Shares), in order to provide the Registered Owner with sufficient time to complete his Proxy Forms or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of Proxy Forms in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the

## **ACTIONS TO BE TAKEN**

requirements of such Registered Owner. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM will be in accordance with all relevant provisions in the memorandum and articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant Proxy Forms must be completed and signed by the Registered Owner and must be lodged in the manner (and before the latest time for lodging the relevant Proxy Forms) as more particularly set out in this document.

The completion and return of a Proxy Form for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting (or any adjournment thereof). In the event that the Registered Owner attends and votes at the relevant meeting (or any adjournment thereof) after having lodged his Proxy Forms, the returned Proxy Form will be revoked by operation of law.

### **ACTIONS TO BE TAKEN BY HOLDERS THROUGH CCASS**

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must, unless such Beneficial Owner is an Investor Participant:

- (a) contact his broker, custodian, nominee or other relevant person who is (or has in turn deposited such Shares with) an Other CCASS Participant regarding voting instructions to be given to such Other CCASS Participant if the Beneficial Owner wishes to vote at the Court Meeting and/or the EGM; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into the Beneficial Owner's name (i.e. the Beneficial Owner becoming the Registered Owner of such Shares), if the Beneficial Owner wishes to vote (in person or by proxy) at the Court Meeting and/or at the EGM.

The procedure for voting by Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees will be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time. Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless being an Investor Participant) contact his broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of Proxy Forms in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of such Beneficial Owner should be voted at the Court Meeting and/or the EGM.

For the purpose of voting at the Court Meeting, HKSCC Nominees will be permitted to vote for and/or against the Scheme in accordance with the instructions from CCASS Participants (including those admitted to participate as an Investor Participant) and the number of Shares so

## ACTIONS TO BE TAKEN

voted will be counted for the purpose of ascertaining whether or not the requirement that 75% in value of the Qualifying Shareholders voting in person or by proxy approve the Scheme under Section 86 of the Companies Act (the “**majority in value test**”) has been satisfied.

For the purpose of ascertaining whether or not the requirement that a majority in number of the Qualifying Shareholders voting in person or by proxy approve the Scheme under Section 86 of the Companies Act (the “**majority in number test**”) has been satisfied, in accordance with the direction from the Grand Court:

- (a) HKSCC Nominees will be treated as a representative of the CCASS Participants from whom it receives instructions (and will not have the power to vote on its own, absent instructions from the CCASS Participants, notwithstanding its status as a Registered Owner) and as a “multi-headed” shareholder such that, subject to sub-paragraphs (b) and (c) below, each of the CCASS Participants from whom voting instructions are received will be counted as a separate shareholder and the number of such CCASS Participants will determine the number of “heads” attributable to HKSCC Nominees.
- (b) Each Non-Investor Participant must inform HKSCC Nominees of the number of Shares which such Non-Investor Participant instructs HKSCC Nominees to vote in favour of the Scheme and/or the number of Shares which such Non-Investor Participant instructs HKSCC Nominees to vote against the Scheme. **For the purpose of the “majority in number test”, if such Non-Investor Participant has instructed HKSCC Nominees to vote both in favour and against the Scheme (and if HKSCC Nominees votes as instructed), such Non-Investor Participant will be treated as two “heads” attributable to HKSCC Nominees (with one head counted as a single shareholder voting in favour of the Scheme and one head counted as a single shareholder voting against the Scheme). If such Non-Investor Participant has instructed HKSCC Nominees to vote either in favour or against the Scheme (and if HKSCC Nominees votes as instructed), such Non-Investor Participant will be treated as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on the instructions of such Non-Investor Participant).**
- (c) Each Investor Participant will be entitled to instruct HKSCC Nominees to, in respect of all of its Shares, vote in favour of the Scheme, vote against the Scheme or abstain from voting (but not a combination of more than one of those options). If HKSCC Nominees receives such voting instructions from an Investor Participant and votes in accordance with those instructions, such Investor Participant will be treated as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on behalf of such Investor Participant).
- (d) Based on the counting methods set out above (i.e. both sub-paragraphs (b) and (c)), HKSCC Nominees will specify to the Company the following: (i) the aggregate number of “heads” that have provided voting instructions to HKSCC Nominees; (ii) the



## ACTIONS TO BE TAKEN

aggregate number of votes cast in favour of the Scheme and the number of Shares to which they relate; and (iii) the aggregate number of votes cast against the Scheme and the number of Shares to which they relate.

- (e) Each Non-Investor Participant must also inform HKSCC Nominees of the number of proxies that such Non-Investor Participant instructs and requests (or has instructed and requested) HKSCC Nominees to issue and the Shares in respect of which each proxy is to be (or has been) issued. HKSCC Nominees will specify to the Company the aggregate number of Non-Investor Participant Proxies issued by HKSCC Nominees upon the instructions and at the request of Non-Investor Participants (and the Shares to which each Non-Investor Participant Proxy relates). **Where a vote is cast by and pursuant to a Non-Investor Participant Proxy, no “head” will be attributed to HKSCC Nominees for the purpose of the “majority in number test”. For the avoidance of doubt, where the holder of a Non-Investor Participant Proxy votes at the Court Meeting, for the purpose of ascertaining whether or not the “majority in value test” has been satisfied, the number of Shares included in and covered by a Non-Investor Participant Proxy will be counted in the same manner as other Registered Owners voting in person or by proxy.**
- (f) Each Investor Participant will be entitled to instruct HKSCC Nominees to appoint not more than one Investor Participant Proxy in respect of all the Shares beneficially owned by such Investor Participant. Such Investor Participant Proxy will entitle its holder to vote in favour of the Scheme, vote against the Scheme or abstain from voting (but not a combination of more than one of those options). If the holder of such an Investor Participant Proxy is present and votes at the Court Meeting, so long as the holder, prior to the voting taking place at the Court Meeting: (i) brings to the attention of the Company that it is a proxy holder acting under the direction of an Investor Participant; and (ii) provides to the chairman of the Court Meeting the original or printout monthly statement issued by HKSCC Nominees/HKSCC to the relevant Investor Participant (showing the name and participant ID of the Investor Participant and the number of Shares held by such Investor Participant via CCASS for the month in which the date of the Court Meeting falls, or if that is not available, for the month immediately preceding the date of the Court Meeting) and/or other supporting evidence reasonably satisfactory to the chairman of the Court Meeting showing that it is duly appointed to represent such Investor Participant at the Court Meeting (“**Investor Participant Proof**”), it will be treated, for the purposes of the “majority in number test”, as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on behalf of such Investor Participant).

## ACTIONS TO BE TAKEN

- (g) Each of the Registered Owners will be permitted to vote (either in person or by proxy) in favour of the Scheme, against the Scheme or abstain from voting (but not a combination of more than one of those options). If such Registered Owner is present and casts its vote in the Court Meeting (whether in person or by proxy), such Registered Owner will be treated (for the purpose of the “majority in number test”) as one “head”.

For the avoidance of doubt, where a vote is cast by a proxy holder representing an Investor Participant who fails to provide to the chairman of the Court Meeting the Investor Participant Proof, no “head” will be attributed to HKSCC Nominees for the purpose of “majority in number test”, but for the purpose of ascertaining whether or not the “majority in value test” has been satisfied, the number of shares included in and covered by the vote of such proxy holder will be counted in the same manner as other Registered Owners voting in person or by proxy.

**If you are a Beneficial Owner whose Shares are deposited with a Non-Investor Participant, you should note that (where a vote is cast by and pursuant to a Non-Investor Participant Proxy) the number of Shares in respect of such a Non-Investor Participant Proxy will be counted for the purpose of ascertaining whether or not the “majority in value test” has been satisfied, but no “head” will be attributed to HKSCC Nominees for the purpose of the “majority in number test”.**

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a holder of Scheme Shares) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing all or any of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of Shares into your name so as to qualify to attend and vote at the Court Meeting and/or the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw Shares from CCASS and register them in your name.

### PETITION HEARING IN THE GRAND COURT

The Company has obtained directions from the Grand Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Court Meeting.

In accordance with sections 14 to 16 and section 86 of the Companies Act (as applicable), if the resolutions are approved at the Court Meeting and the EGM, the Company will seek a further hearing before the Grand Court to sanction the Scheme and confirm the Reduction. The Company and the Offeror cannot complete the Scheme and the Proposal without obtaining these approvals. The Company expects that the hearing will take place on or around Tuesday, 12 October 2021 (Cayman Islands time). At the hearing of the petition, the Grand Court will determine whether to

## ACTIONS TO BE TAKEN

exercise its discretion to sanction the Scheme. In doing so, the Grand Court will consider, among other things, whether all relevant notice periods were complied with and whether the Scheme was such that a reasonable member would have approved it. At the hearing of the petition, the Grand Court may impose such conditions as it deems appropriate in relation to the Scheme.

If the Grand Court sanctions the Scheme and if all of the other Conditions are fulfilled or waived (as applicable), the Company intends to file the court order sanctioning the Scheme with the Companies Registrar on Friday, 15 October 2021 (Cayman Islands time) or as otherwise directed by the Grand Court, at which time the Scheme will become effective in accordance with its terms.

### **PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM**

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees, the Company will firmly implement precautionary measures at the Court Meeting and the EGM, including:

1. compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and the EGM, and any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue;
2. each attendee will be required to wear a surgical face mask at all times within the venue;
3. no food or drinks will be served at the Court Meeting and the EGM; and
4. any person who: (a) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (b) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (c) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (d) has been in close contact with any person subject to (a), (b) or (c) above; or (e) has any flu-like symptoms, cannot attend the Court Meeting and the EGM.

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and the EGM. If you are in doubt as to whether you may be denied entry into (and/or may be required to leave) the venue of the Court Meeting and the EGM, you are encouraged to consider appointing a suitable person of your choice (or, failing which, the chairman of the Court Meeting and/or the EGM) as your proxy to vote on the relevant resolutions at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. The completion and return of a Proxy Form for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned Proxy Form will be deemed to have been revoked.

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The Company would like to further remind the Qualifying Shareholders and Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as its proxy to vote on the relevant resolutions at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

To be valid, the relevant Proxy Form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Share Registrar at the Specified Address not less than 48 hours before the time appointed for holding of the Court Meeting (i.e. not later than Monday, 4 October 2021 at 11:00 a.m. (Hong Kong time)) and/or the EGM (i.e. not later than Monday, 4 October 2021 at 12:00 noon (Hong Kong time)), as the case may be. If the **pink** Proxy Form with respect to the Court Meeting is not so lodged, it may also be handed to the chairman of the Court Meeting who will have absolute discretion as to whether or not to accept it.

Subject to the development of the COVID-19 situation and any directive that may be further issued by the Hong Kong Government, the Company may implement and/or adjust precautionary measures for the Court Meeting and/or the EGM at short notice as the public health situation changes, and may issue further announcements on such measures as and when appropriate. In any event, the Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the Court Meeting and/or the EGM.

### **ACTIONS TO BE TAKEN BY THE OPTIONHOLDERS**

The Option Offer Letter is being sent to each Optionholder, together with this document and a Form of Acceptance. If you are an Optionholder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Company at its principal office (being Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong), for the attention of the company secretary of the Company and marked “Nature Home Holding Company Limited — Option Offer”, by no later than 4:00 p.m. on Wednesday, 6 October 2021 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Options or any other document will be given.

The Option Offer Price will be payable in cash by the Offeror subject to the terms and conditions of your Options. In return, all rights and obligations under your Options will be immediately cancelled by the Offeror and the Company upon your acceptance. All Optionholders must lodge the duly completed and executed Form of Acceptance as mentioned above at or before 4:00 p.m. on Wednesday, 6 October 2021 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).

## **ACTIONS TO BE TAKEN**

The Option Offer will be extended to all Options in issue on the date on which the Option Offer is made (other than those held by the OCP Optionholders). **Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not so exercised by the Option Lapsing Time will lapse.**

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VII to this document.

### **EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A QUALIFYING SHAREHOLDER, A SHAREHOLDER OR A BENEFICIAL OWNER WHOSE SHARES ARE HELD IN THE NAME OF A REGISTERED OWNER, YOU ARE STRONGLY ENCOURAGED:**

- (a) IN THE CASE OF A QUALIFYING SHAREHOLDER OR A SHAREHOLDER — TO EXERCISE YOUR RIGHT TO VOTE AT THE COURT MEETING AND/OR THE EGM (IF APPLICABLE); OR**
- (b) IN THE CASE OF A BENEFICIAL OWNER — TO GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND/OR THE EGM (IF APPLICABLE).**

**IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, YOU ARE ENCOURAGED TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.**

**IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, YOU ARE STRONGLY ENCOURAGED TO WITHDRAW SOME OR ALL OF YOUR SHARES FROM CCASS AND BECOME A REGISTERED OWNER OF SUCH SHARES AND EXERCISE YOUR RIGHT TO VOTE (IN PERSON OR BY PROXY) AT THE COURT MEETING AND/OR THE EGM SUCH THAT YOU CAN BE COUNTED FOR THE PURPOSE OF ASCERTAINING WHETHER A “MAJORITY IN NUMBER” OF QUALIFYING SHAREHOLDERS HAVE APPROVED THE SCHEME AT THE COURT MEETING. IN RESPECT OF ANY SHARES OF WHICH YOU ARE THE BENEFICIAL OWNER AND/OR WHICH REMAIN IN CCASS, YOU ARE ENCOURAGED TO CONTACT YOUR BROKER, CUSTODIAN, NOMINEE OR OTHER RELEVANT PERSON WITHOUT DELAY REGARDING VOTING INSTRUCTIONS IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR THE EGM.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF ONE OR MORE BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE AND THE FACT THAT IF THEY WISH TO BE COUNTED INDIVIDUALLY IN**

<b>ACTIONS TO BE TAKEN</b>
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**THE CALCULATION OF THE “MAJORITY IN NUMBER” REQUIREMENT AT THE COURT MEETING, THEY SHOULD TRANSFER THEIR SHARES INTO THEIR OWN NAME.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

## DEFINITIONS

*In this document, 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” will be construed accordingly
“Announcement”	the announcement dated 27 July 2021, issued jointly by the Company and the Offeror in relation to the Proposal
“Announcement Date”	27 July 2021, being the date of the Announcement
“associate”	has the meaning given to it in the Takeovers Code
“AUM”	assets 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
“Beneficial Owner”	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner other than himself
“Board”	the board of Directors
“Board Letter”	the letter from the Board to the Shareholders, as set out in the section headed “Letter from the Board” on pages 29 to 43 of this document
“Business Day”	a day on which the Stock Exchange is open for the transaction of business, as defined in the Takeovers Code
“BVI”	the British Virgin Islands
“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

## DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participants”	a person admitted to participate in CCASS as a participant, including an Investor Participant and a Non-Investor Participant
“China”	the PRC (but excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan)
“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, supplemented or otherwise modified from time to time
“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 paragraph headed “3. Conditions of the Proposal” in the Explanatory Statement
“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



## DEFINITIONS

“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 Qualifying Shareholders (and, if applicable, any class of such holders) convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment of such meeting (notice of which is set out at Appendix V of this document)
“Directors”	the directors of the Company
“Effective Date”	the date on which the Scheme, if approved at the Court Meeting and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, being the date on which a copy of the order of the Grand Court sanctioning the Scheme and confirming the Reduction is delivered to the Companies Registrar for registration pursuant to section 86(3) of the Companies Act (assuming the Scheme 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) the Rollover Arrangement, the Reduction, the increase in the issued share capital of the Company and the implementation of the Proposal, or any adjournment of such meeting (notice of which is set out at Appendix VI of this document)
“Ever Grand”	Ever Grand Inc Limited, a company incorporated in Hong Kong with limited liability and which is owned as to 60.19% by Mr. Se and 39.81% by Mrs. Se
“Evergrande Acquisitions”	the acquisitions of the entire equity interest in 河南恒大大自然家居有限公司 (Henan Evergrande Nature Home Limited*) and 河南恒大大自然木業有限公司 (Henan Evergrande Nature Wood Industry Limited*) by Nature Home (China) Limited* (大自然家居(中國)有限公司), a wholly-owned subsidiary of the Company, from 河南恒大家居產業園有限公司 (Henan Evergrande Home Industrial Park Limited*) which were completed on 6 September 2021, details of which are set out in the paragraph headed “4. Material Change” in Appendix I to this document

## DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC (or any delegate thereof)
“Explanatory Statement”	the explanatory statement issued in compliance with the rules of the Grand Court, which is set out on pages 91 to 123 of this document
“Financial Investors”	GP, LP1, LP2, LP3, LP4, LP5, LP6 and LP7, being members of the Consortium which provide funding for the Proposal
“Form of Acceptance”	the form of acceptance despatched to the Optionholders (other than the OCP Optionholders) in connection with the Option Offer
“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 and any court capable of hearing appeals therefrom
“Grand Court Hearing”	the Grand Court’s hearing of the petition to sanction the Scheme and to confirm the Reduction
“Group”	the Company and its subsidiaries

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	the independent board committee of the Company established by the Board to give advice and recommendation to the Independent Shareholders in respect of the Proposal and the Rollover Arrangement
“IBC Letter”	the letter from the IBC to the Independent Shareholders, as set out in the section headed “Letter from the IBC” on pages 44 to 46 of this document
“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 give advice and recommendation to the IBC in respect of the Proposal and the Rollover Arrangement
“IFA Letter”	the letter from the IFA to the IBC, as set out in the section headed “Letter from the IFA” on pages 47 to 90 of this document
“Independent Shareholders”	the Shareholders other than the Offeror and the 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
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Investor Participant Proxy”	proxy appointed by HKSCC Nominees upon the instructions and at the request of an Investor Participant in respect of all the Shares beneficially owned by such Investor Participant for attending and voting at the Court Meeting and/or the EGM
“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

## DEFINITIONS

“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 suspension of trading in the Shares pending the issue of the Announcement
“Latest Practicable Date”	10 September 2021, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LLP”	Shanghai Houshing 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

## DEFINITIONS

“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
“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”	6 October 2021 (or such other date as may be announced to the Shareholders), being the record date for the purpose of determining the entitlement of the Qualifying 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)

## DEFINITIONS

“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
“NAV”	the consolidated net asset value attributable to equity shareholders extracted from the consolidated financial statements (or consolidated interim financial information, as applicable) 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
“Non-Investor Participant”	any CCASS Participant that is a financial intermediary
“Non-Investor Participant Proxy”	proxy appointed by HKSCC Nominees upon the instructions and at the request of a Non-Investor Participant for attending and voting at the Court Meeting and/or the EGM
“Notice of Court Meeting”	the notice of the Court Meeting as set out in Appendix V of this document
“Notice of EGM”	the notice of the EGM as set out in Appendix VI of this document
“OCP Optionholders”	Mr. Se, Mrs. Se, Mr. She and Mr. Liang, being Offeror Concert Parties who hold Options

## DEFINITIONS

“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” in 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
“Option Lapsing Time”	4:00 p.m. on 29 September 2021, being the time and date 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 Letter”	the letter dated 14 September 2021 setting out the terms and conditions of the Option Offer sent separately to the Optionholders and substantially in the form set out in Appendix VII to this document
“Option Offer Price”	the price for cancellation of each Option, being the Cancellation Price minus the exercise price of the relevant Option
“Option Record Date”	12 October 2021 (or such other date as may be notified to the Optionholders), being the record date for the purpose of determining the entitlements of the Optionholders to the Option Offer

## DEFINITIONS

“Optionholders”	holders of Options
“Options”	the outstanding options granted under the Share Option Scheme
“Other CCASS Participant”	any person admitted to participate in CCASS, including a Non-Investor Participant but excluding an Investor Participant
“Qualifying Shareholders”	registered holders of Scheme Shares as at the Meeting Record Date
“PRC”	the People’s Republic of China
“Property Disposal”	the disposal by the Group of a property located in Guangzhou City, Guangdong Province, the PRC (being property number 15 as set out in the Property Valuation Report) which was completed on 12 August 2021
“Property Valuation Report”	the property valuation report and certificate issued by the Property Valuer, as set out in Appendix II to this document
“Property Valuer”	Ravia Global Appraisal Advisory Limited, an independent professional property valuer
“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 document
“Proxy Forms”	the <b>pink</b> form of proxy in respect of the Court Meeting and the <b>white</b> form of proxy in respect of the EGM, which are enclosed with this document
“Reduction”	the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares
“Register”	the register of members of the Company
“Registered Owner”	any owner of Shares (including a nominee, trustee, depositary or any other authorised custodian or third party) entered in the Register



## DEFINITIONS

“Relevant Period”	the period commencing on 27 January 2021 (being the date falling six months prior to the Announcement Date, being the commencement of the Offer Period) and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholder under the Irrevocable Rollover Undertaking
“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 as set out in the section headed “Scheme of Arrangement” in Appendix IV of this document (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 Record Date”	15 October 2021 (or such other date as may be announced to the holders of Scheme Shares), being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price 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 Scheme Record Date
“Secured Liabilities”	all obligations and liabilities at any time due, owing or incurred by any or all of the Founders, Freewings or LP8 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

## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share Charge”	the share charge entered into between Freewings and the Offeror pursuant to which Freewings has charged 275,557,000 Shares (representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date) in favour of the Offeror as security trustee (for itself and on behalf of the Financial Investors)
“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s branch share registrar in Hong Kong
“Shares”	ordinary shares of par value US\$0.001 each in the share capital of the Company
“Shareholders”	holders of Shares
“Share Option Scheme”	the share option scheme of the Company adopted by the Company on 3 May 2011
“Specified Address”	the office of the Share Registrar (at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong) where Proxy Forms are to be lodged
“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 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

## DEFINITIONS

“Transfer Office”	the office of the Share Registrar (at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong) where transfers of Shares are to be lodged
“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 document, translations of RMB into HK\$ are made in this document, 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.

Unless the context otherwise requires, all references in this document to:

- (a) times and dates are references to Hong Kong times and dates, except as otherwise specified;
- (b) pronouns in masculine, feminine or neuter genders are to be construed to state and include any other gender; and
- (c) words, terms and titles in the singular form are to be construed to include the plural and vice versa.

References to the expected dates of the Grand Court Hearing and the Effective Date are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

## **DEFINITIONS**

All percentages stated in this document are approximations and certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This document is prepared in both English and Chinese. In the event of inconsistency, the English text will prevail.

## EXPECTED TIMETABLE

**Hong Kong time**  
(unless otherwise stated)

Date of despatch of this document ..... Tuesday, 14 September 2021

Date of despatch of the Option Offer Letter for the Option Offer .... Tuesday, 14 September 2021

Latest time for Optionholders to lodge notice of exercise  
of their Options in order: (i) to be entitled to attend and  
vote at the Court Meeting and the EGM; and (ii) to qualify  
for entitlements under the Scheme<sup>(Note 1)</sup> ..... 4:00 p.m. on  
Wednesday, 29 September 2021

Option Lapsing Time<sup>(Note 2)</sup> ..... 4:00 p.m. on  
Wednesday, 29 September 2021

Latest time for lodging transfers of Shares in order to  
qualify for entitlement to attend and vote at the  
Court Meeting and/or the EGM<sup>(Note 3)</sup> ..... 4:30 p.m. on  
Wednesday, 29 September 2021

Register closed for determination of entitlements of  
the Qualifying Shareholders to attend and  
vote at the Court Meeting and of Shareholders to  
attend and vote at the EGM<sup>(Note 4)</sup> ..... From Thursday, 30 September 2021 to  
Wednesday, 6 October 2021  
(both days inclusive)

Latest time for lodging Proxy Forms with the Share  
Registrar in respect of the:  
Court Meeting<sup>(Note 5)</sup> ..... 11:00 a.m. on  
Monday, 4 October 2021

EGM<sup>(Note 5)</sup> ..... 12:00 noon on  
Monday, 4 October 2021

Meeting Record Date ..... Wednesday, 6 October 2021

Court Meeting<sup>(Note 6)</sup> ..... 11:00 a.m. on  
Wednesday, 6 October 2021

EGM<sup>(Note 6)</sup> ..... 12:00 noon on  
Wednesday, 6 October 2021  
(or immediately after the conclusion or  
adjournment of the Court Meeting)

## EXPECTED TIMETABLE

Latest time to accept the Option Offer and the closing date of the Option Offer <sup>(Note 7)</sup> .....	4:00 p.m. on Wednesday, 6 October 2021
Announcement of the results of the Court Meeting and the EGM published on the website of the Stock Exchange and the website of the Company .....	no later than 7:00 p.m. on Wednesday, 6 October 2021
Announcement of the results of the Option Offer published on the website of the Stock Exchange and the website of the Company .....	no later than 7:00 p.m. on Wednesday, 6 October 2021
Expected latest time for trading in the Shares on the Stock Exchange .....	4:10 p.m. on Thursday, 7 October 2021
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme .....	4:30 p.m. on Tuesday, 12 October 2021
Option Record Date .....	Tuesday, 12 October 2021
Grand Court Hearing .....	Tuesday, 12 October 2021 (Cayman Islands time)
Register closed for determining entitlements to qualify under the Scheme <sup>(Note 8)</sup> .....	From Wednesday, 13 October 2021 onwards
Announcement of: (1) the results of the Grand Court Hearing; (2) the expected Effective Date; (3) the expected date of withdrawal of listing of Shares on the Stock Exchange; and (4) the Option Offer becoming unconditional, published on the website of the Stock Exchange and the website of the Company .....	Wednesday, 13 October 2021
Scheme Record Date .....	Friday, 15 October 2021
Effective Date <sup>(Note 9)</sup> .....	Friday, 15 October 2021 (Cayman Islands time)

## EXPECTED TIMETABLE

Announcement of the Effective Date and the withdrawal of the listing of the Shares published on the website of the Stock Exchange and the website of the Company..... by 8:30 a.m. on  
Monday, 18 October 2021

Withdrawal of the listing of the Shares on the Stock Exchange becomes effective <sup>(Note 10)</sup> ..... 4:00 p.m. on  
Tuesday, 19 October 2021

Latest time to despatch cheques for cash payment to the Scheme Shareholders under the Scheme <sup>(Note 11)</sup> ..... on or before  
Tuesday, 26 October 2021

Latest time to despatch cheques for cash payment to the Optionholders under the Option Offer <sup>(Note 12)</sup> ..... on or before  
Tuesday on 26 October 2021

**Shareholders and Optionholders should note that the above timetable is subject to change. Further announcements will be made in the event that there is any change.**

*Notes:*

- (1) A duly completed and executed notice of exercise of Options (in the form and manner prescribed under the Share Option Scheme) must be lodged by the relevant Optionholder with the Company at its principal office (being Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong), for the attention of the company secretary of the Company and marked “Nature Home Holding Company Limited — Exercise of Options”, by no later than the time and date stated above.
- (2) In accordance with the terms of the Share Option Scheme, all Options not yet exercised by the Option Lapsing Time will lapse.
- (3) The latest time for transmission to custodians or clearing house of voting instructions for the Court Meeting will vary depending on how Shares are held. Qualifying Shareholders are advised to contact their broker, custodian, nominee or other relevant person who is (or has, in turn, deposited such Shares with) an Other CCASS Participant **as soon as possible** regarding voting instructions to be given to such persons if the Qualifying Shareholders wish to vote at the Court Meeting and/or at the EGM. Please also refer to section headed “Actions to be Taken by Shareholders” in this document.
- (4) The Register will be closed during such period for the purpose of determining the entitlements of the Qualifying Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
- (5) The **pink** Proxy Form in respect of the Court Meeting and the **white** Proxy Form in respect of the EGM should be completed and signed in accordance with the instructions respectively printed on them and should be lodged with the Share Registrar at the Specified Address as soon as possible and in any event no later than the times and date stated above. In order to be valid, the **pink** Proxy Form for the Court Meeting and the **white** Proxy Form for the EGM must be lodged no later than the latest times and date stated above. Completion and return of the relevant Proxy Form for the Court Meeting or the EGM will not preclude a Qualifying Shareholder and a Shareholder,

## EXPECTED TIMETABLE

respectively, from attending the relevant meeting and voting in person. In such event, the returned Proxy Form will be deemed to have been revoked. If the **pink** Proxy Form is not so lodged, it may also be handed to the chairman of the Court Meeting at the Court Meeting who will have absolute discretion as to whether or not to accept it.

- (6) The Court Meeting and the EGM will be held at Thornton Room & Huthart Room I, 3/F, South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong at the times and date specified above. Please see the Notice of Court Meeting and the Notice of EGM for details.

In the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Wednesday, 6 October 2021, the Court Meeting and the EGM will be adjourned to Thursday, 7 October 2021 at 11:00 a.m. and 12:00 noon (or immediately after the Court Meeting has been concluded or adjourned) respectively, or at a time on an alternative day to be announced that falls within 14 days of the original date scheduled for the Court Meeting and the EGM.

The Company will post an announcement on the respective websites of the Stock Exchange and the Company (<http://www.nature-home.com.hk/>) to notify the Qualifying Shareholders and Shareholders (as the case may be) of the date, time and venue of the rescheduled meetings. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

You should make your own decision as to whether you would attend the Court Meeting and the EGM under bad weather conditions bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.

- (7) The duly completed and executed Form of Acceptance must be lodged by the Optionholders with the Company at its principal office (being Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong), for the attention of the company secretary of the Company and marked “Nature Home Holding Company Limited — Option Offer”, by no later than the time and date stated above (or such later date and time as may be notified to the Optionholders by or on behalf of the Offeror).
- (8) The Register will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
- (9) The Scheme will become effective upon all the Conditions having been fulfilled or waived (as applicable).
- (10) If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at the time and date stated above.
- (11) Cheques for payment of the Cancellation Price will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the Register at the Scheme Record Date within seven (7) Business Days from the Effective Date.
- (12) Cheques for payment of the Option Offer Price will be despatched by ordinary post at the risk of the recipients to the Optionholders at their respective last known addresses as notified by the Optionholders to the Company within seven (7) Business Days from the Effective Date.

All references to times and dates in this document are Hong Kong times and dates, unless otherwise stated.



LETTER FROM THE BOARD



**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)**

*Executive Directors:*

Mr. SE Hok Pan (*Chairman and President*)  
Ms. UN Son I  
Mr. SHE Jian Bin

*Non-executive Directors:*

Mr. LIANG Zhihua  
Mr. TEOH Chun Ming

*Independent non-executive Directors:*

Professor LI Kwok Cheung, Arthur  
Mr. CHAN Siu Wing, Raymond  
Mr. HO King Fung, Eric

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Suite 2601, 26/F  
Tower 2, The Gateway  
Harbour City, Tsim Sha Tsui  
Kowloon  
Hong Kong

14 September 2021

*To the Shareholders and the Optionholders*

Dear Sir or Madam,

**(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) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY**

## LETTER FROM THE BOARD

### 1. INTRODUCTION

Reference is made to the Announcement jointly issued by the Offeror and the Company in relation to the Proposal.

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 credit 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 Independent 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.

The purpose of this document is to provide you with further information regarding the Proposal and to give notices of the Court Meeting and the EGM.

Your attention is drawn to the following sections of this document: (i) the IBC Letter; (ii) the IFA Letter; (iii) the Explanatory Statement; (iv) the Notice of the Court Meeting; (v) the Notice of the EGM; and (vi) the Proxy Forms.

Particular attention of the Optionholders is also drawn to the Option Offer Letter and the Form of Acceptance.

### 2. TERMS OF THE PROPOSAL

#### Terms of the Scheme

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 Latest Practicable 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 Latest Practicable Date) any dividend, distribution and/or return of capital is announced, declared or

## LETTER FROM THE BOARD

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 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.**

Your attention is drawn to: (i) the paragraph headed “2. Terms of the Proposal — Comparison of Value” in the Explanatory Statement for a comparison of the Cancellation Price with the recent market prices and the NAV per Share; and (ii) the paragraph headed “2. Terms of the Proposal — Highest and Lowest prices” in the Explanatory Statement for the highest and lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period.

### **Option Offer**

As at the Latest Practicable 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. The Committed Optionholders have undertaken to accept the Option Offer in respect of the 36,000,000 Options held by them.

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</b> <i>(HK\$)</i>	<b>“See-through” price</b> <i>(HK\$)</i>	<b>Number of outstanding 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.

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by the Offeror 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 is conditional upon the Scheme becoming effective.

## LETTER FROM THE BOARD

Further information on the Option Offer is contained in the Option Offer Letter. 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.

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

Please refer to the paragraph headed “2. Terms of the Proposal — Option Offer” in the Explanatory Statement for further details of the Option Offer.

### **Total Consideration**

Assuming: (i) all Optionholders (other than the OCP Optionholders and the Committed Optionholders) exercise their outstanding Options to become holders of the Scheme Shares before the Scheme Record Date; and (ii) no other Shares are issued before the Scheme Record Date, 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.

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.

Please refer to the paragraph headed “2. Terms of the Proposal — Total Consideration” in the Explanatory Statement for further details of the total consideration of the Proposal.

### **Approval by Independent Shareholders**

Only Independent Shareholders as at the Meeting Record Date (who are also Qualifying Shareholders) will be entitled to attend and 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 other 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 Reduction to be applied in paying 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.

Please refer to the paragraph headed “2. Terms of the Proposal — Approval by Independent Shareholders” in the Explanatory Statement for further details of the approval requirements of Independent Shareholders.

## LETTER FROM THE BOARD

### 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 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.

Please refer to the paragraph headed “3. Conditions of the Proposal” in the Explanatory Statement for further details of the Conditions and related matters.

#### 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 dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.**

### 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 Latest Practicable Date.

Please refer to the paragraph headed “4. Rollover Arrangement — Information on the Rollover Shareholder” in the Explanatory Statement for further information on the Rollover Shareholder, the Irrevocable Rollover Undertaking and the special deal involving 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.

# LETTER FROM THE BOARD

Members of the Consortium	Amount of capital contributed (RMB)	Number of attributable New Shares <sup>(1)(2)</sup>	Approximate % of total issued share capital <sup>(1)(3)</sup>	Approximate % of total number of New Shares <sup>(1)(3)</sup>
Founders (through LP8) <sup>(4)</sup>	10,000,000	181,898,282	13.20	62.27
<b>Financial Investors</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	<u>730,355</u>	<u>0.05</u>	<u>0.25</u>
<b>Subtotal</b>		<b><u>110,222,718</u></b>	<b><u>8.00</u></b>	<b><u>37.73</u></b>
<b>Total</b>	<b>462,750,100</b>	<b><u>292,121,000</u></b>	<b><u>21.20</u></b>	<b><u>100.00</u></b>

*Notes:*

- (1) Assuming: (i) no Optionholder exercises his outstanding Options to become a holder of Scheme Shares before the Scheme Record Date; and (ii) no other Shares are issued 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 paragraph headed “6. The Consortium Agreement” in this Board Letter).
- (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 paragraph headed “12. Information on the Offeror and the Offeror Concert Parties — (b) LLP” of this Board Letter.

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.

## LETTER FROM THE BOARD

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 paragraph headed “6. The Consortium Agreement — (c) Allocations of New Shares” of this Board Letter.

### 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.

## LETTER FROM THE BOARD

- (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 outstanding Options to become a holder of Scheme Shares before the Scheme Record Date, the shareholding structure of the Company after the Effective Date will be as follows:

Shareholders	Number of Shares	Approximate % of total issued share capital <sup>(Note)</sup>
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.



## LETTER FROM THE BOARD

- (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 Latest Practicable Date) (the “**Charged Securities**”) in favour of the Offeror as security trustee (for itself and on behalf of the Financial Investors) pursuant to the Share Charge. 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 Share (plus a fixed rate return of 9% per annum accruing from the Contribution Date).

### 7. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,377,783,990 Shares in issue, and the Scheme Shares (comprising 292,121,000 Shares) represented approximately 21.20% of the issued share capital of the Company.

As at the Latest Practicable 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).

Your attention is drawn to the paragraph headed “7. Shareholding Structure of the Company” in the Explanatory Statement for further details.

### 8. 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 give advice and recommendation to the Independent Shareholders on the Proposal and the Rollover Arrangement. The advice and recommendation of the IBC as to whether the terms of the Proposal and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting and the EGM, is set out in the IBC Letter.

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 give advice and recommendation the IBC on (among others) the Proposal and the Rollover Arrangement. The appointment of Opus Capital Limited as the IFA has been approved by the IBC.

## LETTER FROM THE BOARD

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

The Independent Shareholders and the Optionholders are reminded to carefully read this document and the IFA Letter before making a decision.

### **9. 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. The trading liquidity of the Shares had been at a low level over a prolonged period of time. 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.

#### **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.

Your attention is drawn to the paragraph headed "9. Reasons for and Benefits of the Proposal" in the Explanatory Statement for further details.

### **10. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY**

After the Scheme and the withdrawal of the listing of the 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. As at the Latest Practicable Date, the Offeror had not undertaken any transactions for the purpose of the restructuring to achieve a listing in the PRC. The Offeror does not intend to undertake any such transactions before the Proposal is approved.

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.

The Board has noted the intentions of the Offeror in respect of the Company and the employees of the Group set out above.

## **LETTER FROM THE BOARD**

### **11. 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.

Your attention is drawn to: (i) the section headed “Financial Information on the Group” set out in Appendix I to this document; and (ii) the Property Valuation Report, for further information on the Company.

### **12. INFORMATION ON THE OFFEROR AND THE OFFEROR CONCERT PARTIES**

Your attention is drawn to the paragraph headed “12. Information on the Offeror and the Offeror Concert Parties” in the Explanatory Statement.

### **13. 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(2) of the Listing Rules, with effect from the date on which the Scheme becomes effective.

A detailed timetable of the Proposal and the Scheme has been included in the section headed “Expected Timetable” of this document, which also contains (among other things) further details of the Scheme. If the Scheme becomes effective, dealings in Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Thursday, 7 October 2021, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Tuesday, 19 October 2021. An announcement of the exact dates of the last day for dealing in Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective will be made by the Company and the Offeror.

The Company will be privatised by way of a scheme of arrangement under section 86 of the Companies Act, and it is the Company’s intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

### **14. 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. An announcement will be made by the Company and the Offeror in due course in such event.

## LETTER FROM THE BOARD

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. Given that the Proposal is recommended by the IBC and is recommended as fair and reasonable by the IFA, Rule 2.3 of the Takeovers Code is not applicable. 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 Shares or 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 adviser.**

### 15. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

It is the responsibility of any overseas holders of Scheme Shares 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.

Your attention is drawn to the paragraph headed “15. Overseas Shareholders and Optionholders” in the Explanatory Statement for further details.

### 16. TAXATION AND INDEPENDENT ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Holders of Scheme Shares 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.

Your attention is drawn to the paragraph headed “16. Taxation and independent advice” in the Explanatory Statement for further details.

## **17. THE SCHEME AND THE COURT MEETING**

Pursuant to section 86 of the Companies Act, where a compromise or an arrangement is proposed between a company and its members or any class of them, the Grand Court may (on the application of the company or any member of the company) order a meeting of the members of the company or class of members (as the case may be) to be summoned in such manner as the Grand Court directs.

It is expressly provided in section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members (as the case may be) present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any compromise or arrangement, the compromise or arrangement will (if sanctioned by the Grand Court) be binding on all members or class of members (as the case may be) and also on the Company.

## **18. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

### **Voting**

Qualifying Shareholders whose names appear on the Register as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purpose of the requirements of Cayman Islands law, provided that only votes of Independent Shareholders will be counted for the purpose of determining whether the requirements set out in the paragraph headed “18. Additional requirements imposed by Rule 2.10 of the Takeovers Code” in the Explanatory Statement are satisfied in accordance with the Takeovers Code.

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.

The EGM will be held immediately following the adjournment or conclusion of the Court Meeting. All Shareholders will be entitled to attend the EGM and vote on the special resolution approving and to give effect to: (i) the Reduction; and (ii) immediately thereafter by ordinary resolution to restore the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of New Shares as the number of Scheme Shares cancelled (and the application of the credit amount arising in the books of the Company as a result of the Reduction to be applied in paying 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. Only the Independent Shareholders will be entitled to vote on the ordinary resolution at the EGM to approve the Rollover Arrangement.

## LETTER FROM THE BOARD

### Results of the Court Meeting and the EGM

Assuming that the Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on or about Friday, 15 October 2021 (Cayman Islands time). Further announcements will be made to give details of the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings: (i) the results of the hearing of the petition for the sanction of the Scheme and the confirmation of the Reduction by the Grand Court; (ii) the Scheme Record Date; (iii) the Effective Date; and (iv) the date of withdrawal of the listing of the Shares on the Stock Exchange.

For further details of the Court Meeting and the EGM, your attention is drawn to the paragraph headed “22. Court Meeting and EGM” in the Explanatory Statement.

### 19. ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in the section headed “Actions to be Taken” in this document.

### 20. REGISTRATION AND PAYMENT

Your attention is drawn to the paragraph headed “21. Registration and Payment” in the Explanatory Statement.

### 21. RECOMMENDATIONS

The IBC, having considered the terms of the Proposal (which includes the Scheme and the Option Offer) and the Rollover Arrangement, and having taken into account the advice and recommendation of the IFA (in particular, the factors, reasons and recommendations as set out in the IFA Letter), considers that the terms of the Proposal and the Rollover Arrangement are fair and reasonable (so far as the Independent Shareholders are concerned) and the terms of the Option Offer are fair and reasonable (so far as the Optionholders are concerned).

Accordingly, the IBC recommends that:

- (i) the Independent Shareholders (who are also the Qualifying Shareholders) to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (ii) the Independent Shareholders (who are also the Qualifying Shareholders) to vote in favour of the ordinary resolution to approve the Rollover Arrangement at the EGM;
- (iii) the Shareholders to vote, at the EGM, in favour of: (i) the special resolution to approve and give effect to the Reduction; and (ii) the ordinary resolution to, simultaneously with the cancellation and extinguishment of the Scheme Shares, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by issuing the New Shares to the Offeror; and
- (iv) the Optionholders to accept the Option Offer.

## LETTER FROM THE BOARD

As stated in the paragraph headed “1. Introduction” in this Board Letter, Mr. Se, Mrs. Se, Mr. She and Mr. Liang (being Offeror Concert Parties) are interested in the Proposal, and therefore they will not join with the remainder of the Board (being members of the IBC) in the expression of their views regarding the terms of the Proposal.

Your attention is drawn to the advice and recommendation of the IBC and the IFA in respect of the Proposal and the Rollover Arrangement, as set out in the IBC Letter and the IFA Letter respectively.

### **22. FURTHER INFORMATION**

You are urged to read carefully: (i) the IBC Letter; (ii) the IFA Letter; (iii) the Explanatory Statement; (iv) the financial information on the Group set out in Appendix I to this document; (v) the Property Valuation Report; (vi) the general information set out in Appendix III to this document; (vii) the Scheme; (viii) the Notice of the Court Meeting; and (ix) the Notice of the EGM. In addition, the Proxy Forms are enclosed with copies of this document sent to Registered Owners.

Particular attention of the Optionholders is also drawn to the Option Offer Letter and the Form of Acceptance.

Yours faithfully  
for and on behalf of the Board of  
**Nature Home Holding Company Limited**  
**Lai Kwok Keung**  
*Company Secretary*



**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)**

14 September 2021

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**(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) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF THE COMPANY**

We refer to the document dated 14 September 2021 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the IBC to give advice and recommendation to the Independent Shareholders and the Optionholders in respect of the Proposal (which includes the Scheme and the Option Offer) and the Rollover Arrangement, details of which are set out in the Board Letter and the Explanatory Statement.

Opus Capital Limited has been appointed with our approval as the IFA to give advice and recommendation to us in respect of the Proposal and the Rollover Arrangement. Details of the advice from the IFA and the principal factors which the IFA has taken into consideration in arriving at its advice and recommendation are set out in the IFA Letter.



## LETTER FROM THE IBC

In the IFA Letter, the IFA states that it considers the terms of the Proposal and the Rollover Arrangement are fair and reasonable so far as the Independent Shareholders are concerned (and the terms of the Option Offer in totality are fair and reasonable as far as the Optionholders are concerned), and advises the IBC to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM to approve the Scheme and implement the Proposal (and at the EGM to approve the Rollover Arrangement) and to recommend the Optionholders to accept the Option Offer.

### **Recommendations**

The IBC, having considered the terms of the Proposal (which includes the Scheme and the Option Offer) and the Rollover Arrangement, and having taken into account the advice and recommendation of the IFA (in particular the factors, reasons and recommendations as set out in the IFA Letter), considers that the terms of the Proposal and the Rollover Arrangement are fair and reasonable (so far as the Independent Shareholders are concerned) and the terms of the Option Offer are fair and reasonable (so far as the Optionholders are concerned).

Accordingly, we recommend that:

- (i) the Independent Shareholders (who are also the Qualifying Shareholders) to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (ii) the Independent Shareholders (who are also the Qualifying Shareholders) to vote in favour of the ordinary resolution to approve the Rollover Arrangement at the EGM;
- (iii) the Shareholders to vote, at the EGM, in favour of: (i) the special resolution to approve and give effect to the Reduction; and (ii) the ordinary resolution to, simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in (i) above, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares (by an application of the credit amount arising in the books of the Company as a result of the Reduction to be applied in paying up in full at par such number of New Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror); and
- (iv) the Optionholders to accept the Option Offer.

## LETTER FROM THE IBC

The IBC draws the attention of the Independent Shareholders and the Optionholders to: (i) the Board Letter; (ii) the IFA Letter, which sets out the factors and reasons taken into account by the IFA in arriving at its advice and recommendation to the IBC; and (iii) the Explanatory Statement.

Yours faithfully,

**Independent Committee of the Board**

**Mr. TEOH Chun Ming**

*Non-executive Director*

**Professor LI Kwok Cheung, Arthur**

*Independent non-executive Director*

**Mr. CHAN Siu Wing, Raymond**

*Independent non-executive Director*

**Mr. HO King Fung, Eric**

*Independent non-executive Director*

## LETTER FROM THE IFA

*Set out below is the letter of advice from the IFA, Opus Capital Limited, to the IBC, in respect of the Proposal and the Rollover Arrangement, which has been prepared for the purpose of inclusion in the Scheme Document.*



18th Floor, Fung House  
19–20 Connaught Road Central  
Central, Hong Kong

14 September 2021

*To: The Independent Board Committee of Nature Home Holding Company Limited*

Dear Sirs,

**(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) SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING OF  
NATURE HOME HOLDING COMPANY LIMITED**

### INTRODUCTION

We refer to our appointment by the Company to give advice and recommendation to the IBC in connection with the Proposal and the Rollover Arrangement. Details of the Proposal and the Rollover Arrangement are set out in the letter from the Board to the Shareholders (the “**Letter from the Board**”) enclosed in the document dated 14 September 2021 jointly issued by the Company and the Offeror in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

Reference is made to the Announcement. 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, the share capital of the Company will (on the Effective Date, which is expected to be on or about Friday, 15 October 2021) 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

## LETTER FROM THE IFA

number of Scheme Shares cancelled. The credit 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).

The Offeror is making the Option Offer to the Optionholders (other than the OCP Optionholders) to cancel every Option they hold. The Option Offer will be conditional upon the Scheme becoming effective.

### THE INDEPENDENT BOARD COMMITTEE

The IBC, comprising one of the non-executive Directors, namely, Mr. Teoh Chun Ming, and all 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 in accordance with Rules 2.1 and 2.8 of the Takeovers Code to give advice and recommendation to the Independent Shareholders as to whether the terms of the Proposal and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting and the EGM. With our appointment as the IFA approved by the IBC, our role is to provide the IBC with an independent opinion and recommendation with respect to the same.

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.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice and we did not act as an independent financial adviser to other transactions of the Company in the last two years. Except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Proposal and the Rollover Arrangement, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, the Offeror Concert Parties or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the IBC in respect of the Proposal and the Rollover Arrangement pursuant to Rule 2.6 of the Takeovers Code.

## LETTER FROM THE IFA

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the IBC, we have reviewed, amongst other things:

- (i) the Announcement;
- (ii) the Company's interim results announcement for the six months ended 30 June ("1H") 2021 (the "**2021 Interim Results**");
- (iii) the Company's annual reports for the two years ended 31 December ("FY") 2019 (the "**2019 Annual Report**") and 2020 (the "**2020 Annual Report**");
- (iv) the Property Valuation Report; and
- (v) other information as set out in the Scheme Document.

We have also discussed with and reviewed the information provided to us by the Company, the Directors and the management of the Group (collectively, the "**Management**") regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Scheme Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Scheme Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any such statement contained in the Scheme Document misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

## LETTER FROM THE IFA

The Directors have jointly and severally accepted full responsibility for the accuracy of the information disclosed in the Scheme Document (including the relevant information concerning the Company provided by the Management and as set out in our letter) and confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts disclosed in the Scheme Document (including those relevant information concerning the Company as set out in our letter as provided by the Management), the omission of which would make any statement therein misleading.

This letter is issued to the IBC solely in connection with and for their consideration of the Proposal and the Rollover Arrangement, and except for its inclusion in the Scheme Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or rejecting the Proposal since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

### PRINCIPAL TERMS OF THE PROPOSAL AND THE ROLLOVER ARRANGEMENT

The terms set out below are summarised from the Explanatory Statement. Independent Shareholders are encouraged to read the Scheme Document and the appendices in full.

#### 1. Principal terms of the Scheme

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

#### 2. Option Offer

As at the Latest Practicable 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). Details of the number of Options held by each of the OCP Optionholders are set out under the section headed “Option Offer” in the Explanatory Statement.

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 they will not exercise any Options held by them 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 them.

## LETTER FROM THE IFA

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. Details of 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) are set out under the section headed “Option Offer” in the Letter from the Board and in the Explanatory Statement.

The Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by the Offeror 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 is conditional upon the Scheme becoming effective.

Further information on the Option Offer is contained in the Option Offer Letter. 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.

**If any Optionholder does not: (i) exercise his outstanding Options before the Option Lapsing Time (i.e. 4:00 p.m. on Wednesday, 29 September 2021) to become a holder of Scheme Shares before the Scheme Record Date in accordance with the rules of the Share Option Scheme and this document; or (ii) accept the Option Offer, his Options will lapse without any payment made to him. Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not so exercised by the Option Lapsing Time will lapse.**

For the analysis of the Option Offer, please refer to the paragraph headed “3. Analysis on the terms of the Option Offer” under the section headed “Principal Factors and Reasons Considered” below.

### **3. Total consideration**

As at the Latest Practicable Date, there were: (i) 1,377,783,990 Shares in issue, among which 1,085,662,990 Shares were held by the Offeror and the Offeror Concert Parties (representing approximately 78.80% of the issued share capital of the Company) 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 Latest Practicable 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).

Based on the Cancellation Price of HK\$1.70 per Scheme Share, the Company’s entire issued share capital under the Proposal is valued at approximately HK\$2,342.2 million (the “**Implied Market Value**”).

## LETTER FROM THE IFA

Assuming: (i) all Optionholders (other than the OCP Optionholders and the Committed Optionholders) exercise his outstanding Options to become holders of the Scheme Shares before the Scheme Record Date; and (ii) no other Shares are issued before the Scheme Record Date, the maximum amount of cash required for the Proposal (including the Scheme and the Option Offer) on the basis described above would be HK\$532,295,700.

### **4. Approvals**

Only Independent Shareholders as at the Meeting Record Date (who are also Qualifying Shareholders) will be entitled to attend and 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 other 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 Reduction to be applied in paying 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.

### **5. 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 Conditions, on or before the Long Stop Date (i.e. 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), failing which the Proposal and the Scheme will lapse.

One of the key Conditions requires the approval of the Scheme (by way of a poll) by a majority in number of Qualifying Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Qualifying 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 Qualifying 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 Qualifying 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.

Please refer to the paragraph headed “3. Conditions of the Proposal” in the Explanatory Statement for further details of the Conditions. As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.



## LETTER FROM THE IFA

### 6. 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 Latest Practicable Date.

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).

For the analysis of the Rollover Arrangement, please refer to the paragraph headed “4. Analysis on the Rollover Arrangement” under the section headed “Principal Factors and Reasons Considered” below.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation with regard to the Proposal and the Rollover Arrangement, we have taken into account the following principal factors and reasons:

### **1. Business information, financial performance and prospects of the Group**

#### **A. Business of the Group**

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 (the “**Flooring Products Business**”) and customised home decoration products (the “**Customised Home Decoration Products Business**”).

##### *Flooring Products Business*

The Flooring Products Business is larger of the two business segments of the Group, with revenue and gross profit contributions of well over 70% during FY2020.

As at 31 December 2020, the total number of flooring stores was 3,395 (31 December 2019: 3,484), of which, there were 3,297 “Nature” stores (31 December 2019: 3,295), and 98 foreign imported brand stores (31 December 2019: 189). Currently, the Group owns a total of 12 flooring plants, which are mainly engaged in the manufacturing of laminated floorings, engineered floorings and Stone Plastic Composite (“**SPC**”) floorings. The Group has extensive sales coverage across the PRC and is the major distributor working with various renowned overseas flooring brands in the PRC.

The Group’s flooring products under the “Nature” brand are manufactured by its self-owned production plants and through its exclusive authorised manufacturers. Such authorised manufacturers solely manufacture the Group’s branded flooring products and sell these products to the distributors within the Group’s distribution network in an exclusive and direct manner. The Group collects licensing fee income from floor products manufactured and sold by authorised manufacturers.

##### *Customised Home Decoration Products Business*

The customised home decoration products of the Group mainly comprise of wooden doors, wardrobes and cabinets. Generally, the Group manufactures the customised products based on the customers’ requirements upon receipt of purchase orders.

As at 31 December 2020, the number of the Group’s stores for wooden doors was 895 (31 December 2019: 647). The Group currently owns three wooden door production plants. As at 31 December 2020, the Group owned a total of 67 (31 December 2019: 90) wardrobe and cabinet stores. Currently, the Group has two production plants for wardrobe and cabinet production.

## LETTER FROM THE IFA

Similar to the Flooring Products Business, the Group has authorised its independent manufacturers to produce “Nature” brand customised home decoration products. These authorised manufacturers directly sell those customised home decoration products to the distributors within the distribution network of the Group, with trademarks and distribution network usage fees payable to the Group.

### **B. *Financial information of the Group***

Set forth below is a summary of the: (i) audited consolidated financial information of the Group for FY2018, FY2019 and FY2020 as extracted from the 2019 Annual Report and the 2020 Annual Report; and (ii) unaudited consolidated financial information for 1H2020 and 1H2021 as extracted from the 2021 Interim Results. Further details of the financial information of the Group are set out in Appendix I to the Scheme Document.

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**Table 1: Consolidated financial results of the Group**

	<b>1H2021</b>	<b>1H2020</b>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2018</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue					
<i>Flooring Products Business</i>	1,859,854	975,452	2,865,209	2,657,593	2,388,340
<i>Customised Home Decoration Products Business</i>	<u>471,510</u>	<u>429,060</u>	<u>1,066,223</u>	<u>769,193</u>	<u>529,676</u>
	<b><u>2,331,364</u></b>	<b><u>1,404,512</u></b>	<b><u>3,931,432</u></b>	<b><u>3,426,786</u></b>	<b><u>2,918,016</u></b>
Cost of sales	<u>(1,770,377)</u>	<u>(1,079,350)</u>	<u>(2,933,560)</u>	<u>(2,502,223)</u>	<u>(2,027,367)</u>
<b>Gross profit</b>	<b>560,987</b>	<b>325,162</b>	<b>997,872</b>	<b>924,563</b>	<b>890,649</b>
<i>Gross profit margin (%)</i>	<i>24.1</i>	<i>23.2</i>	<i>25.4</i>	<i>27.0</i>	<i>30.5</i>
Other income	29,790	17,613	41,108	91,820	25,425
Distribution costs	(247,945)	(176,076)	(472,306)	(379,781)	(368,037)
Administrative expenses	(146,030)	(127,074)	(292,781)	(265,427)	(301,545)
Research and development costs	(4,261)	(3,847)	—	—	—
Impairment loss on receivables	(61,699)	(27,106)	(98,752)	(52,508)	—
Other operating expenses	<u>(39,897)</u>	<u>(22,776)</u>	<u>(50,689)</u>	<u>(60,695)</u>	<u>(36,257)</u>
<b>Profit/(loss) from operations</b>	<b><u>90,945</u></b>	<b><u>(14,104)</u></b>	<b><u>124,452</u></b>	<b><u>257,972</u></b>	<b><u>210,235</u></b>
Finance income	26,340	25,812	35,022	19,695	56,030
Finance costs	<u>(40,553)</u>	<u>(41,091)</u>	<u>(127,119)</u>	<u>(66,680)</u>	<u>(83,373)</u>
<b>Net finance costs</b>	<b><u>(14,213)</u></b>	<b><u>(15,279)</u></b>	<b><u>(92,097)</u></b>	<b><u>(46,985)</u></b>	<b><u>(27,343)</u></b>
<b>Profit/(loss) before taxation</b>	<b>76,732</b>	<b>(29,383)</b>	<b>32,355</b>	<b>210,987</b>	<b>182,892</b>
Income tax expenses	<u>(29,198)</u>	<u>(4,822)</u>	<u>(18,137)</u>	<u>(57,044)</u>	<u>(37,845)</u>
<b>Profit/(loss) for the period/year</b>	<b><u>47,534</u></b>	<b><u>(34,205)</u></b>	<b><u>14,218</u></b>	<b><u>153,943</u></b>	<b><u>145,047</u></b>
<b>Profit/(loss) attributable to:</b>					
the Shareholders	49,274	(30,545)	17,899	162,120	156,785
Non-controlling interests	<u>(1,740)</u>	<u>(3,660)</u>	<u>(3,681)</u>	<u>(8,177)</u>	<u>(11,738)</u>
	<b><u>47,534</u></b>	<b><u>(34,205)</u></b>	<b><u>14,218</u></b>	<b><u>153,943</u></b>	<b><u>145,047</u></b>

*Sources: the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Results*

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### *FY2019*

The Group recorded a total revenue of approximately RMB3,426.8 million in FY2019, representing an increase of approximately RMB508.8 million or approximately 17.4% as compared to the total revenue of approximately RMB2,918.0 million in FY2018.

In FY2019, the revenue generated from the Flooring Products Business, which accounted for more than 75% of the total revenue of the Group, amounted to approximately RMB2,657.6 million, representing a year-on-year (“YoY”) increase of approximately 11.3% as compared to approximately RMB2,388.3 million in FY2018. Such an increase was attributable to the growth in the sales of self-produced flooring products. The revenue generated from the Customised Home Decoration Products Business, which accounted for more than 20% of the remaining total revenue of the Group, amounted to approximately RMB769.2 million in FY2019, representing a YoY increase of approximately 45.2% as compared to approximately RMB529.7 million in FY2018. Such a significant increase was attributable to the growth in the sales of home decoration products such as wooden door, wardrobes and cabinets products, which were mostly self-produced, to property developers as the Company had been actively capturing new orders from property developers on a project basis during FY2019.

Cost of sales of the Group increased from approximately RMB2,027.4 million in FY2018 to approximately RMB2,502.2 million in FY2019, representing an increase of approximately RMB474.8 million or approximately 23.4% which was in line with the abovementioned rise in the total revenue of the Group. During the year, the Group’s gross profit increased slightly by approximately 3.8% from approximately RMB890.6 million for FY2018 to approximately RMB924.6 million for FY2019. However, as the increase in cost of sales was more than the increase in revenue, the gross profit margin decreased from approximately 30.5% in FY2018 to approximately 27.0% in FY2019.

During FY2019, other income increased by approximately RMB66.4 million from approximately RMB25.4 million in FY2018 to approximately RMB91.8 million. The increase was mainly due to (i) a one-off bargain purchase gain of approximately RMB54.7 million (the “**Bargain Purchase Gain**”) resulted from acquisition of the entire issued share capital of Baltic Wood S.A., (“**Baltic**”), company based in the Republic of Poland which is principally engaged in manufacturing and sale of flooring products mainly in Europe and Asia utilising a three-layered engineered flooring plant; and (ii) dividends income of approximately RMB4.7 million from equity investments.

Distribution costs slightly increased from approximately RMB368.0 million in FY2018 to approximately RMB379.8 million for FY2019, representing an increase of approximately RMB11.8 million or approximately 3.2% which was primarily due to the net effect of: (i) the increase in decoration allowance to distributors, staff costs and transportation fees; and (ii) the decrease in advertising and promotion expenses, and travelling expenses.

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Administrative expenses slightly decreased from approximately RMB301.5 million in FY2018 to approximately RMB265.4 million in FY2019, representing a decrease of approximately RMB36.1 million or approximately 12.0% which was primarily due to the net effect of: (i) the increase in staff costs and loss allowance for receivables; and (ii) the decrease in entertainment and travelling expenses.

Resulting from the abovementioned increase in gross profit and the decrease in administrative expenses which was partially offset by the increase in distribution costs, the profit attributable to the Shareholders increased by 3.4% from approximately RMB156.8 million in FY2018 to approximately RMB162.1 million in FY2019.

### *FY2020*

During FY2020, the revenue of the Group amounted to approximately RMB3,931.4 million, representing an increase of approximately RMB504.6 million or 14.7% from approximately RMB3,426.8 million for FY2019. Such increase was mainly attributable to the increase in revenue from the Customised Home Decoration Products Business amounted to approximately RMB1,066.2 million, representing an increase of approximately RMB297.0 million or 38.6% as compared to approximately RMB769.2 million in FY2019 which was attributable to the net effect of: (i) the drop in sales of retail division due to the adverse effect brought about by the Pandemic on the retail market; and (ii) the increase in sales of project division which referred to the sales of customised home decoration products to property developers, as the property construction projects recovered in the second quarter of FY2020 amid the Pandemic. The divergence in financial performance noted between the retail division and the project division was mainly due to the community quarantine and lockdowns policies directed at the COVID-19 pandemic (the “**Pandemic**”) which limit the social interactions and heavily impacted the retail market throughout FY2020, while the property construction projects gradually resumed and performed strongly in the second quarter of FY2020 as these property projects were less affected by the aforesaid community quarantine and lockdowns policies. The revenue generated from the Flooring Products Business, which accounted for more than 70% of the total revenue of the Group, amounted to approximately RMB2,865.2 million in FY2020, representing a YoY increase of approximately 7.8% as compared to approximately RMB2,657.6 million in FY2019.

Cost of sales of the Group increased from approximately RMB2,502.2 million in FY2019 to approximately RMB2,933.6 million in FY2020, representing an increase of approximately RMB431.4 million or approximately 17.2% which was generally in line with the abovementioned rise in revenue during the year. The net effect of the abovementioned changes in revenue and cost of sales resulted in the Group’s gross profit increased by approximately 7.9% from approximately RMB924.6 million for FY2019 to approximately RMB997.9 million for FY2020. However, the gross profit margin further decreased from approximately 27.0% in FY2019 to approximately 25.4% in FY2020 given the increase in cost of sales outpaced the increase in revenue.

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During FY2020, other income decreased by approximately RMB50.7 million from approximately RMB91.8 million in FY2019 to approximately RMB41.1 million. The decrease was mainly due to no recurrence of the one-off Bargain Purchase Gain of approximately RMB54.7 million which were recorded in FY2019.

Distribution costs amounted to approximately RMB472.3 million for FY2020, representing an increase of approximately RMB92.5 million or approximately 24.4%, compared to approximately RMB379.8 million in FY2019. It was primarily due to the net effect of (i) the increase in staff costs, transportation fees and decoration allowance to distributors; and (ii) the decrease in advertising and promotion expenses, and sample costs. After our enquiry with the Management and as stated in the 2019 Annual Report and 2020 Annual Report, the main factor driving the increase in distribution costs in FY2020 was the increase in staff costs due to the increase in manpower resulted from: (i) additional staff costs of Baltic were incurred in FY2020 upon completion of the relevant acquisition in late FY2019; and (ii) due to the establishment of a new flooring plant and acquisition of two flooring plants in Cambodia in late FY2019, additional staff costs were incurred in FY2020.

Administrative expenses amounted to approximately RMB292.8 million for FY2020, representing an increase of approximately RMB27.4 million or approximately 10.3%, compared to approximately RMB265.4 million in FY2019. It was primarily due to the net effect of (i) the increase in staff costs; and (ii) the decrease in legal and consulting fees and research and development expenses.

Impairment loss on receivables increased from approximately RMB52.5 million in FY2019 to approximately RMB98.8 million in FY2020, representing an increase of approximately RMB46.3 million or approximately 88.2% which was primarily due to (i) the increase in impairment loss on deposits, prepayments and other receivables; and (ii) the increase in impairment loss on trade and bills receivables and contract assets. As stated in the 2020 Annual Report, the Group recognised impairment loss on deposits, prepayments and other receivables when debtors' ability of repayment was low and with no realistic prospects of recovery. Due to the impact of the Pandemic since early 2020, there has been an increasing number of debtors facing financial difficulties which resulted in the increase in impairment loss on deposits, prepayments and other receivables.

Finance costs amounted to approximately RMB127.1 million for FY2020, representing an increase of approximately RMB60.4 million or approximately 90.6%, compared to approximately RMB66.7 million in FY2019. It was mainly due to depreciation of foreign currencies against RMB and increase in bank loans.

Resulting from the abovementioned increase in distribution costs, administrative expenses, impairment loss on receivables and finance costs, the profit attributable to the Shareholders substantially decreased by approximately 89.0% from approximately RMB162.1 million in FY2019 to approximately RMB17.9 million in FY2020.

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### *1H2021*

Despite the great challenges from the external economic environment brought by the Pandemic in FY2020, the Chinese wood flooring industry and furniture manufacturing industry gradually recovered from the adverse impact of the Pandemic. During 1H2021, the revenue of the Group amounted to approximately RMB2,331.4 million, representing an increase of approximately RMB926.9 million or 66.0% from approximately RMB1,404.5 million for 1H2020 which was mainly attributable to the increase in revenue from Flooring Products Business amounted to approximately RMB1,859.9 million, representing a significant increase of approximately RMB884.4 million or 90.7% from approximately RMB975.5 million in 1H2020. The increase in revenue of the Flooring Products Business was mainly attributable to: (i) the resumption of retail business of flooring products to “pre-pandemic” level; and (ii) the sales contributions of the newly setup SPC flooring plant in Cambodia and the newly acquired engineered flooring plant in the PRC since the second half year of 2020. The revenue of the Flooring Products Business accounted for approximately 79.8% of the Group’s total revenue for 1H2021. The revenue generated from the Customised Home Decoration Products Business amounted approximately RMB471.5 million for 1H2021 as compared to approximately RMB429.1 million for 1H2020, representing an increase of approximately RMB42.4 million or 9.9%. Such an increase was mainly attributed to the retail business of home decoration products has generally returned to normal.

Cost of sales of the Group increased from approximately RMB1,079.4 million in 1H2020 to approximately RMB1,770.4 million in 1H2021, representing an increase of approximately RMB691.0 million or approximately 64.0% which was in line with the abovementioned rise in revenue during the year. Owing to the changes in revenue and cost of sales stated above, the Group’s gross profit increased by approximately 72.5% from approximately RMB325.2 million for 1H2020 to approximately RMB561.0 million for 1H2021.

Distribution costs was approximately RMB247.9 million for 1H2021, representing an increase of approximately RMB71.8 million or approximately 40.8%, compared to approximately RMB176.1 million in 1H2020. It was in line with the increase in revenue.

Administrative expenses was approximately RMB146.0 million for 1H2021, representing an increase of approximately RMB18.9 million or approximately 14.9%, compared to approximately RMB127.1 million in 1H2020. It was primarily due to the increase in staff costs.

Impairment loss on receivables was approximately RMB61.7 million for 1H2021, representing an increase of approximately RMB34.6 million or approximately 127.7%, compared to approximately RMB27.1 million in 1H2020. It was primarily due to the



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aforementioned increasing number of debtors facing financial difficulties in 1H2021 compared with 1H2020 which resulted in the increase in impairment loss on trade and bills receivables and contract assets.

Due to (i) the abovementioned increase in distribution costs, administrative expenses and impairment loss on receivables; (ii) the Pandemic coming under control in the PRC; and (iii) the business of the Group in the PRC has resumed to normal and the level before the outbreak of the Pandemic, the Group has turned around from a loss attributable to the Shareholders of approximately RMB30.5 million recorded in 1H2020 a profit attributable to the Shareholders of approximately RMB49.3 million recorded in 1H2021.

**Table 2: Consolidated financial position of the Group**

	<b>As at 30 June 2021 (Unaudited) RMB'000</b>	<b>As at 31 December 2020 (Audited) RMB'000</b>
<b>Non-current assets</b>		
Investment properties	201,345	221,572
Other property, plant and equipment	1,084,500	1,020,603
Right-of-use assets	208,464	211,056
Intangible assets	12,566	13,501
Goodwill	9,846	9,946
Interests in associates and joint venture	7,363	7,404
Equity investment designated at fair value through other comprehensive income	59,844	91,076
Deposits, prepayments and other receivables	129,614	52,473
Deferred tax assets	<u>125,843</u>	<u>111,321</u>
<b>Total non-current assets</b>	<u>1,839,385</u>	<u>1,738,952</u>
<b>Current assets</b>		
Inventories	918,904	811,387
Trade and bills receivables	2,214,604	2,145,942
Contract assets	250,340	251,296
Deposits, prepayments and other receivables	280,193	267,327
Financial assets measured at fair value through profit or loss	21,200	—
Restricted deposits	389,846	414,067
Cash and cash equivalents	<u>611,166</u>	<u>509,385</u>
<b>Total current assets</b>	<u>4,686,253</u>	<u>4,399,404</u>

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	As at 30 June 2021 <i>(Unaudited)</i> RMB'000	As at 31 December 2020 <i>(Audited)</i> RMB'000
<b>Current liabilities</b>		
Trade and bills payables	1,655,842	1,614,053
Contract liabilities	147,886	129,094
Deposits received, accruals and other payables	421,162	438,695
Bank and other loans	1,173,302	1,269,903
Lease liabilities	24,454	26,033
Current taxation	<u>54,352</u>	<u>23,354</u>
<b>Total current liabilities</b>	<u>3,476,998</u>	<u>3,501,132</u>
<b>Net current assets</b>	<u>1,209,255</u>	<u>898,272</u>
<b>Total assets less current liabilities</b>	<u>3,048,640</u>	<u>2,637,224</u>
<b>Non-current liabilities</b>		
Bank and other loans	426,712	167,288
Lease liabilities	21,199	27,612
Deferred Income	55,854	—
Deferred tax liabilities	<u>4,715</u>	<u>6,639</u>
<b>Total non-current liabilities</b>	<u>508,480</u>	<u>201,539</u>
<b>Net assets</b>	<u><u>2,540,160</u></u>	<u><u>2,435,685</u></u>
<b>Equity</b>		
Total equity attributable to the Shareholders		
Share capital	8,987	8,987
Reserves	<u>2,405,649</u>	<u>2,302,844</u>
	<u>2,414,636</u>	<u>2,311,831</u>
Non-controlling interests	<u>125,524</u>	<u>123,854</u>
<b>Total equity</b>	<u><u>2,540,160</u></u>	<u><u>2,435,685</u></u>

*Sources: the 2021 Interim Results*

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As disclosed in the 2021 Interim Results, the Group's non-current assets as at 30 June 2021 mainly consisted of other property, plant and equipment, investment properties and right-of-use assets which accounted for approximately 59.0%, 10.9% and 11.3% of the Group's non-current assets respectively. The Group's current assets as at 30 June 2021 mainly consisted of trade and bills receivables, inventories and cash and cash equivalents which accounted for approximately 47.3%, 19.6% and 13.0% of the Group's current assets respectively. The Group's non-current liabilities as at 30 June 2021 mainly consisted of bank and other loans which accounted for approximately 83.9% of the Group's non-current liabilities. The Group's current liabilities as at 30 June 2021 mainly consisted of trade and bills payables and bank and other loans which accounted for approximately 47.6% and 33.7% of the Group's current liabilities respectively.

### *Trade and bills receivables*

The trade and bills receivables accounted for approximately 33.9% of the total assets of the Group as at 30 June 2021 which was the largest asset balance of the Group. The trade and bills receivables increased slightly by approximately RMB68.7 million or 3.2% during 1H2021, from approximately RMB2,145.9 million as at 31 December 2020 to approximately RMB2,214.6 million as at 30 June 2021. As disclosed in the 2021 Interim Results, trade receivables of approximately RMB108.0 million was pledged to secure bank and other loans obtained by the Group as at 30 June 2021.

### *Receivable Recovery*

Independent Shareholders' attention are drawn to the 2021 Interim Results which disclosed that the Group had business dealings with the China Evergrande group and its subsidiaries ("**Evergrande**") which purchased flooring products from the Group and is currently the Group's largest customer. As at the Latest Practicable Date, Evergrande was not a Shareholder. As advised by the Management, as at 30 June 2021, the Group had net trade receivables from Evergrande amounted to approximately RMB662.0 million, of which (i) a net amount of approximately RMB60.1 million was overdue; (ii) a net amount of approximately RMB380.6 million would be due for payment in the second half of FY2021; and (iii) a net amount of approximately RMB221.3 million would be due for payment in the first half of FY2022. The Group had noted that there had been negative news in the market about Evergrande's deteriorating financial position and ability to repay. Therefore, the Group had been discussing with Evergrande on the repayment arrangement of the outstanding trade receivables (including the aforementioned overdue amounts) (the "**Receivable Recovery**") which had culminated in the Evergrande Acquisitions (as defined below) to offset part of the Group's outstanding trade receivables. Also, as part of the Receivable Recovery, the parties had been in discussion to explore the possibility to use Evergrande's residential properties units to offset part of the Group's outstanding trade receivables (including the aforementioned overdue amounts, although no definitive legal agreement had been entered into in this respect as at the Latest Practicable Date. As at the Latest Practicable

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Date, the Group was unable to determine whether Evergrande's future development may have a negative impact on the operating cashflow and financial position of the Group because any delay in the settlement of outstanding trade receivables from Evergrande may increase the provision for bad and doubtful debts and adversely affect the Group's operating cashflow and financial position.

On 16 August 2021, a wholly-owned subsidiary of the Company, 大自然家居(中國)有限公司(Nature Home (China) Limited\*) (**"Nature Home China"**), entered into two sale and purchase agreements (the **"Evergrande Agreements"**) with 河南恒大家居產業園有限公司 (Henan Evergrande Home Industrial Park Limited\*) (**"Henan Evergrande"**) and 深圳恒大材料設備有限公司 (Shenzhen Evergrande Materials Equipment Limited\*) (**"Shenzhen Evergrande"**), both being members of Evergrande, pursuant to which Nature Home China agreed to purchase, and Henan Evergrande agreed to sell, each of 40% of the entire equity interests in 河南恒大大自然家居有限公司 (Henan Evergrande Nature Home Limited\*) (**"JV A"**) and 河南恒大大自然木業有限公司 (Henan Evergrande Nature Wood Industry Limited\*) (**"JV B"**) (both JV A and JV B were held as to 60% by Nature Home China and 40% by Henan Evergrande as at the date of the Evergrande Agreements), respectively (the **"Evergrande Acquisitions"**) and completion of the Evergrande Acquisitions took place on 6 September 2021. As at the Latest Practicable Date, neither Henan Evergrande nor Shenzhen Evergrande was a Shareholder. The total aggregate consideration for the Evergrande Acquisitions was RMB80.0 million and was settled by way of the delivery of the non-interest bearing commercial bills in the amount of RMB80.0 million held by Nature Home China and issued by Shenzhen Evergrande in respect of outstanding trade receivables of the same amount owed by Shenzhen Evergrande to Nature Home China. Immediately prior to completion of the Evergrande Acquisitions, each of JV A and JV B were held as to 60% by Nature Home China and 40% by Henan Evergrande. Upon completion of the Evergrande Acquisitions, JV A and JV B became wholly-owned subsidiaries of the Group and Henan Evergrande ceased to be a shareholder of both JV A and JV B. Based on the unaudited management accounts of JV A and JV B, the total net asset value of JV A and JV B as at 30 June 2021 was approximately RMB197,958,000. Save for: (i) an increase of the consolidated net asset value attributable to the Shareholders in the amount of approximately RMB5,645,000 (equivalent to approximately HK\$6,774,000) owing to a fair value revaluation surplus of the corresponding equity interests of JV A and JV B as a result of the Evergrande Acquisitions; and (ii) a reduction of the minority interests held by Henan Evergrande in the amount of RMB80 million, being the total consideration for the Evergrande Acquisitions, the same amount of which was used to offset the corresponding outstanding trade receivables as a result of the Evergrande Acquisitions, the Evergrande Acquisitions had no financial impact on the Group.

We enquired and were told by the Management that should there be any major changes to the current status of the Receivable Recovery which will have a material impact on the Group, the Company will release further announcement(s) in compliance

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with Rule 9.1 of the Takeovers Code as and when appropriate. Given the current status of the Receivable Recovery, we are of the view that it casts uncertainty on the Group's financial position and puts pressure on the Group's operating cashflow.

### *Other property, plant and equipment*

The other property, plant and equipment of the Group (“**PPE**”) which principally includes land, buildings and plant, machinery and equipment and construction in progress accounted for approximately 16.6% of the total assets of the Group as at 30 June 2021 and was the second largest portion of the total assets of the Group. Other PPE increased slightly by approximately RMB63.9 million or 6.3% during 1H2021, from approximately RMB1,020.6 million as at 31 December 2020 to approximately RMB1,084.5 million as at 30 June 2021.

### *Investment properties*

The investment properties of the Group, which amounted to approximately RMB201.3 million as at 30 June 2021, mainly consisted of the land use rights and certain buildings (classified as investment properties) in the PRC, Cambodia and Poland leased out by the Group under operating leases.

### *Cash balance*

The Group had cash balance (including restricted deposits and cash and cash equivalents) of approximately RMB1,001.0 million as at 30 June 2021, representing an increase of approximately 8.4% from that as at 31 December 2020.

### *Trade and bills payables*

The trade and bills payables accounted for approximately 41.5% and 43.6% of the total liabilities of the Group as at 30 June 2021 and 31 December 2020 respectively which was the most significant portion of the current liabilities of the Group. The trade and bills payables increased slightly by approximately RMB41.7 million or 2.6% during 1H2021, from approximately RMB1,614.1 million as at 31 December 2020 to approximately RMB1,655.8 million as at 30 June 2021.

### *Bank and other loans*

The bank and other loans of the Group (the “**Borrowings**”) amounted to approximately RMB1,600.0 million represented approximately 40.1% of the total liabilities of the Group as at 30 June 2021 which increased from approximately RMB1,437.2 million as at 31 December 2020, representing a rise of approximately 11.3%. As at 30 June 2021, the Borrowings of the Group repayable within one year amounted to approximately RMB1,173.3 million, representing approximately 73.3% of the Borrowings. As advised by the Management, as at 30 June 2021, the Group has secured bank and other loans amounting to approximately RMB1,073.5 million,

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representing more than 60% of the bank and other loans, of which (i) approximately RMB106.8 million of secured bank loans were secured by assets of the Group and guaranteed by certain joint venture partners on the joint and several guarantees; (ii) approximately RMB162.5 million of secured bank loans were secured by 100% equity interests of subsidiaries; (iii) approximately RMB794.2 million were solely secured by assets of the Group; and approximately RMB9.9 million of secured loans were secured by a property owned by the ultimate controlling shareholder of the Company.

### *NAV attributable to the Shareholders*

The net asset value (“NAV”) attributable to the Shareholders increased slightly by approximately RMB102.8 million or 4.4%, from approximately RMB2,311.8 million as at 31 December 2020 to approximately RMB2,414.6 million as at 30 June 2021.

### *Valuation on the property interests of the Group*

The valuation of the Group’s property interests (including but not limited to, interests in land and buildings held by the Group) (collectively, the “**Properties**”) as at 30 June 2021 have been conducted by the Property Valuer. The Property Valuation Report (including the certificates of the Properties) are enclosed in Appendix II to the Scheme Document. According to the Property Valuation Report, the total market value in existing states of the Properties attributable to the Group was approximately RMB1,260.2 million as at 30 June 2021 (the “**Valuation**”).

We have reviewed the Property Valuation Report and discussed with the Property Valuer the methodology, bases and assumptions adopted in the Valuation and the adjustments made to arrive at the Valuation. We noted that the Property Valuer has adopted: (i) the combination of the depreciated replacement costs (“**DRC**”) approach for valuing building portion of all the industrial properties of the Properties (the “**Industrial Properties**”) and the direct comparison approach for valuing the land portion of all the Industrial Properties; and (ii) the direct comparison approach for valuing all the Properties other than the Industrial Properties. As disclosed in the Property Valuation Report, the Industrial Properties were valued by the DRC approach due to the specific purpose for which most of the buildings and structures of the Industrial Properties have been constructed, there are no readily identifiable market comparables under the direct comparison approach. The DRC approach is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimisation and the direct comparison approach is based on the assumption that the Properties will be sold in their existing states and by making reference to recent publicly available market sales transactions of comparable properties in the market (the “**Property Comparables**”). According to the Property Valuer, recent market sales evidences with features similar to the Properties (other than the Industrial Properties) are generally available.

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After our discussion with the Property Valuer and our review of the Property Valuation Report, we understand that the information of recent market transactions of sales of comparable properties was derived from the sales of comparable properties located in the areas nearby to the subject properties and completed in 2020 and 2021. Based on our discussion with the Property Valuer and our review of the working paper of the Valuation, we understand that: (i) the Properties valued by the direct comparison approach were valued by making reference to the price per square metre of two Property Comparables and was then adjusted by the location and size of the Property Comparables; (ii) the land portion of the Industrial Properties was valued by the direct comparison approach which were valued by making reference to the price per square metre of two Property Comparables and was then adjusted by the location and size of the Property Comparables; and (iii) the building portion of the Industrial Properties was valued by the DRC approach by making reference to the historical construction cost and the latest construction cost in Hong Kong and major cities in the PRC published by Rider Levett Bucknall, an independent global construction and property consultancy company established in late 1700's.

The above valuation methodologies are, in our opinion, commonly used and reasonable approaches in establishing the respective market values of the Properties.

Further to the above, in compliance with the requirements under note (1)(d) to Rule 13.80 of the Listing Rules, we have assessed the qualifications and experience of the responsible person of the Property Valuer for its engagement as the independent valuer for the Valuation. We note that Dr. Alan Lee, the responsible person in charge of the Valuation, is, among others, a member of Hong Kong Institute of Surveyors, who has over 16 years of experience in the valuations of properties of similar types and nature. After our enquiry, we understand that the Property Valuer did not provide any valuation services to the Company prior to the current engagement. We have confirmed with the Property Valuer that it has no other relationship with the Company which may render the Property Valuer not independent and we are satisfied that the Property Valuer is independent from the Company. Furthermore, the Property Valuer also confirmed that it is independent from the Offeror. In addition, we have also reviewed the Property Valuer's terms of engagement and noted that the scope of work is appropriate for arriving at the opinion in the Valuation. Nothing has come to our attention that the Company has made any formal or informal representation to the Property Valuer that contravenes our understanding of the Valuation. The Property Valuer has also confirmed that the Valuation has been prepared in accordance with The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and are in compliance with the Listing Rules and the Takeovers Code.

### *Adjusted NAV*

In evaluating the Proposal, we have taken into account the adjusted unaudited consolidated NAV (the "**Adjusted NAV**") attributable to the Shareholders, which is provided by the Company and calculated based on the unaudited consolidated NAV as at 30 June 2021, adjusted with reference to the Valuation as at 30 June 2021. Details of the adjustments are set out in the table below.



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**Table 3: Calculation of the Adjusted NAV attributable to the Shareholders**

	<i>RMB'000</i>
Unaudited consolidated NAV attributable to the Shareholders as at 30 June 2021	2,414,636
<i>Adjustments:</i>	
Add — Revaluation surplus arising from the Valuation <i>(Note 1)</i>	211,288
Minus — Estimated deferred tax associated with the revaluation surplus	
— Land appreciation tax <i>(Note 2)</i>	60,484
— Corporate income tax <i>(Note 3)</i>	<u>36,501</u>
Adjusted NAV attributable to the Shareholders	<u>2,528,939</u>
Adjusted NAV attributable to the Shareholders per Share (RMB) <i>(Note 4)</i>	1.84
Adjusted NAV attributable to the Shareholders per Share (HK\$) <i>(Note 5)</i>	2.21
Cancellation Price per Scheme Share (HK\$)	1.70
Discount represented by the Offer Price to the Adjusted NAV attributable to the Shareholders per Share	23.1%

*Notes:*

- Represents the revaluation surplus arising from the excess of the market value of the property interests held by the Group in existing state of approximately RMB1,260.2 million as at 30 June 2021, as appraised by the Property Valuer, over their corresponding book value of approximately HK\$987.7 million as at 30 June 2021. The revaluation surplus attributable to the Shareholders amounted to approximately RMB211.3 million is calculated by taking into consideration of the corresponding property interest of the Properties attributable to the Shareholders.
- Represents the estimated deferred tax on the land appreciation tax with progressive applicable tax rates applied to the Properties located in the PRC.
- Represents the estimated deferred tax on the temporary differences between the market values of the property interests and the corresponding tax base used in computation of taxable profit net of the land appreciation tax. Deferred tax is calculated at tax rate of 25%, 20% and 19% for the PRC, Cambodia and Poland corporate income tax respectively.
- Based on 1,377,783,990 Shares in issue as at the Latest Practicable Date.
- Based on the exchange rate of HK\$1.20: RMB1 as published by the State Administration of Foreign Exchange (the “SAFE”) on its website as of 30 June 2021 for illustration purposes.



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As set out in the above table, the Cancellation Price of HK\$1.70 per Scheme Share represents a discount of approximately 23.1% to the Adjusted NAV attributable to the Shareholders per Share of approximately RMB1.84 (equivalent to approximately HK\$2.21).

The appreciation in value of the Properties represented by the Valuation as shown above was mainly attributable to the fact that most of the Properties have been stated at cost in the consolidated financial statements of the Group since their respective acquisitions in accordance with the accounting policy adopted by the Group. We also note that all of the Properties since their acquisitions have been and are currently occupied by the Group as its own production bases or office except those investment properties leased out by the Group under operating leases.

### C. *Industry overview*

#### (i) *Wood flooring industry*

The Chinese wood flooring industry, which is closely related to the Flooring Products Business, has experienced slight growth in recent years as evidenced by the data available from 中國林產工業協會 (The China National Forest Products Industry Association\*) (the “CNFPIA”), a non-profit making and national first-tier association founded in 1988, registered with 中華人民共和國民政部 (The Ministry of Civil Affairs of the PRC\*) and guided by 國家林業和草原局 (The National Forestry and Grassland Administration\*). According to the data available from the CNFPIA, the annual revenue in terms of square metres (“sq. m.”) of wood flooring its corresponding YoY growth rates from 2014 to 2020 are as below:

**Table 4: Chinese wood flooring industry — annual revenue of enterprises above designated scale from 2014 to 2020<sup>Note</sup>**

Year	2014	2015	2016	2017	2018	2019	2020
<b>Annual revenue</b>							
(million sq. m.)	388.7	384.2	392.9	415.2	417.6	424.6	411.7
<b>YoY growth</b>	N/A	(1.2)%	2.3%	5.7%	0.6%	1.7%	(3.0)%

Source: the CNFPIA

Note: According to 國家統計局 (The National Bureau of Statistics\*) (the “NBS”), enterprises above designated scale refers to enterprises with annual revenue of RMB20 million or above.

As shown in the table above, the annual revenue of enterprises above designated scale of the Chinese wood flooring industry (the “**Annual Wood Flooring Sales**”) increased slightly from approximately 388.7 million sq. m. in 2014 to approximately 411.7 million sq. m. in 2020, representing a compound annual growth rate (“**CAGR**”) of less than 1.0%. The Annual Wood Flooring Sales recorded a slight decrease in 2015 of

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approximately 1.2% and experienced slight increases in 2016 and 2017 of approximately 2.3% and 5.7% respectively. However, such slight increase slowed down to minimal in 2018 and 2019 of approximately 0.6% and 1.7% respectively. In early 2020, the industry was hit by the outbreak of the Pandemic with the PRC government having implemented a series of social distancing measures, travel restrictions, community quarantine and lockdowns in provinces and cities across the country. The residential property sales in the PRC during 2020 was adversely affected by the Pandemic which in turn reduced the demand for wood flooring. In 2020, the Annual Wood Flooring Sales decreased by approximately 3.0%, the relevant sales volume was comparably less than that of 2017.

### (ii) *Furniture manufacturing industry*

The Chinese furniture manufacturing industry is closely related to the Customised Home Decoration Products Business. As shown in the data published by the NBS, a significant slow-down in the Chinese furniture manufacturing industry was observed in recent years.

According to the data published by the NBS, the annual revenue of furniture for enterprises above designated scale the Chinese furniture manufacturing industry (the “**Annual Furniture Sales**”) and its corresponding YoY growth rates from 2014 to 2020 are as below:

**Table 5: Chinese furniture manufacturing industry — annual revenue of enterprises above designated scale from 2014 to 2020<sup>Note</sup>**

Year	2014	2015	2016	2017	2018	2019	2020
<b>Annual revenue</b>							
<b>(RMB billion)</b>	718.7	787.3	856.0	911.3	708.2	711.7	687.5
<b>YoY growth</b>	N/A	9.6%	8.7%	6.5%	(22.3)%	0.5%	(3.4)%

*Source: the NBS*

*Note:* According to the NBS, enterprises above designated scale refers to enterprises with annual revenue of RMB20 million or above.

As shown in the above table, the Annual Furniture Sales decreased slightly from approximately RMB718.7 billion in 2014 to approximately RMB687.5 billion in 2020, representing a negative CAGR of approximately 0.7%. The Annual Furniture Sales showed an increasing trend from 2014 which amounted to approximately RMB718.7 billion to 2017 which amounted to approximately RMB911.3 billion. It is noted that the Annual Furniture Sales decreased significantly from approximately RMB911.3 billion in 2017 to approximately RMB708.2 billion in 2018, representing a YoY decrease of approximately 22.3%. This was mainly due to the fact that the Chinese furniture manufacturing industry was highly dependent on the performance of the Chinese real estate market. In 2018, owing to the intensifying policy stance against property market

speculation along came a collection of tightened housing policies with a central theme championed by the PRC Government that “houses are for living in, not for speculation” (the “**2018 Housing Policies**”), the demand for residential properties curbed significantly which, in turn, reduced the demand for furniture. Although the Annual Furniture Sales in 2019 remained stable compared to 2018, it continued to slide to approximately RMB687.5 billion in 2020 owing to the outbreak of the Pandemic.

**D. *Prospects of the Group***

As noted from the above, the two segments in which the Group operate have been slowing down in recent years even before the outbreak of the Pandemic and the outbreak of the Pandemic simply posed further challenges to the development and recovery of the two industries. Although the Pandemic in the PRC did begin to slow down, mutated cases were reported recently. It is expected that the challenges posed by the Pandemic on both the wood flooring industry and the Chinese furniture manufacturing industry is likely to remain for a period of time until there is a significant improvement in the Pandemic situation. Although the Group will continue to operate with a client-centric approach and provide customers with valuable and advanced products and services as stated in the 2020 Annual Report, it is relatively unlikely that the wood flooring industry and the Chinese furniture manufacturing industry will be fully recovered within a short period of time.

As disclosed in the 2021 Interim Results, in the second half of 2021, there are still many uncertainties about global and Chinese economies, such as the recurrence of the Pandemic around the world and the tightened regulation policies on the Chinese real estate market by way of a collection of the 2018 Housing Policies across the country where among other tightening measures, Chinese cities were inspected for real estate irregularities, local governments expanded their restrictions on house purchases and increased the minimum down-payment required for a mortgages. Despite the Group’s business in the PRC has recovered to the pre-pandemic level during 1H2021, the Customised Home Decoration Products Business in the PRC still face difficult market conditions in the second half of 2021 due to the continuation of the aforesaid 2018 Housing Policies on the Chinese real estate market. As further stated in the 2021 Interim Results, the Group has completed its deployment in production capacity of foreign operations to reduce impact of tariff in order to develop overseas market. In the future, the Group will focus on capacity optimisation to reorganise production lines in the PRC, with an aim to build a whole-chain closed-loop system, enrich its product diversity and enhance its financial performance under the strategic layout with various home decoration product brands. In our view, although the Group has took steps and deployed new production capacity under foreign operations, most of the Group’s operations and sales remain in the PRC which, as disclosed in the paragraph headed “C. Industry overview” above, are nevertheless influenced by the lacklustre growth seen in the Chinese wood flooring industry and the Chinese furniture manufacturing industry in recent years. Therefore, it is uncertain whether the Group could maintain its growth profile in this volatile post-Pandemic

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business environment amidst the ever-changing but consistently challenging real estate policies in the PRC. As such, the prospects of the Group in the foreseeable future remain uncertain.

After the Scheme and the withdrawal of the listing of the 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 “**PRC Listing**”). 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 the PRC Listing) does not expect there to be a significant redeployment of fixed assets of the Group. As at the Latest Practicable Date, the Offeror had not undertaken any transactions for the purpose of the restructuring to achieve a listing in the PRC. The Offeror does not intend to undertake any such transactions before the Proposal is approved. In our view, the restructuring and the PRC Listing are matters to be considered and executed by the Offeror and the commercial merits of such transactions cannot be quantified or evaluated at this point in time. Also, there is no guarantee of success of either the restructuring or the PRC Listing. Therefore, the Independent Shareholders should remain focused on the Proposal and the Scheme only.

## 2. ANALYSIS ON THE TERMS OF THE PROPOSAL AND THE SCHEME

### A. Cancellation price comparisons

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

- (i) a premium of approximately 4.3% over the closing price of approximately HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) 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;
- (iii) 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 (i.e. 16 July 2021, being the last full trading day prior to the suspension of trading in the Shares pending the issue of the Announcement);
- (iv) 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;
- (v) 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;

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- (vi) 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;
- (vii) 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;
- (viii) 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;
- (ix) 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;
- (x) 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 derived from the audited consolidated financial statements for FY2020, based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date;
- (xi) a discount of approximately 19.0% to the unaudited NAV per Share of approximately RMB1.75 (equivalent to approximately HK\$2.10) as at 30 June 2021, based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date;
- (xii) a discount of approximately 23.1% to the Adjusted NAV attributable to the Shareholders per Share of approximately RMB1.84 (equivalent to approximately HK\$2.21) as at 30 June 2021, based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date; and
- (xiii) a discount of approximately 23.1% to the unaudited proforma NAV per Share as at 30 June 2021 (as adjusted by the net market value of the properties of the Group as at 30 June 2021 which are listed in the Property Valuation Report and assuming the Property Disposal and the Evergrande Acquisitions had been completed as at 30 June 2021) of approximately RMB1.84 (equivalent to approximately HK\$2.21), based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date.

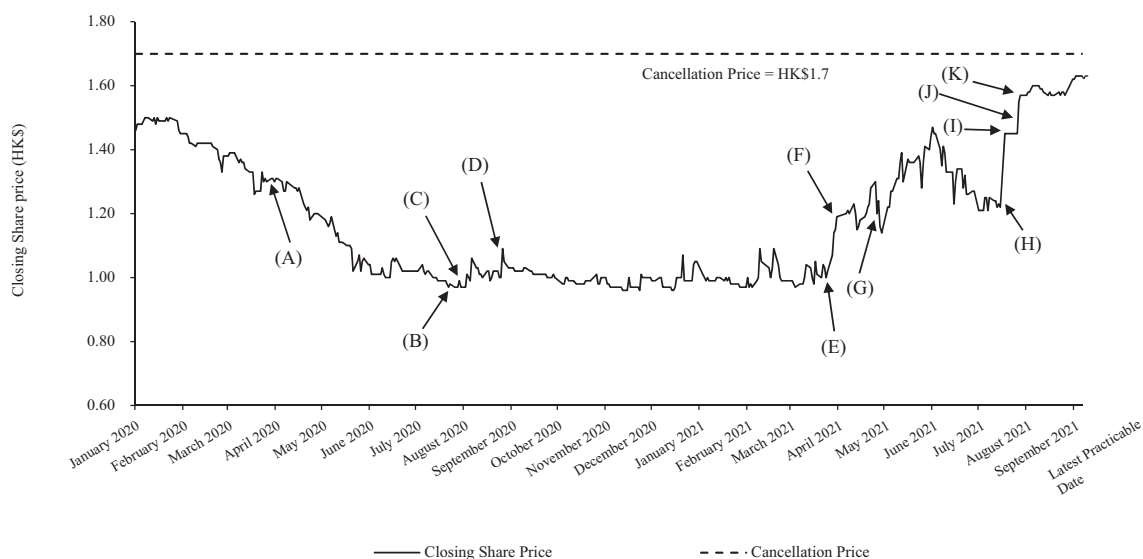
### **B. Historical price performance of the Shares**

Set out below is the chart showing the daily closing Share prices as quoted on the Stock Exchange during the period commencing from 1 January 2020 up to and including the Latest Practicable Date (the “**Review Period**”). In determining the length of the Review Period, we have considered: (i) if the length is too long, such as more than two years prior to the Last Trading Date, it may not provide a good reference as it may not reflect the latest market conditions; (ii) if the length is too short, such as one year prior to the Last Trading Date, it

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may not be able to provide a holistic view of the general performance of the Share prices; and (iii) the unprecedented outbreak of the Pandemic in early 2020 and its impact on the financial market. Based on the above, we consider the Review Period we adopted is fair and reasonable.

**Chart 1: Closing Share prices during the Review Period**



Item	Date	Announcement
(A)	30 March 2020	Annual results announcement for FY2019
(B)	20 July 2020	Profit warning announcement
(C)	29 July 2020	Profit warning supplemental announcement
(D)	26 August 2020	Interim results announcement for 1H2020
(E)	22 March 2021	Profit warning announcement
(F)	29 March 2021	Annual results announcement for FY2020
(G)	23 April 2021	Discloseable transaction of the disposal of minority equity interests in an investment
(H)	13 July 2021	Positive profit alert announcement
(I)	19 July 2021	Suspension of trading of Shares
(J)	27 July 2021	The Announcement
(K)	28 July 2021	Resumption of trading of Shares

During the Review Period, the Shares traded at a relatively stable band which ranged from the lowest of HK\$0.96 per Share on 13 November 2020, 16 November 2020, 24 November 2020, 15 December 2020 and 16 December 2020 to the highest of HK\$1.63 per Share on 3 September 2021, 6 September 2021, 7 September 2021, 9 September 2021 and the Latest Practicable Date with an average closing Share price of approximately HK\$1.18 per Share. The Cancellation Price is higher than the closing Share prices throughout the entire Review Period and represents a premium of approximately 77.1% and 4.3% over the lowest and highest closing Share prices respectively during the Review Period.

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We have reviewed the Share price movement during the Review Period and noted that the closing Share prices were in a generally decreasing trend, from HK\$1.46 per Share on 2 January 2020 to HK\$0.97 per Share on 3 August 2020 and reached its bottom during the Review Period at HK\$0.96 per Share on 13 November 2020, 16 November 2020, 24 November 2020, 15 December 2020 and 16 December 2020. We noted the following events during such period: (i) the release of annual results announcement of the Company for FY2019 on 30 March 2020; (ii) the release of profit warning announcement and supplemental announcement on 20 July 2020 and 29 July 2020 respectively in relation to the interims results of the Company for 1H2020; and (iii) the release of interim results announcement of the Company for 1H2020 on 26 August 2020. The closing Share prices reached its bottom during the Review Period may be the market reaction resulted from the release of profit warning announcement and supplemental announcement on 20 July 2020 and 29 July 2020 respectively in relation to the interims results of the Company for 1H2020.

The closing Share prices increased from the bottom of HK\$0.96 per Share on 16 December 2020 to a recent peak of HK\$1.47 per Share on 2 June 2021. During such period, we noted the following notable events: (i) release of profit warning announcement on 22 March 2021 in relation to the annual results of the Company for FY2020; (ii) the release of annual results announcement of the Company for FY2020 on 29 March 2021; and (iii) the release of announcement on 23 April 2021 in relation to a discloseable transaction of the disposal of minority equity interests in an investment. While the profit warning announcement in relation to the annual results of the Company for FY2020 could be perceived as a negative for the Company, the disposal of minority equity interests in an investment at a positive fair value adjustment (before tax) of approximately RMB63.4 million and to free up additional financial resources to the Group might have sent positive signal to the market about the Company. Save for the above, we did not note any other events which might have caused the price movement during this period.

The closing Share prices fell gradually since 2 June 2021 from HK\$1.47 per Share on the day to HK\$1.22 per Share on the Last Trading Date. We only noticed one notable event which was the release of a positive profit alert announcement on 13 July 2021 in relation to the interim results of the Company for 1H2021. It appears that the market did not immediately respond positively to the aforesaid positive profit alert announcement. Trading of Shares was suspended with effect from 1:00 p.m. on 19 July 2021 to 27 July 2021 and resumed on 28 July 2021 after the release of the Announcement on 27 July 2021. The closing Share prices have been trading below the Cancellation Price within a narrow band of around HK\$1.55 per Share to HK\$1.63 per Share since 28 July 2021, being the first trading day after the resumption of trading in the Shares. Such price range is significantly above the average closing Share prices in most of the time during the period from 1 January 2020 to the Last Trading Date (the “**Pre-announcement Period**”) of HK\$1.14 per Share. However, Independent Shareholders should note that there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.



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## C. Trading liquidity of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

**Table 6: Trading volume of the Company**

	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Average daily trading volume to the total number of Shares in issue (Approximate %) <i>Note 1</i>	Average daily trading volume to the number of Shares held by public Shareholders (Approximate %) <i>Note 2</i>
<b>2020</b>					
January	21,570,000	20	1,078,500	0.0782	0.2420
February	14,333,093	20	716,655	0.0520	0.1608
March	4,567,000	22	207,591	0.0150	0.0466
April	5,761,000	19	303,211	0.0220	0.0680
May	3,680,000	20	184,000	0.0133	0.0413
June	1,314,000	21	62,571	0.0045	0.0140
July	6,959,000	22	316,318	0.0229	0.0710
August	2,823,000	21	134,429	0.0098	0.0303
September	1,940,000	22	88,182	0.0064	0.0199
October	849,000	18	47,167	0.0034	0.0106
November	346,000	21	16,476	0.0012	0.0037
December	1,380,000	22	62,727	0.0046	0.0141
<b>2021</b>					
January	2,416,000	19	127,158	0.0092	0.0286
February	25,592,000	18	1,421,778	0.1032	0.3202
March	3,233,000	23	140,565	0.0102	0.0317
April	7,393,000	19	389,105	0.0282	0.0876
May	6,370,000	20	318,500	0.0231	0.0717
June	17,195,000	21	818,810	0.0594	0.1844
July	26,887,000	21	1,792,467	0.1301	0.4037
August	11,427,000	22	519,409	0.0377	0.1170
September (up to and including the Latest Practicable Date)	1,698,000	8	212,250	0.0154	0.0478

*Source: the Stock Exchange*



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*Notes:*

1. The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders.

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 16,476 Shares to approximately 1,792,467 Shares, representing: (i) approximately 0.0012% to approximately 0.1301% of the total number of issued Shares; and (ii) approximately 0.0037% to approximately 0.4037% of the number of Shares held by public Shareholders.

The average daily trading volume for the period from 1 January 2020 to the Last Trading Date was approximately 363,106 Shares, representing approximately 0.0818% of the Shares held by the public Shareholders. The highest daily trading volume was recorded on 10 February 2021, when the trading volume reached approximately 22.7 million Shares, representing approximately 5.1208% of the number of Shares held by the public Shareholders. However, we did not notice any notable event which led to such high trading volume.

On the first trading day after the release of the Announcement (i.e. 28 July 2021), the daily trading volume of the Shares increased to approximately 11.4 million Shares from approximately 0.2 million Shares as recorded on the Last Trading Date, representing approximately 2.5733% of the number of Shares held by public Shareholders. This increase in the trading volume of the Shares would have been the initial market reaction to the Announcement. Although the trading volume of the Shares was active on 28 July 2021, the trading volume was reduced to 1,841,000 Shares on the next trading day (i.e. 29 July 2021), representing approximately 0.4146% of the number of Shares held by public Shareholders. The average daily trading volume in August was approximately 519,409 Shares, representing: (i) approximately 0.0377% of the total number of issued Shares; and (ii) approximately 0.1170% of the number of Shares held by public Shareholders.

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Given the very thin trading liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Proposal provides the Independent Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied).

The high level of trading volume subsequent to the Announcement in relation to, among others, the Proposal and the Scheme may not be sustainable if the Proposal and the Scheme lapse. The Proposal and the Scheme, therefore, provide an opportunity for the Independent Shareholders, especially those holding a large block of the Shares, to dispose of their entire holdings at a fixed cash price.

### **D. Industry comparables**

As discussed under paragraph headed “A. Business of the Group” under section headed “1. Business information, financial performance and prospects of the Group” above, the Group is principally engaged in the manufacture and sale of flooring products and customised home decoration products which is a relatively unique industry among companies listed on the Stock Exchange. We have tried to exhaustively identify direct industry comparable companies: (i) whose shares are listed on the Stock Exchange; and (ii) which are primarily engaged in the manufacture and sale of flooring products with over 50% of its total revenue generated from such business in its latest financial year (the “**Direct Industry Comparable Companies**”). Based on the abovementioned selection criteria, we have not identified any Direct Industry Comparable Company.

#### **E. Privatisation Comparables**

Given the lack of Direct Industry Comparable Companies, we have focused our analysis on identifying privatisation transactions (the “**Privatisation Comparables**”) that were successfully completed to assess the fairness and reasonableness of the Cancellation Price. We have selected those Privatisation Comparables that were announced and successfully completed during the period from 17 July 2020 up to and including the Last Trading Date, being a 12-month period prior to and including the Last Trading Date (the “**Privatisation Review Period**”). Set out below are the selection criteria as at the Latest Practicable Date:

- (i) the privatisation transaction was announced and successfully completed during the Privatisation Review Period;
- (ii) the market capitalisation of the Privatisation Comparables ranged from 50% below to 50% above the Implied Market Value;
- (iii) the trading of shares of the Privatisation Comparables had not been suspended for more than three months before the announcement of the privatisation; and
- (iv) the shares of the relevant company under the Privatisation Comparables were listed on the Stock Exchange.

Based on the above selection criteria, we have exhaustively identified 10 Privatisation Comparables. Although it should be noted that the Privatisation Comparables were conducted under different market conditions and sentiment during the Privatisation Review Period, while they may have different scale of operation, product/market features and capital structures, after considering the fact that: (i) the Privatisation Review Period is considered a sufficient period of time to identify Privatisation Comparables; (ii) the sample size of 10 is sufficiently large to arrive at a meaningful illustration; and (iii) the lack of Direct Industry Comparable Companies, we consider that the 10 Privatisation Comparables identified by us are an exhaustive, appropriate and representative sample for the purpose of providing an illustrative comparison to the Cancellation Price.

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The table below displays the premiums or discounts of the cancellation prices offered by the corresponding offerors in each of the Privatisation Comparables over or to the corresponding prevailing share prices of the Privatisation Comparables prior to the issue of the relevant privatisation announcements as well as the premiums or discounts of the cancellation prices over or to the relevant NAVs or adjusted NAVs of the Privatisation Comparables:

**Table 8: Privatisation Comparables**

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price (HK\$)	Market Capitalisation <sup>Note 1</sup> (HK\$' million)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the					Premium/(discount) of the cancellation price over the latest reported adjusted NAV			
					Last trading day	Last 5 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 120 trading days	NAV attributable to owners of the company per share	NAV attributable to owners of the company per share	
12 March 2021	Zhejiang Cangnan Instrument Group Company Ltd (1743)	Engaged in the manufacture and sales of a wide range of industrial and commercial gas flowmeters, which are generally used by gas operators to measure the flow volume of gas	22.00	1,416.8	10.9%	10.9%	12.0%	17.3%	21.8%	0.6%	(38.7)%	20.2%	N/A
18 January 2021	Rivera (Holdings) Limited (281)	Principally engaged in property development and investment in Shanghai as well as securities trading and investment in Hong Kong	0.65	1,643.4	12.1%	14.0%	26.3%	43.6%	54.5%	59.1%	53.3%	(33.1)%	(57.6)%
6 December 2020	I.T Limited (999)	Principally engaged in the design, sourcing and sale of fashion wear and accessories	3.00	3,396.1	54.6%	84.7%	135.5%	162.4%	173.0%	170.4%	124.4%	73.1%	N/A
30 October 2020	Tony Electronics Holdings Ltd (1249)	Principally engaged in the research and development, manufacture and sales of audio-visual products for third parties' brands on an ODM basis	12.00	3,215.1	19.1%	19.7%	28.0%	25.5%	35.9%	45.5%	(88.8)%	87.9%	N/A
15 October 2020	Shanghai Prime Machinery Company Ltd (2345)	Design, manufacture and sale of turbine blades, bearings, fasteners, cutting tools and others, the provision of related technical services and investment holding	1.60	2,675.2	68.4%	101.0%	110.9%	112.6%	129.8%	139.7%	127.3%	(41.0)%	N/A
30 September 2020	Hengxing Gold Holding Company Ltd (2303)	Principally engaged in gold mining and production	3.29	2,765.8	(11.8)%	(3.2)%	(9.7)%	(8.5)%	(0.1)%	7.6%	2.9%	262.3%	N/A

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Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price (HK\$)	Market Capitalisation <i>Note 1</i> (HK\$' million)	Premium/(discount) of the cancellation price over/(to) the (average) closing share price up to and including the					Premium/(discount) of the cancellation price over the latest reported adjusted NAV			
					Last trading day	Last 5 trading days	Last 30 trading days	Last 60 trading days	Last 90 trading days	Last 120 trading days	NAV attributable to owners of the company per share	NAV attributable to owners of the company per share	
27 September 2020	China Zhongdi Dairy Holdings Company Ltd (1492)	Principally engaged in business operations including raising and breeding dairy cows, producing and selling premium raw milk, importing and selling dairy cows of quality breeds and breeding stock	1.13	2,997.7	11.0%	16.9%	22.8%	44.9%	77.6%	100.1%	139.6%	16.6%	1.1%
24 September 2020	AMVIG Holdings Ltd (2300)	Printing of cigarette packages and manufacturing of transfer papers and laser film	2.18	2,025.3	51.4%	51.6%	56.5%	57.7%	56.1%	54.7%	31.1%	(45.9)%	N/A
7 September 2020	Changshouhua Food Company Ltd (1006)	Principally engaged in the corn oil business, the production and sales of refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil, and the production and sales of corn meal	4.19	2,328.7	16.4%	22.2%	43.2%	64.1%	65.8%	66.1%	49.2%	(38.5)%	N/A
29 July 2020	Xinghua Port Holdings Ltd (1900)	Principally engaged in the operations of two ports and the related services in the PRC	2.597	2,068.6	23.7%	31.3%	55.2%	92.3%	124.8%	137.3%	146.2%	122.1%	N/A
			Maximum	3,396.1	68.4%	101.0%	135.5%	162.4%	173.0%	170.4%	146.2%	262.3%	1.1%
			Minimum	1,416.8	(11.8)%	(3.2)%	(9.7)%	(8.5)%	(0.1)%	0.6%	(88.8)%	(45.9)%	(57.6)%
			Average	2,453.3	25.6%	34.9%	48.1%	61.2%	73.9%	78.1%	54.7%	42.4%	(28.3)%
			Median	2,501.9	17.7%	20.9%	35.6%	51.3%	61.0%	62.6%	51.3%	18.4%	(28.3)%
			The Cancellation Price	2,342.2 <i>(Note 2)</i>	39.3%	38.2%	31.8%	30.8%	38.2%	45.3%	57.4%	(19.0)%	(23.1)%

(Note 2)

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Market capitalisation was at the corresponding date of the offer/scheme documents for each of the Privatisation Comparables companies respectively.
2. This being the Implied Market Value.

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As shown in the table above, the medians of premiums of the Privatisation Comparables over the last trading day share price, 10 days, 30 days, 60 days, 90 days, 120 days and 12 months share price averages were approximately 17.7%, 20.9%, 35.6%, 51.3%, 61.0%, 62.6% and 51.3% respectively. We note that although the premiums represented by the Cancellation Price over the closing price of the Shares on 30 days, 60 days, 90 days and 120 days Share price averages are below the corresponding median premiums of the Privatisation Comparables across the same types of share price averages comparisons, (i) the premiums represented by the Cancellation Price over the closing price of the Shares on the Last Trading Date, 5 days and 12-month Share price averages are above the corresponding average and median premiums of the Privatisation Comparables across the same types of share price averages comparisons; (ii) the premium represented by the Cancellation Price over the closing price of the Shares on the 30 days Share price averages is only slightly below and are very close to the corresponding median premium of the Privatisation Comparables; (iii) the premiums represented by the Cancellation Price are all within ranges and are significantly higher than the minimum premiums/discounts of the Privatisation Comparables in all types of share price averages comparisons; and (iv) while the discount represented by the Cancellation Price to the latest reported NAV attributable to the Shareholder per Share of approximately 19.0% is, although below the relevant average and median premiums of the Privatisation Comparables, the discount represented by the Cancellation Price to the Adjusted NAV attributable to the Shareholders per Share of approximately 23.1% is below the relevant average and median discounts of the Privatisation Comparables. Based on the above illustration, we note that the Cancellation Price is supported by certain measures such as the Last Trading Date, 5 days and 12-month Share price averages and the discount to the Adjusted NAV per Share while it did not compare too well against the Privatisation Comparables under certain measures such as 30 days, 60 days, 90 days and 120 days Share price averages and the discount to the latest reported NAV per Share.

### 3. ANALYSIS ON THE TERMS OF THE OPTION OFFER

The Offeror is making (or procuring 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, and will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from the Stock Exchange.

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 “see-through” principle is normally adopted in the Hong Kong market for pricing option offers which form part of general offers and privatisation proposals.

As at the Latest Practicable 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 Latest

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Practicable Date, there were 19,500,000 outstanding Options held by the OCP Optionholders which, pursuant to the OCPO Confirmations, will not be subject to the Option Offer and the OCP Optionholders have also undertaken not to exercise any of such Options during the Offer Period. For details of the OCP Optionholders and the relevant outstanding Options held by them, please refer to the section headed “Option Offer” in the Explanatory Statement.

In addition, on 27 July 2021, the Committed Optionholders have 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 during the Offer Period. There were 36,000,000 outstanding Options held by the Committed Optionholders. For details of the Committed Optionholders and the relevant outstanding Options held by them, please refer to the section headed “Option Offer” in the Explanatory Statement.

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):

Option exercise price (HK\$)	“See-through” price (HK\$)	Number of outstanding Options
1.45	0.25	42,100,000
1.61	0.09	9,600,000

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

If any of the outstanding Options (apart from the Options held by the OCP Optionholders) is exercised in accordance with the terms of the Share Option Scheme, as applicable, 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 unexercised Option which has not been cancelled pursuant to the Proposal will lapse.

As set out in the Option Offer Letter, there are choices available to the Optionholders in respect of all Options that they hold as at the Option Record Date (expected to be Tuesday, 12 October 2021). For the Optionholders who choose to accept the Option Offer, such Optionholders should complete and sign the Form of Acceptance and return it to the Company at its principal

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office by no later than 4:00 p.m. on Wednesday, 6 October 2021 (or such later date and time as may be notified to the Optionholders by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). The Optionholders who choose to reject the Option Offer will not be entitled to receive any cash consideration. Further details in relation to the Option Offer are set out in the Option Offer Letter in Appendix VII to the Scheme Document and the instructions set out in the Form of Acceptance.

### **Opinion and recommendation with respect to the Option Offer**

We consider the terms of the Option Offer, which are based on the “see through” principle and premised on the Cancellation Price, which is normally adopted in Hong Kong for option offers, are fair and reasonable (so far as the Optionholders are concerned). Accordingly, we recommend the IBC to recommend, and we ourselves recommend, the Optionholders to accept the Option Offer.

**Optionholders should note that if he does not: (i) exercise his 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 Options will lapse without any payment made to him.**

## **4. ANALYSIS ON THE ROLLOVER ARRANGEMENT**

### **Background**

Pursuant to the terms of the 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. As at the Latest Practicable Date, the Rollover Shareholder held 269,999,990 Shares (representing approximately 19.60% of the total issued share capital of the Company). 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 business cooperation opportunities in providing a wider range set of home decoration products and services to customers, and hence, increase its market share. Given the Rollover Shareholder is a company listed in the PRC since 2005 with a strong brand influence in the PRC in interior decoration materials and products, business cooperation between the Group and the Rollover Shareholder would enable investors in the PRC to better understand the performance and the business model of the Group and lead to higher recognition by the PRC market. As such, the potential cooperation of the Group and the Rollover Shareholder would attract investors in the PRC and enhance the Group’s image and thereby facilitate the implementation of for a listing of all or part of the Group’s businesses in the PRC. We concur with the Offeror’s view regarding the importance of retaining the Rollover Shareholder as a Shareholder after completion of the Scheme.



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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. As disclosed in the Explanatory Statement, the Rollover Shareholder is considered to be acting in concert with the Offeror as a result of the Rollover Arrangement.

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 has made an application for consent from the Executive to the Rollover Arrangement conditional on: (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); 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 (“**Condition (e)**”).

### **Assessment**

To assess whether the Rollover Arrangement is fair and reasonable, we have examined the following principal factors:

#### ***(A) Risks associated with minority protection in the Company as a private company***

Independent Shareholders should note that although the Company plans to conduct a restructuring in order to achieve the PRC Listing, and there is no guarantee of success of the PRC Listing. If the PRC Listing is not successful as contemplated, the Company will remain as a private company. As advised by the Management, save for the memorandum and articles of association of the Company, there is no other shareholders agreement between the Rollover Shareholder and other Shareholders which offers minority protection. The memorandum and articles of association of the Company do not provide for any reserved matters or other special rights for minority shareholders, and ordinary resolutions require approval only with the simple majority of votes by shareholders, and special resolutions require approval by a majority of not less than three-fourths of votes by shareholders. Therefore, should the Independent Shareholders

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be given the opportunity to take part in the Rollover Arrangement and remain as Shareholders after the Scheme becomes effective (the “**Hypothetical Scenario**”), the Independent Shareholders’ interests in the Company upon the Hypothetical Scenario would no longer be safeguarded by regulations to protect minority shareholders applicable to listed companies on the Stock Exchange, as detailed below. As a private company, the Company would not be subject to the same level of corporate governance and minority protection requirements as set out in the Listing Rules. In particular, protection under the general principles of the Listing Rules (including the fair and equal treatment of all shareholders), information rights for shareholders under the Listing Rules (such as the release of financial results/reports), and Chapter 14 and Chapter 14A of the Listing Rules regarding notifiable transactions and connected transactions that are currently applicable to the Company as a Hong Kong listed company would no longer apply so far as the Independent Shareholders are concerned. Under the Listing Rules, a Hong Kong listed company would require a general mandate for issuing new shares which is limited to a maximum of 20% of the issued share capital and specific shareholders’ approval is required if such limit is to be exceeded. In addition, the Takeovers Code would only remain applicable to the Company should the Company remain a public company in Hong Kong. In the event that the Company ceases to be a public company, for example due to having fewer than 50 members, it would no longer be subject to the Takeovers Code. In that case, the interests of the Independent Shareholders would be primarily safeguarded by the constitutional documents of the Company (i.e. the memorandum and articles of association of the Company, with no shareholders agreement), provisions regarding the protection of minority shareholders’ rights under the Companies Act and at common law (but not by the Listing Rules and the Takeovers Code).

### **(B) *Investment risks associated with holding the Shares as a private investment***

Under the Hypothetical Scenario, the Independent Shareholders might find it difficult to realise their shareholdings as no public trading in the Shares would be available. To realise their investment under the Hypothetical Scenario, the Independent Shareholders might wait for the successful PRC Listing or they may dispose of the relevant Shares by way of a private transaction. As mentioned above, there is no certainty of the success of the PRC Listing. As such, none of the above alternatives offers any certainty. It would be particularly difficult for individual Independent Shareholders to find potential buyers for the Shares through private transactions. Further, unlike the Rollover Shareholder which is a listed company principally engaged in providing materials of wood decoration products which is one of the Group’s core business, the Independent Shareholders under the Hypothetical Scenario would likely not have the in-depth knowledge of the strategic directions of the Group and would likely not be able to shape important strategic decisions of the Group. Furthermore, by committing to the Hypothetical Scenario, the Independent Shareholders would be forfeiting the opportunity to dispose of their Shares upon completion of the Scheme. In other words, under the Hypothetical Scenario, the Independent Shareholders could be left

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with the Shares that are highly illiquid and difficult to dispose of. All in all, if Independent Shareholders retain the Shares as a private investment, this would arguably not represent a sound investment decision and would inevitably expose them to future investment risks as discussed above.

### **(C) *Imminent pay-out at premiums over market***

Under the Scheme, the Independent Shareholders will soon be offered an opportunity to realise their holdings at the Cancellation Price of HK\$1.70 per Scheme Share, whereas the Rollover Shareholder will not be enjoying the same kind of imminent pay-out under the Scheme. Such Cancellation Price is priced at a premium over the long-term closing Share price averages as discussed in this letter above.

#### *Discussion and Analysis*

The Proposal will be conditional upon the fulfilment or waiver (as applicable) of the Conditions which include, among others, Condition (e). Considering that under the Hypothetical Scenario, among others, (i) under the Hypothetical Scenario, the Independent Shareholders may not enjoy the same kind of minority protections which are applicable to Hong Kong listed companies under the Listing Rules and Takeovers Code; (ii) the retention of the Shares by the Independent Shareholders as a private investment would arguably not represent a sound investment decision and would inevitably expose them to future investment risks as the success of the PRC Listing is uncertain; and (iii) should they approve the Scheme at the Court Meeting, the Independent Shareholders will soon be offered an opportunity to realise their holdings for an imminent pay-out at premiums over market, whereas the Rollover Shareholder will not be enjoying the same kind of imminent pay-out under the Scheme, such that we are of the view that the Rollover Arrangement is fair and reasonable. Based on the above, we do not consider, after taking into account the above considerations, and as far as the interests of the Independent Shareholders are concerned, that the Rollover Arrangement can be interpreted as having extended any favourable terms to the Rollover Shareholder.

Independent Shareholders should note that the effectiveness of the Scheme is subject to the implementation of the Scheme, which in turn is conditional upon, among others, the approval by the Independent Shareholders of the Rollover Arrangement as a special deal at the EGM and the consent from the Executive to the Rollover Arrangement, otherwise the Proposal will not be implemented and the Scheme will not become effective.

## LETTER FROM THE IFA

### OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular:

- (i) despite the Group's business in the PRC has recovered to the pre-pandemic level during 1H2021, the Customised Home Decoration Products Business in the PRC still face difficult market conditions in the second half of 2021 due to the continuation of the 2018 Housing Policies on the Chinese real estate market. Although the Group has took steps and deployed new production capacity under foreign operations, most of the Group's operations and sales remain in the PRC which are nevertheless influenced by the lacklustre growth seen in the Chinese wood flooring industry and the Chinese furniture manufacturing industry in recent years;
- (ii) the current status of the Receivable Recovery casts uncertainty on the Group's financial position and puts pressure on the Group's operating cashflow;
- (iii) the Cancellation Price represents significant premiums over the prevailing market prices of the Shares, in particular, the Cancellation Price has been at all times higher than the closing Share prices during the Review Period (i.e. since 1 January 2020 and up to and including the Latest Practicable Date). In addition, the Cancellation Price of HK\$1.70 per Scheme Share is significantly higher (by approximately 49.1%) than the average closing price of the Shares during the Pre-announcement Period of HK\$1.14 per Share;
- (iv) given the very thin trading volume of the Shares as discussed in the paragraph headed "C. Trading liquidity of the Shares" under section headed "2. Analysis on the terms of the Proposal and the Scheme" above, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. We therefore consider that the Proposal provides the Independent Shareholders, particularly those who hold a large number of Shares, with an assured exit to dispose of all of their Shares at the Cancellation Price if they wish to (subject to the Conditions of the Proposal being satisfied);
- (v) the premiums represented by the Cancellation Price over the Last Trading Date, 5 days and 12-month Share price averages are above the corresponding average and median premiums of the Privatisation Comparables;
- (vi) the discount represented by the Cancellation Price to the Adjusted NAV attributable to the Shareholders per Share of approximately 23.1% is below the relevant average and median discounts of the Privatisation Comparables; and

## LETTER FROM THE IFA

(vii) as discussed under the paragraph headed “4. Analysis on the Rollover Arrangement” above, we do not consider, after taking into account the above considerations, and as far as the interests of the Independent Shareholders are concerned, that the Rollover Arrangement can be interpreted as having extended any favourable terms to the Rollover Shareholder,

we consider the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable (so far as the Independent Shareholders are concerned). Accordingly, we recommend the IBC to (i) give advice and recommendation to the Independent Shareholders (who are also the Qualifying Shareholders) to (a) vote in favour of the resolution to approve the Scheme at the Court Meeting; and (b) vote in favour of the ordinary resolution to approve the Rollover Arrangement at the EGM; and (ii) give advice and recommendation to the Shareholders to vote, at the EGM, in favour of: (a) the special resolution to approve and give effect to the Reduction; and (b) the ordinary resolution to, simultaneously with the cancellation and extinguishment of the Scheme Shares, increase the issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by issuing the New Shares to the Offeror.

Independent Shareholders should note that the closing Share prices have been trading below the Cancellation Price within a narrow band of around HK\$1.55 per Share to HK\$1.60 per Share since the publication of the Announcement but significantly above the average closing Share price during the Pre-announcement Period of HK\$1.14 per Share. Therefore, there is no assurance that the Share price will remain at the current level if the Proposal and the Scheme lapse.

As discussed under the paragraph headed “3. Analysis on the terms of the Option Offer” above, the adoption of a “see-through” price (being the Cancellation Price minus the exercise price of the relevant Options) as the minimum offer/cancellation price for the Option is considered acceptable and in line with market practice, we are of the view that the terms of the Option Offer in totality are fair and reasonable (so far as the Optionholders are concerned). Accordingly, we recommend the IBC to give advice and recommendation to the Optionholders to accept the Option Offer.

Further details regarding the procedures of the Proposal and the Scheme, and acceptance of the Option Offer are set out in the Explanatory Statement and the Option Offer Letter. The Independent Shareholders and the Optionholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,  
For and on behalf of  
**Opus Capital Limited**  
**Cheung On Kit Andrew**  
*Executive Director*

## LETTER FROM THE IFA

*Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 13 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.*

*\* For identification purpose only*

## **EXPLANATORY STATEMENT**

*This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Cayman Islands Grand Court Rules 1995 (revised).*

### **SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES IN EXCHANGE FOR THE CANCELLATION PRICE FOR EACH SCHEME SHARE AND OPTION OFFER**

#### **1. INTRODUCTION**

On 27 July 2021, the Offeror and the Company jointly announced that on 26 July 2021, the Offeror requested the Board to put forward the Proposal to the Independent Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on the Stock Exchange.

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 credit 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.

The Offeror is making the Option Offer to the Optionholders (other than the OCP Optionholders) to cancel every Option they hold. The Option Offer will be conditional upon the Scheme becoming effective.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal which is to be implemented by the Scheme and the Option Offer, and to provide the Independent Shareholders and the Optionholders with other relevant information in relation to the Scheme and the Option Offer (in particular) to provide the intention of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme and the Proposal.

Particular attention of the Independent Shareholders and Optionholders is drawn to: (a) the Board Letter; (b) the IBC Letter; (c) the IFA Letter; and (d) the Scheme.

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

The Proposal is to be implemented by way of a scheme of arrangement under section 86 of the Companies Act.

##### **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.

## EXPLANATORY STATEMENT

As at the Latest Practicable 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 Latest Practicable 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 Explanatory Statement 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 4.3% over the closing price of approximately HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;
- (h) 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;



## EXPLANATORY STATEMENT

- (i) 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;
- (j) 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 derived from the audited consolidated financial statements for the year ended 31 December 2020, based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date;
- (k) a discount of approximately 19.0% to the unaudited NAV per Share of approximately RMB1.75 (equivalent to approximately HK\$2.10) as at 30 June 2021, based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date;
- (l) a discount of approximately 23.1% to the unaudited NAV per Share as at 30 June 2021 (as adjusted by the net market value of the properties of the Group as at 30 June 2021 which are listed in the Property Valuation Report) of approximately RMB1.84 (equivalent to approximately HK\$2.21), based on the 1,377,783,990 Shares in issue as at the Latest Practicable Date; and
- (m) a discount of approximately 23.1% to the unaudited proforma NAV per Share as at 30 June 2021 (as adjusted by the net market value of the properties of the Group as at 30 June 2021 which are listed in the Property Valuation Report and assuming the Property Disposal and the Evergrande Acquisitions had been completed as at 30 June 2021) of approximately RMB1.84 (equivalent to approximately HK\$2.21), based on the 1,377,783,990 Shares in issue as at the Latest Practicable 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. The Scheme will provide a better return to Scheme Shareholders than they would receive if they were themselves to seek to sell their Shares and the Cancellation Price reflects a better return to Scheme Shareholders than they would likely receive if the Shares remained listed.

### Highest and Lowest Prices

In respect of the Shares which are listed on the Stock Exchange, during the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.63 per Share on 10 September 2021 (which was also the closing price on 9 September 2021, 7 September 2021, 6 September 2021 and 3 September 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 Latest Practicable 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).

## EXPLANATORY STATEMENT

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

Name	Option exercise price (HK\$)	Number of outstanding Options held
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>19,500,000</u></b>

Save as disclosed above, none of the Offeror or the Offeror Concert Parties held any Option as at the Latest Practicable 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 Option Offer Letter setting out the terms and conditions of the Option Offer is being despatched separately to the Optionholders pursuant to which an appropriate offer is made by the Offeror 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 is 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:

Name	Position within the Group	Option exercise price (HK\$)	Number of outstanding Options held
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>

## EXPLANATORY STATEMENT

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):

Option exercise price (HK\$)	“See-through” price (HK\$)	Number of outstanding Options
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 is contained in the Option Offer Letter. 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 is giving notice to all Optionholders on the same date as it gives notice of the EGM to the Shareholders in the form of the Option Offer Letter, and each Optionholder may at any time thereafter (but before the Option Lapsing Time) 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 outstanding Options before the Option Lapsing Time to become a holder of Scheme Shares before the Scheme Record Date in accordance with the rules of the Share Option Scheme and this document; or (ii) accept the Option Offer, his Options will lapse without any payment made to him.**

### **Total Consideration**

As at the Latest Practicable Date, there were: (i) 1,377,783,990 Shares in issue and the holders of Scheme Shares were interested in 292,121,000 Shares (representing approximately 21.20% of the issued share capital of the Company as at the Latest Practicable 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).

## EXPLANATORY STATEMENT

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 will not exercise any Options held by him 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.

On the assumption that: (i) none of the Optionholders exercise their outstanding Options to become holders of Scheme Shares 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 holders of Scheme Shares 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 the Proposal in accordance with its terms.

### **Approval by Independent Shareholders**

Only Independent Shareholders as at the Meeting Record Date (who are also Qualifying Shareholders) will be entitled to attend and 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.

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All Shareholders will be entitled to attend the EGM and vote on the other 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 Reduction to be applied in paying 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 Latest Practicable Date, holders of Scheme Shares (who are also Independent Shareholders) were interested in 292,121,000 Shares (representing approximately 21.20% of the issued share capital of the Company).

As at the Latest Practicable 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 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 Qualifying Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Qualifying 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 Qualifying 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 Qualifying 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;

## EXPLANATORY STATEMENT

- (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 14 to 17 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 (to the extent permitted by applicable law). 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 Latest Practicable Date: (i) none of the Conditions has been fulfilled; and (ii) 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

## EXPLANATORY STATEMENT

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 becomes effective on the Effective Date, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

Assuming that the above Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on or about Friday, 15 October 2021 (Cayman Islands time). Further announcements will be made including, in particular, in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings: (i) the results of the Grand Court hearing of the petition to sanction the Scheme and to confirm the Reduction; (ii) the Scheme Record Date; (iii) the Effective Date; and (iv) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in the section headed “Expected Timetable” of this document.

In the event that the terms of the Proposal and the Rollover Arrangement are revised, an announcement will be made by the Company and the Offeror as to the terms of the revised Proposal. In that event, if the Court Meeting was to be convened on an earlier date, the Court Meeting will be convened on a date which is at least 14 days following the date on which the supplemental scheme document (containing the terms of the revised Proposal) has been despatched.

If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company in due course. In such event, the listing of Shares on the Stock Exchange will not be withdrawn.

### 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 dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.**

### 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 Latest Practicable Date.



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### 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 business cooperation opportunities in providing a wider range of home decoration products and services to customers, and hence increase its market share. Given the Rollover Shareholder is a company listed in the PRC since 2005 with a strong brand influence in the PRC in interior decoration materials and products, business cooperation between the Group and the Rollover Shareholder would enable investors in the PRC to better understand the performance and the business model of the Group, and lead to higher recognition in the PRC market. As such, the potential cooperation of the Group and the Rollover Shareholder would attract investors in the PRC and enhance the Group's image and thereby facilitate the implementation of a listing of all or part of the Group's businesses in the PRC.

### 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).



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### **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 has made 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 by the Consortium specifically for the purpose of funding the Proposal.

Your attention is drawn to the paragraph headed “5. The Consortium” in the Board Letter for further information on the Consortium.

### **6. THE CONSORTIUM AGREEMENT**

The rights and obligations of the members of the Consortium are governed by the Consortium Agreement. 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.

Your attention is drawn to the paragraph headed “6. The Consortium Agreement” in the Board Letter for further information on the Consortium Agreement.

### **7. SHAREHOLDING STRUCTURE OF THE COMPANY**

#### **Shares**

As at the Latest Practicable 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 Latest Practicable Date, the Scheme Shares (comprising 292,121,000 Shares) represented approximately 21.20% of the issued share capital of the Company.

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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 Latest Practicable Date; and (b) upon the Scheme becoming effective:

Shareholders	As at the Latest Practicable Date		Immediately after the Effective Date	
	Number of Shares	Approximate % of total issued share capital <sup>(10)</sup>	Number of Shares	Approximate % of total issued share capital <sup>(10)</sup>
<b>Offeror</b>	—	—	292,121,000	21.20
<b>Offeror Concert Parties:<sup>(1)</sup></b>				
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>Holders of Scheme Shares</b>	<u>292,121,000</u>	<u>21.20</u>	<u>—</u>	<u>—</u>
<b>Total number of 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.

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- (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 Latest Practicable 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 Latest Practicable 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 Latest Practicable Date, the number of Options held by the Optionholders were as follows:

Name	Number of outstanding Options held
<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><u>19,500,000</u></u></b>

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Name	Number of outstanding Options held
<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><u>4,500,000</u></u></b>
Committed Optionholders	36,000,000
Other employees of the Group	<u>11,200,000</u>
<b>Total</b>	<b><u><u>71,200,000</u></u></b>

*Note:*

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

Save as disclosed above, none of the Offeror, the Offeror Concert Parties or the Directors held any Option as at the Latest Practicable 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 Latest Practicable 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. 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 give advice and recommendation to the Independent Shareholders on the Proposal and the Rollover Arrangement. The advice and recommendation of the IBC as to whether the terms of the Proposal and the Rollover Arrangement are or are not fair and reasonable, and as to voting by the Independent Shareholders at the Court Meeting and the EGM, is set out in the IBC Letter.

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.

## EXPLANATORY STATEMENT

Opus Capital Limited has been appointed as the IFA to give advice and recommendation to the IBC on (among others) the Proposal 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 are set out in the IBC Letter) believe that the terms of the Proposal and the Rollover Arrangement are fair and reasonable and in the interests of the Shareholders as a whole.

### 9. 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 Latest Practicable 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 are set out in the IBC Letter) 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 the 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 paragraph headed "10. Intention of the Offeror with regard to the Company" of this Explanatory Statement.

## EXPLANATORY STATEMENT

### **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.

### **10. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY**

After the Scheme and the withdrawal of the listing of the 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. As at the Latest Practicable Date, the Offeror had not undertaken any transactions for the purpose of the restructuring to achieve a listing in the PRC. The Offeror does not intend to undertake any such transactions before the Proposal is approved.

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.

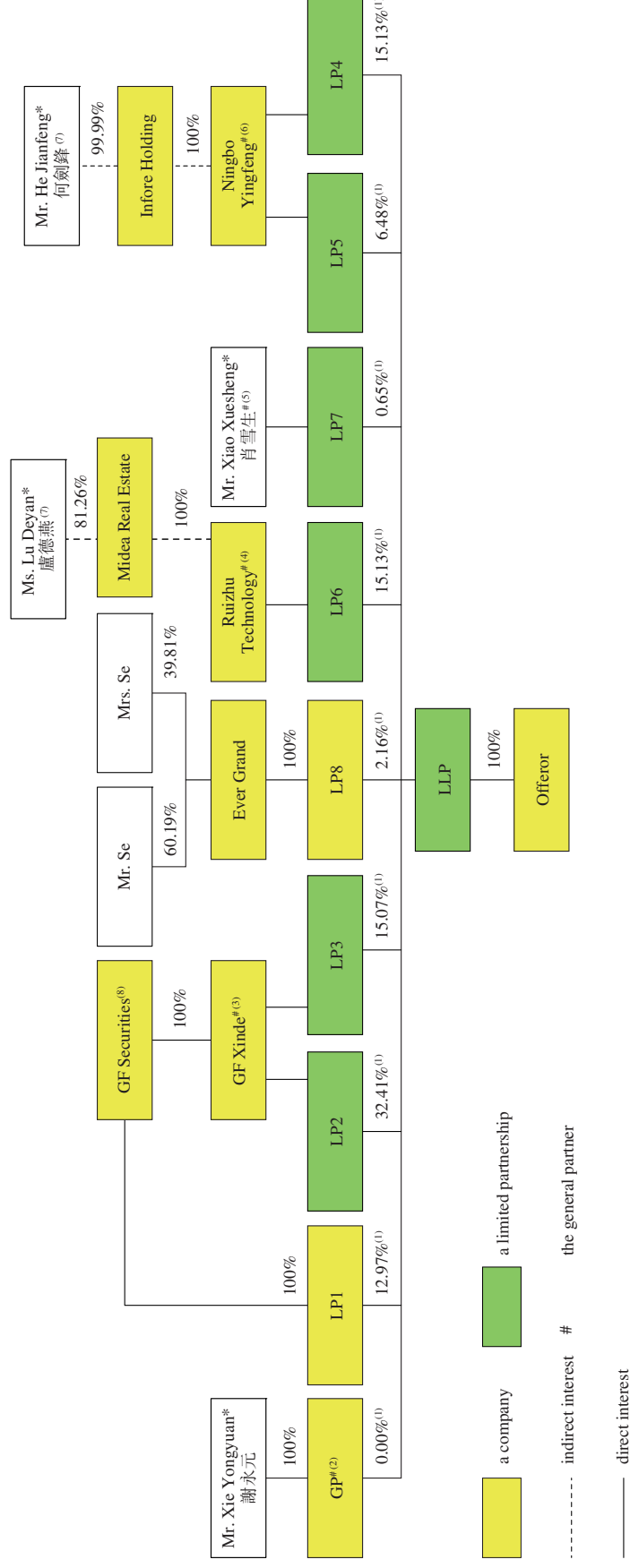
### **11. INFORMATION ON THE COMPANY**

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. The Group is one of the largest wood flooring brands in China in terms of market share by sales value of branded wood flooring products.

## EXPLANATORY STATEMENT

### 12. 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):



## EXPLANATORY STATEMENT

*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 in the paragraph headed “5. The Consortium” in this Explanatory Statement.
- (2) GP is the general partner of LLP. Mr. Xie Yongyuan\* (謝永元) is the sole director of GP.
- (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 was 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) was the spouse of Ms. Lu and was 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.



## EXPLANATORY STATEMENT

### (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

## EXPLANATORY STATEMENT

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 turn 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.\* (寧波梅山保稅港區樾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.

## EXPLANATORY STATEMENT

**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.

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**(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.

### **13. 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(2) of the Listing Rules, with effect from the date on which the Scheme becomes effective.

A detailed timetable of the Proposal and the Scheme has been included in the section headed “Expected Timetable” of this document, which also contains (among other things) further details of the Scheme. If the Scheme becomes effective, dealings in Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Thursday, 7 October 2021, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Tuesday, 19 October 2021. An announcement of the exact dates of the last day for dealing in Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective will be made by the Company and the Offeror.

The Company will be privatised by way of a scheme of arrangement under section 86 of the Companies Act, and it is the Company’s intention not to retain its listing on the Stock Exchange after implementation of the Proposal.

### **14. 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. An announcement will be made by the Company and the Offeror in due course in such event.

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

## EXPLANATORY STATEMENT

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. Given that the Proposal is recommended by the IBC and is recommended as fair and reasonable by the IFA, Rule 2.3 of the Takeovers Code is not applicable. 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 or 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 adviser.**

### 15. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

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

It is the responsibility of any overseas holders of Scheme Shares 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 holders of Scheme Shares 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.

### 16. TAXATION AND INDEPENDENT ADVICE

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Holders of Scheme Shares 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.

## **EXPLANATORY STATEMENT**

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.

### **17. THE SCHEME AND THE COURT MEETING**

Pursuant to section 86 of the Companies Act, where a compromise or an arrangement is proposed between a company and its members or any class of them, the Grand Court may (on the application of the company or any member of the company) order a meeting of the members of the company or class of members (as the case may be) to be summoned in such manner as the Grand Court directs.

It is expressly provided in section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members (as the case may be) present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any compromise or arrangement, the compromise or arrangement will (if sanctioned by the Grand Court) be binding on all members or class of members (as the case may be) and also on the Company.

### **18. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying the requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code states that the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders.

Qualifying Shareholders whose names appear on the Register as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purpose of the requirements of Cayman Islands law. The Offeror and the Offeror Concert Parties will not vote at the Court Meeting because they do not hold Scheme Shares. As all Independent Shareholders are disinterested Shareholders, the votes of the Independent Shareholders cast at the Court Meeting will be counted for the purpose of satisfying the additional requirements under Rule 2.10 of the Takeovers Code referred to in (a) and (b) above. As at the Latest Practicable Date, the Independent Shareholders held in aggregate 292,121,000 Scheme Shares. On that basis, and assuming that no new Shares are issued on or before the Meeting Record Date, 10% of the votes attached to all the Scheme Shares held by all Independent Shareholders referred to in (b) above would represent approximately 29,212,100 Shares.

## **EXPLANATORY STATEMENT**

### **19. BINDING EFFECT OF THE SCHEME**

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the EGM.

### **20. DISCLOSURE OF DEALINGS**

Associates of the Offeror and the Company (as defined in the Takeovers Code, including Shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code during the Offer Period.

### **21. REGISTRATION AND PAYMENT**

Assuming that the Scheme Record Date falls on Friday, 15 October 2021, it is proposed that the Register will be closed from Wednesday, 13 October 2021 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holders of Scheme Shares should ensure that any transfer of Shares to them are lodged with the Share Registrar at the Transfer Office for registration in their names or in the names of their nominees before 4:30 p.m. (Hong Kong time) on Tuesday, 12 October 2021.

#### **Payment of Cancellation Price to Scheme Shareholders**

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the Register as at the Scheme Record Date. Assuming that the Scheme becomes effective on Friday, 15 October 2021 (Cayman Islands time), cheques for payment of the Cancellation Price under the Scheme will be paid for by the Offeror as soon as possible but in any event within seven (7) Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Tuesday, 26 October 2021.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, cheques will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses (or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the Register in respect of the joint holding). All such cheques will be sent at the risk of the person entitled thereto and none of the Offeror, the Company, GF Capital, the IFA and the Share Registrar will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) will have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and will place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).



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The Offeror (or its nominee) will hold such monies for those entitled under the terms of the Scheme until the expiry of six years from the Effective Date and will (prior to such date) make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. Any payments made by the Offeror will not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) will be released from any further obligation to make any payments under the Scheme and the Offeror will be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name (including accrued interest, subject to any deduction required by law and expenses incurred).

Assuming that the Scheme becomes effective, the Register will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Friday, 15 October 2021 (Cayman Islands time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be (or claim to be) entitled against any such Scheme Shareholder.

### **Payment in Respect of the Option Offer Price to Optionholders**

On the basis that the Scheme becomes effective, cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible but in any event within seven (7) Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Tuesday, 26 October 2021. Cheques will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person entitled thereto and none of the Offeror, the Company, GF Capital, the IFA and the Share Registrar will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) will have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and will place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) will hold such monies for those entitled under the terms of the Option Offer until the expiry of six years from the Effective Date and will (prior to such date) make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. Any payments made by the Offeror will not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Option Offer. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) will be released from any further obligation to



## **EXPLANATORY STATEMENT**

make any payments under the Option Offer and the Offeror will be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name (including accrued interest, subject to any deduction required by law and expenses incurred).

Settlement of the consideration to which the Optionholders (other than the OCP Optionholders) are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be (or claim to be) entitled against any such Optionholders.

### **22. COURT MEETING AND EGM**

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications).

#### **Voting**

Qualifying Shareholders whose names appear on the Register as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting for the purpose of the requirements of Cayman Islands law, provided that only votes of Independent Shareholders will be counted for the purpose of determining whether the requirements set out in the paragraph headed “18. Additional Requirements Imposed by Rule 2.10 of the Takeovers Code” in this Explanatory Statement are satisfied in accordance with the Takeovers Code.

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.

The EGM will be held immediately following the adjournment or conclusion of the Court Meeting. All Shareholders will be entitled to attend the EGM and vote on the special resolution approving and to give effect to: (i) the Reduction; and (ii) immediately thereafter by ordinary resolution to restore the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares by the issue of the same number of New Shares as the number of Scheme Shares cancelled (and the application of the credit amount arising in the books of the Company as a result of the Reduction to be applied in paying 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. The Independent Shareholders will be entitled to vote on the ordinary resolution at the EGM to approve the Rollover Arrangement.

#### **Results of the Court Meeting and the EGM**

Assuming that the Conditions are fulfilled or waived (as applicable), it is expected that the Scheme will become effective on or about Friday, 15 October 2021 (Cayman Islands time). Further announcements will be made to give details of the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings: (i) the results of the

## EXPLANATORY STATEMENT

hearing of the petition for the sanction of the Scheme and the confirmation of the Reduction by the Grand Court; (ii) the Scheme Record Date; (iii) the Effective Date; and (iv) the date of withdrawal of the listing of the Shares on the Stock Exchange.

### **Announcement of the Results of the Court Meeting and the EGM**

1. An announcement will be made by the Offeror and the Company in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the date of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. The announcement will state the total number of Shares and rights over Shares:

- (a) held, controlled or directed by the Offeror or Offeror Concert Parties before the Offer Period; and
- (b) acquired or agreed to be acquired during the Offer Period by the Offeror or Offeror Concert Parties.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and the Offeror Concert Parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of the relevant classes of share capital, and the percentages of voting rights, represented by these numbers.

2. In accordance with Rule 2.9 of the Takeovers Code, such announcement will set out the identity of the scrutineer and the results of the Court Meeting and the EGM, including:

- (a) the number of Shares of each class voted for and against the resolutions and the percentage of the relevant class of share capital which those numbers represent; and
- (b) the number of Qualifying Shareholders voting for and against the resolution and the percentage of the Qualifying Shareholders voting which that number represents and (among them) the number of CCASS Participants instructing HKSCC Nominees to vote for and against the resolutions and the number of Shares voted by such CCASS Participants.

### **23. BENEFICIAL OWNERS**

Beneficial Owners are urged to have their names entered in the Register as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become registered holders of the Scheme Shares, so that they can attend the Court Meeting in the capacity as members of the Company (or to be represented by proxies to be appointed by them) and to be included for the purpose of

## EXPLANATORY STATEMENT

calculating the majority in number of Qualifying Shareholders, who are present and voting at the Court Meeting (either in person or by proxy) as required under section 86 of the Companies Act in their capacity as members of the Company;

- (b) provided that the Beneficial Owners have become registered holders of the Scheme Shares, to enable the Company to properly classify members of the Company for the purposes of the headcount test under section 86 of the Companies Act; and
- (c) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques to the most appropriate person when the Scheme becomes effective.

No person will be recognised by the Company as holding any Shares upon any trust.

In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), such Beneficial Owner should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

A Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the EGM personally, should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable the Beneficial Owner to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint the Beneficial Owner as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into the Beneficial Owner's name (i.e. the Beneficial Owner becoming the Registered Owner of such Shares).

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of Proxy Forms in respect of the Court Meeting and the EGM (or, as applicable, the latest time for lodging transfers of Shares), in order to provide the Registered Owner with sufficient time to complete his Proxy Forms or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of Proxy Forms in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of such Registered Owner. The appointment of a proxy by the Registered Owner at the relevant Court Meeting and/or the EGM will be in accordance with all relevant provisions in the memorandum and articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant Proxy Forms must be completed and signed by the Registered Owner and must be lodged in the manner (and before the latest time for lodging the relevant Proxy Forms) as more particularly set out in this document.

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The completion and return of a Proxy Form for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting (or any adjournment thereof). In the event that the Registered Owner attends and votes at the relevant meeting (or any adjournment thereof) after having lodged his Proxy Forms, the returned Proxy Form will be revoked by operation of law.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must, unless such Beneficial Owner is an Investor Participant:

- (a) contact his broker, custodian, nominee or other relevant person who is (or has in turn deposited such Shares with) an Other CCASS Participant regarding voting instructions to be given to such Other CCASS Participant if the Beneficial Owner wishes to vote at the Court Meeting and/or the EGM; or
- (b) arrange for some or all of such Shares to be withdrawn from CCASS and transferred into the Beneficial Owner's name (i.e. the Beneficial Owner becoming the Registered Owner of such Shares), if the Beneficial Owner wishes to vote (in person or by proxy) at the Court Meeting and/or at the EGM.

The procedure for voting by Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees will be in accordance with the "Operating Guide for Investor Participants", the "General Rules of CCASS" and the "CCASS Operational Procedures" in effect from time to time. Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees must (unless being an Investor Participant) contact his broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of Proxy Forms in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of such Beneficial Owner should be voted at the Court Meeting and/or the EGM.

For the purpose of voting at the Court Meeting, HKSCC Nominees will be permitted to vote for and/or against the Scheme in accordance with the instructions from CCASS Participants (including those admitted to participate as an Investor Participant) and the number of Shares so voted will be counted for the purpose of ascertaining whether or not the requirement that 75% in value of the Qualifying Shareholders voting in person or by proxy approve the Scheme under Section 86 of the Companies Act (the "**majority in value test**") has been satisfied.

For the purpose of ascertaining whether or not the requirement that a majority in number of the Qualifying Shareholders voting in person or by proxy approve the Scheme under Section 86 of the Companies Act (the "**majority in number test**") has been satisfied, in accordance with the direction from the Grand Court:

- (a) HKSCC Nominees will be treated as a representative of the CCASS Participants from whom it receives instructions (and will not have the power to vote on its own, absent instructions from the CCASS Participants, notwithstanding its status as a Registered Owner) and as a "multi-headed" shareholder such that, subject to sub-paragraphs (b) and

## EXPLANATORY STATEMENT

- (c) below, each of the CCASS Participants from whom voting instructions are received will be counted as a separate shareholder and the number of such CCASS Participants will determine the number of “heads” attributable to HKSCC Nominees.
- (b) Each Non-Investor Participant must inform HKSCC Nominees of the number of Shares which such Non-Investor Participant instructs HKSCC Nominees to vote in favour of the Scheme and/or the number of Shares which such Non-Investor Participant instructs HKSCC Nominees to vote against the Scheme. **For the purpose of the “majority in number test”, if such Non-Investor Participant has instructed HKSCC Nominees to vote both in favour and against the Scheme (and if HKSCC Nominees votes as instructed), such Non-Investor Participant will be treated as two “heads” attributable to HKSCC Nominees (with one head counted as a single shareholder voting in favour of the Scheme and one head counted as a single shareholder voting against the Scheme). If such Non-Investor Participant has instructed HKSCC Nominees to vote either in favour or against the Scheme (and if HKSCC Nominees votes as instructed), such Non-Investor Participant will be treated as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on the instructions of such Non-Investor Participant).**
- (c) Each Investor Participant will be entitled to instruct HKSCC Nominees to, in respect of all of its Shares, vote in favour of the Scheme, vote against the Scheme or abstain from voting (but not a combination of more than one of those options). If HKSCC Nominees receives such voting instructions from an Investor Participant and votes in accordance with those instructions, such Investor Participant will be treated as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on behalf of such Investor Participant).
- (d) Based on the counting methods set out above (i.e. both sub-paragraphs (b) and (c)), HKSCC Nominees will specify to the Company the following: (i) the aggregate number of “heads” that have provided voting instructions to HKSCC Nominees; (ii) the aggregate number of votes cast in favour of the Scheme and the number of Shares to which they relate; and (iii) the aggregate number of votes cast against the Scheme and the number of Shares to which they relate.
- (e) Each Non-Investor Participant must also inform HKSCC Nominees of the number of proxies that such Non-Investor Participant instructs and requests (or has instructed and requested) HKSCC Nominees to issue and the Shares in respect of which each proxy is to be (or has been) issued. HKSCC Nominees will specify to the Company the aggregate number of Non-Investor Participant Proxies issued by HKSCC Nominees upon the instructions and at the request of Non-Investor Participants (and the Shares to which each Non-Investor Participant Proxy relates). **Where a vote is cast by and pursuant to a Non-Investor Participant Proxy, no “head” will be attributed to HKSCC Nominees for the purpose of the “majority in number test”. For the avoidance of doubt, where the holder of a Non-Investor Participant Proxy votes at the Court Meeting, for the purpose of ascertaining whether or not the “majority in value test” has been**

## EXPLANATORY STATEMENT

**satisfied, the number of Shares included in and covered by a Non-Investor Participant Proxy will be counted in the same manner as other Registered Owners voting in person or by proxy.**

- (f) Each Investor Participant will be entitled to instruct HKSCC Nominees to appoint not more than one Investor Participant Proxy in respect of all the Shares beneficially owned by such Investor Participant. Such Investor Participant Proxy will entitle its holder to vote in favour of the Scheme, vote against the Scheme or abstain from voting (but not a combination of more than one of those options). If the holder of such an Investor Participant Proxy is present and votes at the Court Meeting, so long as the holder, prior to the voting taking place at the Court Meeting: (i) brings to the attention of the Company that it is a proxy holder acting under the direction of an Investor Participant; and (ii) provides to the chairman of the Court Meeting the original or printout monthly statement issued by HKSCC Nominees/HKSCC to the relevant Investor Participant (showing the name and participant ID of the Investor Participant and the number of Shares held by such Investor Participant via CCASS for the month in which the date of the Court Meeting falls, or if that is not available, for the month immediately preceding the date of the Court Meeting) and/or other supporting evidence reasonably satisfactory to the chairman of the Court Meeting showing that it is duly appointed to represent such Investor Participant at the Court Meeting (“**Investor Participant Proof**”), it will be treated, for the purposes of the “majority in number test”, as one “head” attributable to HKSCC Nominees (with such head counted as a single shareholder voting on the Scheme in the manner indicated by the vote of HKSCC Nominees cast on behalf of such Investor Participant).
- (g) Each of the Registered Owners will be permitted to vote (either in person or by proxy) in favour of the Scheme, against the Scheme or abstain from voting (but not a combination of more than one of those options). If such Registered Owner is present and casts its vote in the Court Meeting (whether in person or by proxy), such Registered Owner will be treated (for the purpose of the “majority in number test”) as one “head”.

For the avoidance of doubt, where a vote is cast by a proxy holder representing an Investor Participant who fails to provide to the chairman of the Court Meeting the Investor Participant Proof, no “head” will be attributed to HKSCC Nominees for the purpose of “majority in number test”, but for the purpose of ascertaining whether or not the “majority in value test” has been satisfied, the number of shares included in and covered by the vote of such proxy holder will be counted in the same manner as other Registered Owners voting in person or by proxy.

**If you are a Beneficial Owner whose Shares are deposited with a Non-Investor Participant, you should note that (where a vote is cast by and pursuant to a Non-Investor Participant Proxy) the number of Shares in respect of such a Non-Investor Participant Proxy will be counted for the purpose of ascertaining whether or not the “majority in value test” has been satisfied, but no “head” will be attributed to HKSCC Nominees for the purpose of the “majority in number test”.**

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**24. ACTIONS TO BE TAKEN**

The actions to be taken are set out in the section headed “Actions To Be Taken” of this document.

**25. RECOMMENDATION**

Your attention is drawn to the following:

- (i) the paragraph headed “21. Recommendations” in the Board Letter;
- (ii) the IBC letter; and
- (iii) the IFA Letter.

**26. FURTHER INFORMATION**

Further information is set out in the appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

Shareholders and Independent Shareholders should rely only on the information contained in this document. None of the Company, the Offeror, GF Capital, the IFA and the Share Registrar or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this document.

**27. LANGUAGE**

In case of any inconsistency, the English language text of this document and the accompanying Proxy Forms will prevail over the Chinese language text.



## 1. THREE YEAR FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial results for each of the six months ended 30 June 2020 and 30 June 2021. Their sources are as follows:

### Consolidated financial results of the Group for: Sources:

the year ended 31 December 2018

the 2018 comparative figures as presented in the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”) set out in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”)

the year ended 31 December 2019

the 2019 comparative figures as presented in the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) set out in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”)

the year ended 31 December 2020

the 2020 Financial Statements set out in the 2020 Annual Report

the six months ended 30 June 2020

the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Information**”) set out in the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”)



**Consolidated financial results of the Group for: Sources:**

the six months ended 30 June 2021

the unaudited consolidated interim financial information of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Information**”) set out in the interim results announcement of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results Announcement**”)

The auditor’s reports issued by the auditor of the Company, KPMG, in respect of the Group’s audited consolidated financial statements for each of the three years ended 31 December 2018, 2019 and 2020, did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

**Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	<b>(Audited)</b>			<b>(Unaudited)</b>	
	<b>For the year ended</b>			<b>For the six months ended</b>	
	<b>31 December</b>			<b>30 June</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	2,918,016	3,426,786	3,931,432	1,404,512	2,331,364
Cost of sales	(2,027,367)	(2,502,223)	(2,933,560)	(1,079,350)	(1,770,377)
Gross profit	890,649	924,563	997,872	325,162	560,987
Profit/(loss) from operations	210,235	257,972	124,452	(14,104)	90,945
Net finance costs	(27,343)	(46,985)	(92,097)	(15,279)	(14,213)
Profit/(loss) before tax	182,892	210,987	32,355	(29,383)	76,732
Income tax	(37,845)	(57,044)	(18,137)	(4,822)	(29,198)
Profit/(loss) for the year/period attributable to equity shareholders of the Company	156,785	162,120	17,899	(30,545)	49,274
Profit/(loss) for the year/period attributable to non-controlling interest	(11,738)	(8,177)	(3,681)	(3,660)	(1,740)

	(Audited)			(Unaudited)	
	For the year ended			For the six months ended	
	31 December			30 June	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year/period	145,047	153,943	14,218	(34,205)	47,534
Earnings/(loss) per share (RMB)	0.109	0.118	0.013	(0.022)	0.036
Other comprehensive income/(loss) for the year/period	(17,479)	5,749	685	(3,573)	(11,289)
Total comprehensive income/(loss) for the year/period	127,568	159,692	14,903	(37,778)	36,245
Total comprehensive income/(loss) attributable to equity shareholders of the Company	138,598	167,443	19,027	(34,884)	38,034
Total comprehensive income/(loss) attributable to non-controlling interests	(11,030)	(7,751)	(4,124)	(2,894)	(1,789)
Total amount of dividends paid to shareholders of the Company	—	—	—	—	—
Dividends per share	—	—	—	—	—

## 2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) are set out on pages 56 to 161 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 29 April 2019. The 2018 Annual Report is posted on the websites of the Company (<http://www.nature-home.com.hk/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2018 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292846.pdf>

The 2019 Financial Statements are set out on pages 60 to 167 of the 2019 Annual Report, which was published on 28 April 2020. The 2019 Annual Report is posted on the websites of the Company (<http://www.nature-home.com.hk/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2019 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802542.pdf>

The 2020 Financial Statements are set out on pages 53 to 153 of the 2020 Annual Report, which was published on 21 April 2020. The 2020 Annual Report is posted on the websites of the Company (<http://www.nature-home.com.hk/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101108.pdf>

The 2020 Interim Financial Information are set out on pages 26 to 54 of the 2020 Interim Report, which was published on 25 September 2020. The 2020 Interim Report is posted on the websites of the Company (<http://www.nature-home.com.hk/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2020 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0925/2020092500656.pdf>

The 2021 Interim Financial Information are set out on pages 12 to 26 of the 2021 Interim Results Announcement, which was published on 31 August 2021. The 2021 Interim Results Announcement is posted on the websites of the Company (<http://www.nature-home.com.hk/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2021 Results Announcement:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0831/2021083100537.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements, the 2020 Interim Financial Information and the 2021 Interim Financial Information (but not any other part of the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report, the 2020 Interim Report and the 2021 Interim Results Announcement in which they respectively appear) are incorporated by reference into this document and form part of this document.

**3. INDEBTEDNESS**

As at 30 June 2021, being the latest practicable date of this indebtedness statement prior to the publication of this document, the Group had total indebtedness as summarised below:

	<b>As at 30 June 2021</b>
	<i>RMB'000</i>
<b>Bank loans</b>	
— Secured	1,073,481
— Unsecured	305,430
<b>Subtotal</b>	<b>1,378,911</b>
<b>Other loans</b>	
— Secured	—
— Unsecured	221,103
<b>Total bank and other loans</b>	<b>1,600,014</b>
<b>Lease liabilities<sup>(1)</sup></b>	<b>45,653</b>
<b>Total Indebtedness</b>	<b>1,645,667</b>

*Note:*

(1) Lease liabilities include current lease liabilities and non-current lease liabilities.

As at 30 June 2021, being the latest practicable date of this indebtedness statement prior to the publication of this document, the Group has bank and other loans amounting to approximately RMB1,600,014,000, of which:

- (a) approximately RMB143,342,000 of these loans were secured by certain assets of the Group and guaranteed by certain non-controlling shareholders and several guarantees;
- (b) approximately RMB162,511,000 of these loans were secured by 100% equity interest of certain subsidiaries;
- (c) approximately RMB757,728,000 of these loans were secured by certain assets of the Group;
- (d) approximately RMB9,900,000 of these loans were secured by a property owned by the ultimate controlling shareholder of the Company and guaranteed by third parties;
- (e) approximately RMB275,330,000 of these loans were unsecured but guaranteed by the Company and certain subsidiaries;

- (f) approximately RMB30,100,000 of these loans were unsecured but guaranteed by third parties; and
- (g) approximately RMB221,103,000 of these loans were neither secured nor guaranteed.

During the six months ended 30 June 2021, the PRC government provided low interest loans with an aggregate amount of RMB275,000,000 (the “**Other Loan**”) to the Group. The Group recorded the Other Loan by its present value of RMB221,103,000 at a discount rate of 4.65% which was determined by reference to the borrowing rate for loans over 5 years quoted by The National Interbank Lending Centre of the PRC at initial recognition.

Save as disclosed above, the Group had no other material contingent liabilities or outstanding mortgages, charges, loan capital issued and outstanding or agreed to be issued, bank loans and overdrafts or other similar indebtedness as at the close of business on 30 June 2021.

#### 4. MATERIAL CHANGE

The Directors have confirmed that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020 (being the Last Accounting Date) and up to the Latest Practicable Date:

- (a) as disclosed in the 2021 Interim Results Announcement, the business of the Group in the PRC had resumed to normal and was returning to the level before the outbreak of COVID-19 pandemic (the “**Pandemic**”). As a result: (i) the revenue of the Group increased from approximately RMB1,404.5 million for the six months ended 30 June 2020 to approximately RMB2,331.4 million for the six months ended 30 June 2021, representing an increase of approximately 66.0%; and (ii) the results of the Group for the six months ended 30 June 2021 had turned around from a net loss of approximately RMB34.2 million for the six months ended 30 June 2020 to a net profit of approximately RMB47.5 million. The above improvement in revenue and results of the Group was mainly due to all business segments of the Group in the PRC having resumed to normal and was returning to the level before the outbreak of the Pandemic;
- (b) as disclosed in the 2021 Interim Results Announcement, during the six months ended 30 June 2021, the Group’s net cash used in operating activities had decreased from approximately RMB466.2 million to approximately RMB34.2 million, such decrease was mainly due to the revenue increase during the six months ended 30 June 2021 noted in sub-paragraph (a) above;
- (c) as disclosed in the 2021 Interim Results Announcement, during the six months ended 30 June 2021, the Group had repaid significantly more bank and other loans (i.e. approximately RMB841.0 million) than that of the six months ended 30 June 2020 (i.e. approximately RMB394.5 million) and as a result the Group’s net cash generated from

financing activities fell from approximately RMB596.3 million for the six months ended 30 June 2021 to approximately RMB147.2 million for the six months ended 30 June 2021;

- (d) as disclosed in the announcement of the Company dated 23 April 2021, a wholly-owned subsidiary of the Company entered into an agreement in respect of the disposal of approximately 11.22% equity interest in Zhejiang Yongyu Home Stock Limited\* (浙江永裕家居股份有限公司) (formerly known as Zhejiang Yongyu Bamboo Stock Limited\* (浙江永裕竹業股份有限公司)) (the “**Disposal**”) for RMB120.0 million, and completion of the Disposal took place on 21 May 2021. As a result of the Disposal, the Company recorded a net gain of approximately RMB71.2 million arising from the Disposal which was credited to the retained profits of the Company as at 30 June 2021;
- (e) as disclosed in the 2021 Interim Results Announcement, the Group had business dealings with the China Evergrande group and its subsidiaries (“**Evergrande**”) which purchased flooring products from the Group and is currently the Group’s largest customer. As at the Latest Practicable Date, Evergrande was not a Shareholder. As at 30 June 2021, the Group had net trade receivables from Evergrande which amounted to approximately RMB662.0 million, of which: (i) a net amount of approximately RMB60.1 million was overdue; (ii) a net amount of approximately RMB380.6 million would be due for payment in the second half of the financial year ending 31 December 2021; and (iii) a net amount of approximately RMB221.3 million would be due for payment in the first half of the financial year ending 31 December 2022. The Group had noted that there had been negative news in the market about Evergrande’s deteriorating financial position and ability to repay. Therefore, the Group had been discussing with Evergrande on the repayment arrangement of the outstanding trade receivables (including the aforementioned overdue amount) (the “**Receivable Recovery**”) which had culminated in the Evergrande Acquisitions (as defined below) to offset part of the Group’s outstanding trade receivables. Also, as part of the Receivable Recovery, the parties had been in discussion to explore the possibility to use Evergrande’s residential properties units to offset part of the Group’s outstanding trade receivables (including the aforementioned overdue amount), although no definitive legal agreement had been entered into in this respect as at the Latest Practicable Date. As at the Latest Practicable Date, the Group was unable to determine whether Evergrande’s future development may have a negative impact on the operating cashflow and financial position of the Group because any delay in the settlement of outstanding trade receivables from Evergrande may increase the provision for bad and doubtful debts and adversely affect the Group’s operating cashflow and financial position; and
- (f) on 16 August 2021, a wholly-owned subsidiary of the Company, 大自然家居(中國)有限公司 (Nature Home (China) Limited\*) (“**Nature Home China**”), entered into two sale and purchase agreements (the “**Evergrande Agreements**”) with 河南恒大家居產業園有限公司 (Henan Evergrande Home Industrial Park Limited\*) (“**Henan Evergrande**”) and 深圳恒大材料設備有限公司 (Shenzhen Evergrande Materials Equipment Limited\*)

(“**Shenzhen Evergrande**”), both being members of Evergrande, pursuant to which Nature Home China agreed to purchase, and Henan Evergrande agreed to sell, each of 40% of the entire equity interests in 河南恒大大自然家居有限公司 (Henan Evergrande Nature Home Limited\*) (“**JV A**”) and 河南恒大大自然木業有限公司 (Henan Evergrande Nature Wood Industry Limited\*) (“**JV B**”) (both JV A and JV B were held as to 60% by Nature Home China and 40% by Henan Evergrande as at the date of the Evergrande Agreements), respectively (the “**Evergrande Acquisitions**”) and completion of the Evergrande Acquisitions took place on 6 September 2021. As at the Latest Practicable Date, neither Henan Evergrande nor Shenzhen Evergrande was a Shareholder. The total aggregate consideration for the Evergrande Acquisitions was RMB80.0 million and was settled by way of the delivery of the non-interest bearing commercial bills in the amount of RMB80.0 million held by Nature Home China and issued by Shenzhen Evergrande in respect of the outstanding trade receivables of the same amount owed by Shenzhen Evergrande to Nature Home China. Immediately prior to completion of the Evergrande Acquisitions, each of JV A and JV B were held as to 60% by Nature Home China and 40% by Henan Evergrande. Upon completion of the Evergrande Acquisitions, JV A and JV B became wholly-owned subsidiaries of the Group and Henan Evergrande ceased to be a shareholder of both JV A and JV B. Based on the unaudited management accounts of JV A and JV B, the total net asset value of JV A and JV B as at 30 June 2021 was approximately RMB197,958,000. Save for: (i) an increase of the consolidated net asset value attributable to the Shareholders in the amount of approximately RMB5,645,000 (equivalent to approximately HK\$6,774,000) owing to a fair value revaluation surplus of the corresponding equity interests of JV A and JV B as a result of the Evergrande Acquisitions; and (ii) a reduction of the minority interests held by Henan Evergrande in the amount of RMB80 million, being the total consideration for the Evergrande Acquisitions, the same amount of which was used to offset the corresponding outstanding trade receivables as a result of the Evergrande Acquisitions, the Evergrande Acquisitions had no financial impact on the Group.

**5. ADJUSTED NET ASSET VALUE**

Set out below is the unaudited adjusted consolidated net asset value of: (i) the Group; and (ii) attributable to Shareholders, the adjustment takes into account the market value of the properties of the Group as at 30 June 2021 which are listed in the Property Valuation Report:

	<b>The Group Approximate (RMB'000)</b>	<b>Attributable to Shareholders Approximate (RMB'000)</b>
Unaudited consolidated net asset value as at 30 June 2021 as disclosed in the 2021 Interim Results Announcement	2,540,160	2,414,636
Less: Carrying value of the properties of the Group as at 30 June 2021	987,721	813,788
Add: Market value of the properties of the Group as at 30 June 2021 based on the valuation report prepared by the Property Valuer	1,260,213	1,025,076
Less: Estimated deferred tax associated with the revaluation surplus	125,950	96,985
Unaudited adjusted consolidated net asset value	2,686,702	2,528,939
Unaudited adjusted consolidated net asset value per Share based on the 1,377,783,990 Shares in issue as at 30 June 2021	RMB1.95 (equivalent to approximately HK\$2.34 <sup>(note)</sup> )	RMB1.84 (equivalent to approximately HK\$2.21 <sup>(note)</sup> )
Pro forma unaudited adjusted consolidated net asset value (assuming the Property Disposal and the Evergrande Acquisitions had been completed as at 30 June 2021)	2,607,809	2,535,326
Pro forma unaudited adjusted consolidated net asset value per Share (assuming Property Disposal and the Evergrande Acquisitions had been completed as at 30 June 2021) based on the 1,377,783,990 Shares in issue as at 30 June 2021	RMB1.89 (equivalent to approximately HK\$2.27 <sup>(note)</sup> )	RMB1.84 (equivalent to approximately HK\$2.21 <sup>(note)</sup> )

*Note:* Calculated using an exchange rate of RMB1.00 to HK\$1.20.



*Set out below is the text of a letter, summary of values and valuation certificate received from Ravia Global Appraisal Advisory Limited, an independent valuer in connection with its valuations of the property interests of the Group as at 30 June 2021, for the purpose of inclusion in this document:*



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14 September 2021

The Directors

**Nature Home Holding Company Limited**

Suite 2601, 26/F

Tower 2, The Gateway, Harbour City

Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs/Madams,

**Re: Valuations of Various Properties located in the People's Republic of China, Cambodia and Poland**

We refer to the instructions from Nature Home Holding Company Limited (the "Company") for us to value the properties held by the Company and its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"), Cambodia and Poland. We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 June 2021 (the "Date of Valuation").

## **1. BASIS OF VALUATION**

Our valuations of the properties are our opinion of the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**2. PROPERTY CATEGORIZATION**

In the course of our valuations, the properties are categorized into the following groups:

- Group I — Properties held by the Group in the PRC; and
- Group II — Properties held by the Group in Cambodia; and
- Group III — Property held by the Group in Poland

**3. VALUATION METHODOLOGIES**

For Property Nos. 1 to 3, 5 to 11 and 16 to 19, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus, the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available.

For property Nos. 4 and 12 to 15, we have valued the properties by the direct comparison approach assuming sale of the property in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

**4. TITLE INVESTIGATION**

We have been provided with copies of title documents/tenancy agreements and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice given by the Group’s PRC legal adviser, Guang Dong July Law Firm, regarding the titles of the properties located in the PRC. We have relied upon the advice given by the Group’s Cambodia legal adviser, R&T Sok & Heng Law Office, regarding the titles of the properties located in Cambodia. We have relied upon the advice given by the Group’s Poland legal adviser, D.Dobkowski sp. komandytowa, regarding the titles of the properties located in Poland. All documents have been used for reference only.

**5. VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the properties are sold in the market in their existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group and the Group's legal advisers that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

## **6. SOURCE OF INFORMATION**

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, ages of building and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

## **7. VALUATION CONSIDERATION**

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission and The HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

## 8. POTENTIAL TAX LIABILITIES

As advised by the Group, the potential tax liabilities which may arise from the sale of the property interests include:

### 8.1 Properties located in the PRC:

- Value added tax on the consideration at a rate of 9% (plus a surcharge);
- Corporate income tax on the profit from the sale of property at a rate of 25%; and
- Land value appreciation tax on appreciated land value at progressive tax rates as follows:

Appreciated land value	Progressive tax rate
Not more than 50%	30%
More than 50% but not more than 100%	40%
More than 100% but not more than 200%	50%
More than 200%	60%

### 8.2 Properties located in Cambodia

Any gain on the sale of property is subject to the tax on income at a rate of 20% on the higher of the contract price or the market value.

**8.3 Property located in Poland**

Revenues derived from sale of real estate are not considered as capital gains (which is a separate source of revenues) and are taxed as usual business income.

Sale of a real estate is subject to corporate income tax. Such income is taxed at a rate of 19% or a decreased rate of 9%.

Revenue derived from the sale of property is decreased by tax-deductible costs incurred in order to achieve revenues or to maintain or secure a source of revenues. These are the underappreciated parts of a property, transaction costs and expenses for renovation and improvement.

For properties held by the Group in item Nos.1–14 and 16–19, they are continued to be held by the Group and with no intention for disposal. Hence, the likelihood of any potential tax liabilities of these properties being crystallized is remote.

For property to be disposed of by the Group in item No.15, it is going to be disposed or being disposed of. Hence, the potential tax liabilities of this property are likely to be crystallized.

**9. CURRENCY**

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (“**HK\$**”), Renminbi (“**RMB**”), United States Dollar (“**US\$**”) and Polish Zloty (“**PLN**”). The exchange rate adopted in our valuation is approximately HK\$1 = RMB0.83208, HK\$7.764 = US\$1, HK\$2.044 = PLN1, US\$1.00 = RMB6.4601 and PLN1.00 = RMB1.70164 which were approximately the prevailing exchange rates as at the Effective Date.

**10. REMARKS**

Our Summary of Values and Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

**RAVIA GLOBAL APPRAISAL ADVISORY LIMITED**

**Dr. Alan Lee**

*PhD(BA) MFin BCom (Property)*

*MHKIS RPS(GP) AAPI CPV CPV (Business)*

**Director**

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 16 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

## SUMMARY OF VALUES

## Group I — Properties held by the Group in the PRC

No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in Existing State as at 30 June 2021 attributable to the Group
1.	An industrial complex located at No. 8 Fenghuang Road, Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong Province, The PRC 中國廣東省中山市火炬開發區鳳凰路8號之一個工業廠區	RMB63,600,000	100%	RMB63,600,000
2.	An industrial complex located at No. 3 Wusha Shunchang Road, Daliang Subdistrict, Shunde District, Foshan City, Guangdong Province, The PRC 中國廣東省佛山市順德區大良街道五沙順昌路3號之一個工業廠區	RMB44,900,000	100%	RMB44,900,000
3.	An industrial complex located at Yuzi Dongwei, Donghuansha Village Committee, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, The PRC 中國廣東省江門市新會區睦洲鎮東環沙村民委員會字字東圍之一個工業廠區	RMB47,700,000	100%	RMB47,700,000
4.	An industrial complex located at No. 1 Zhicheng Road, Fengsha Village Committee of Daliang Subdistrict Office, Shunde District, Foshan City, Guangdong Province, The PRC 中國廣東省佛山市順德區大良街道辦事處逢沙村民委員會智城路1號之一個工業廠區	RMB303,900,000	50%	RMB151,950,000

No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in Existing State as at 30 June 2021 attributable to the Group
5.	An industrial complex located at No. 218 Shuguang Road, Dianshanhu Town, Kunshan City, Jiangsu Province, The PRC 中國江蘇省昆山市澱山湖鎮曙江路218號之一個工業廠區	RMB32,300,000	100%	RMB32,300,000
6.	An industrial complex located at the East of Xingyuan Road, the North of Daziran Phase 1, Xuzhaung Subdistrict, Gaogang District, Taizhou City, Jiangsu Province, The PRC 中國江蘇省泰州市高港區許莊街道興園路東側、大自然一期北側之一個工業廠區	RMB92,800,000	100%	RMB92,800,000
7.	An industrial complex located at the East of Xingyuan Road, the North of Yongning Road, Xuzhaung Subdistrict, Gaogang District, Taizhou City, Jiangsu Province, The PRC 中國江蘇省泰州市高港區許莊街道興園路東側、永寧路北側之一個工業廠區	RMB74,900,000	100%	RMB74,900,000
8.	An industrial complex located at No. 20, Guokai Avenue, Jiangnan District, Nanning City, Guangxi Zhuang Autonomous Region, The PRC 中國廣西壯族自治區南寧市江南區國凱大道20號之一個工業廠區	RMB70,400,000	100%	RMB70,400,000



No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in Existing State as at 30 June 2021 attributable to the Group
9.	An industrial complex located at Gujia Village, Xingan County Industrial Zone, Guilin City, Guangxi Zhuang Autonomous Region, The PRC 中國廣西壯族自治區桂林市 興安縣工業區 興安鎮顧家村之一個工業廠區	RMB32,500,000	100%	RMB32,500,000
10.	An industrial complex located at No. 28, Shiji Revenue, Shangrao Economic and Technical Development Zone, Jiangxi Province, The PRC 中國江西省上饒市 經濟技術開發區世紀大道28號 之一個工業廠區	RMB123,600,000	100%	RMB123,600,000
11.	An industrial complex located at the South of Hualiang Street, Lankao County Industrial Cluster Zone, Kaifeng City, Henan Province, The PRC 中國河南省開封市 蘭考縣產業集聚區華梁街南側 之一個工業廠區	RMB143,500,000	60%	RMB86,100,000
12.	1st Floor, No. 5, 112 Hualin San Road, Chenghua District, Chengdu City, Sichuan Province, The PRC 中國四川省成都市 成華區華林三路5號附112號1層	RMB640,000	100%	RMB640,000

No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in Existing State as at 30 June 2021 attributable to the Group
13.	Room 02, Floor 1–3, Block 24, Phase 4, Kaisa Group Dongjiang Xincheng, Luoyang Town, Boluo County, Huizhou City, Guangdong Province, The PRC 中國廣東省惠州市 博羅縣羅陽鎮佳兆業東江新城 4期24棟1–3層02房	RMB1,800,000	100%	RMB1,800,000
14.	Room 3103, Block 1, Building 1, Shidai Ruida Garden, Shishan Town, No. 11 Sanhuan Dong Road, Nanhai District, Foshan City, Guangdong Province, The PRC 中國廣東省佛山市 南海區獅山鎮小塘三環東路 11號時代睿達花園1棟1座 3103房	RMB2,100,000	67%	RMB1,407,000
15.	Room 2602, 26th Floor, No. 4, Hujing Shiyi Road, Hujing Garden (extension) No. 3#4#, Guangzhou City, Guangdong Province, The PRC 中國廣東省廣州市 瑚環花園(擴展)自編號3#4# 瑚環十一街4號26層2602房	RMB4,200,000	67%	RMB2,814,000
<b>Total:</b>		<b>RMB1,038,840,000</b>		<b>RMB827,411,000</b> (equivalent to approximately <b>HK\$994,400,000</b> )

## Group II — Properties held by the Group in Cambodia

No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in Existing State as at 30 June 2021 attributable to the Group
16.	B4-01 #SSEZ.Road4, Sihanoukville Special Economic Zone, Smach Deng Village, Ream Commune, Prey Nob District, Sihanoukville Province, Cambodia	US\$13,200,000	100%	US\$13,200,000
17.	Building No. C34-21, Sihanoukville Special Economic Zone, Phum Pou Toeung, Bet Trang Commue, Prey Nob District, Sihanoukville Province, Cambodia	US\$5,350,000	75%	US\$4,012,500
18.	Building No.A32, Sihanoukville Special Economic Zone, Smach Deng Village, Ream Commune, Prey Nob District, Sihanoukville Province, Cambodia	US\$4,760,000	51%	US\$2,427,600
<b>Total:</b>		<b>US\$23,310,000</b>		<b>US\$19,640,100</b> (equivalent to approximately <b>HK\$152,500,000</b> )

## Group III — Properties held by the Group in Poland

No.	Property	Market Value in Existing State as at 30 June 2021	Interest attributable to the Group	Market Value in
				Existing State as at 30 June 2021 attributable to the Group
19.	ul.Fabryczna 6a, 38–200 Jasło, Poland	PLN41,600,000	100%	PLN41,600,000
	<b>Total:</b>	<b>PLN41,600,000</b>		<b>PLN41,600,000</b> (equivalent to approximately <b>HK\$85,000,000</b> )

## VALUATION CERTIFICATE

## Group I — Properties held by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
1.	An industrial complex located at No. 8 Fenghuang Road, Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong Province, The PRC  中國廣東省中山市火炬開發區鳳凰路8號之一個工業廠區	The property comprises a land parcel with a site area of approximately 44,791.40 sq.m. and a 2-storey factory completed in about 2014 erected thereon.  The total gross floor area of the building is approximately 25,968.05 sq.m..  The land use rights of the property have been granted for a term expiring on 3 August 2048 for industrial use.	As advised by the Group, the property is occupied by the Group for industrial use.	RMB63,600,000  100% interest attributable to the Group: RMB63,600,000

## Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Zhong Fu Guo Yong (2014) No. 1502311, dated 10 May 2014, the land use rights of the property with a site area of approximately 44,791.40 sq.m. is held by 中山盈德大自然家居有限公司 for a term expiring on 3 August 2048 for industrial use.
- Pursuant to a Building Ownership Certificate, Yue Fang Di Quan Zheng Zhong Fu Zi No. 214039638, the building ownership rights of the property with a total gross floor area of 25,968.05 sq.m. is held by 中山盈德大自然家居有限公司 for a term for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 中山盈德大自然家居有限公司 is in possession of a proper legal title to the property;
  - The property is not subject to seizure;
  - The property is subject to a mortgage;
  - The existing use of the property is in compliance with the local planning regulations; and
  - The property can be freely transferred by 中山盈德大自然家居有限公司 upon the approval of the mortgagee.
- 中山盈德大自然家居有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
2. An industrial complex located at No. 3 Wusha Shunchang Road, Daliang Subdistrict, Shunde District, Foshan City, Guangdong Province, The PRC  中國廣東省佛山市順德區大良街道五沙順昌路3號之一個工業廠區	The property comprises a land parcel with a site area of approximately 22,840.50 sq.m. and with various industrial buildings erected thereon.  The total gross floor area of the building is approximately 11,933.93 sq.m..  The land use rights of the property have been granted for a term expiring on 29 June 2057 for industrial use.	As advised by the Group, the property is occupied by the Group for industrial use.	RMB44,900,000  100% interest attributable to the Group: RMB44,900,000

## Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Fo Fu (Shun) Guo Yong (2008) No. 0102291, dated 9 December 2008, the land use rights of the property with a site area of approximately 22,840.50 sq.m. is held by 廣東盈然木業有限公司 for a term expiring on 29 June 2057 for industrial use.
- Pursuant to a Building Ownership Certificate, Yue Fang Di Quan Zheng Fo Zi No. 0300090906, the building ownership rights of the property with a total gross floor area of 11,933.93 sq.m. is held by 廣東盈然木業有限公司 for a term for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 廣東盈然木業有限公司 is in possession of a proper legal title to the property;
  - The property is not subject to mortgage or seizure;
  - The existing use of the property is in compliance with the local planning; and
  - The property can be freely transferred by 廣東盈然木業有限公司.
- 廣東盈然木業有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
3. An industrial complex located at Yuzi Dongwei, Donghuansha Village Committee, Muzhou Town, Xinhui District, Jiangmen City, Guangdong Province, The PRC	The property comprises a land parcel with a site area of approximately 22,142.00 sq.m. and with various industrial buildings completed in between 2006 and 2013 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	RMB47,700,000  100% interest attributable to the Group: RMB47,700,000
中國廣東省江門市 新會區睦洲鎮東環沙村 民委員會宇宇東圍之一 個工業廠區	The total gross floor area of the building is approximately 15,416.98 sq.m..	The land use rights of the property have been granted for a term expiring on 2 September 2047 for industrial use.	

## Notes:

- Pursuant to a Real Estate Title Certificate, Yue (2020) Jiang Men Shi Bu Dong Chan Quan No. 2072795 dated 30 December 2020, the land use rights of the property with a site area of approximately 22,142.00 sq.m. and the building ownership rights of the property with a total gross floor area of 15,416.98 sq.m. are held by 江門大自然家居有限公司 for a term expiring on 2 September 2047 for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 江門大自然家居有限公司 is in possession of a proper legal title to the property;
  - The existing use of the property is in compliance with the local planning regulations;
  - The property is not subject to seizure;
  - The property is subject to a mortgage; and
  - The property can be freely transferred by 江門大自然家居有限公司 upon the approval of the mortgagee.
- 江門大自然家居有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
4. An industrial complex located at No. 1 Zhicheng Road, Daliang Subdistrict, Shunde District, Foshan City, Guangdong Province, The PRC  中國廣東省佛山市順德區大良街道辦事處逢沙村民委員會智城路1號之一個工業廠區	The property comprises a commercial building together with 109 car parking spaces.  The total gross floor area of the building is approximately 29,515.97 sq.m..  The land use rights of the property have been granted for a term expiring on 22 February 2053 for commercial use.	As advised by the Group, the property is occupied by the Group for commercial use.	RMB303,900,000  50% interest attributable to the Group: RMB151,950,000

*Notes:*

1. Pursuant to various Real Estate Title Certificates, the land use rights of the property with a site area of approximately 6,499.60 sq.m. and the building ownership rights of the property with a total gross floor area of 35,849.98 sq.m. are held by 佛山市順德區大自然投資管理有限公司 for a term expiring on 22 February 2053 for commercial use.
2. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 佛山市順德區大自然投資管理有限公司 is in possession of a proper legal title to the property;
  - b. The existing use of the property is in compliance with the local planning regulations
  - c. The property is not subject to seizure;
  - d. The property is subject to a mortgage; and
  - e. The property can be freely transferred by 佛山市順德區大自然投資管理有限公司 upon the approval of the mortgagee.
4. 佛山市順德區大自然投資管理有限公司 is a 50%-subsidiary of the Company.



## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
5. An industrial complex located at No. 218 Shuguang Road, Dianshanhu Town, Kunshan City, Jiangsu Province, The PRC  中國江蘇省昆山市澱山湖鎮曙江路218號之一個工業廠區	<p>The property comprises a land parcel with a site area of approximately 40,463.50 sq.m. and with various industrial buildings completed in about 2012 erected thereon.</p> <p>The total gross floor area of the building is approximately 23,859.06 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 21 September 2056 for industrial use.</p>	<p>As advised by the Group, the property is occupied by the Group for industrial use.</p>	<p>RMB32,300,000</p> <p>100% interest attributable to the Group:</p> <p>RMB32,300,000</p>

## Notes:

- Pursuant to a Real Estate Title Certificate, Su (2021) Kun Shan Shi Bu Dong Chan Quan No. 3007576 dated 25 January 2021, the land use rights of the property with a site area of approximately 40,463.50 sq.m. and the building ownership rights of the property with a total gross floor area of 23,859.06 sq.m. are held by 昆山盈意大自然家居有限公司 for a term expiring on 21 September 2056 for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 昆山盈意大自然家居有限公司 are in possession of a proper legal title to the property;
  - The property is not subject to seizure;
  - The property is subject to a mortgage;
  - The existing use of the property is in compliance with the local planning regulations; and
  - The property can be freely transferred by 昆山盈意大自然家居有限公司 upon the approval of the mortgagee.
- 昆山盈意大自然家居有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
6.	An industrial complex located at the East of Xingyuan Road, the North of Daziran Phase 1, Xuzhaung Subdistrict, Gaogang District, Taizhou City, Jiangsu Province, The PRC	The property comprises a land parcel with a site area of approximately 86,856.00 sq.m. and with various industrial buildings completed in about 2021 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	RMB92,800,000  100% interest attributable to the Group: RMB92,800,000
	中國江蘇省泰州市 高港區許莊街道 興園路東側、大自然一期北側之一個工業廠區	The total gross floor area of the building is approximately 41,427.00 sq.m..	The land use rights of the property have been granted for a term expiring on 12 October 2065 for industrial use.	

## Notes:

1. Pursuant to a Real Estate Title Certificate, Su (2017) Tai Zhou Shi Bu Dong Chan Quan No. 0009674 dated 2 March 2017, the land use rights of the property with a site area of approximately 86,856.00 sq.m. is held by 泰州大自然家居有限公司 for a term expiring on 12 October 2065 for industrial use.
2. Pursuant to a Construction Works Planning Permit, Jian Zi Di No. 321200201920003, 泰州大自然家居有限公司 was permitted to develop the property with a planned GFA of about 41,427.00 sq.m..
3. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 泰州大自然家居有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to mortgage or seizure;
  - c. The construction works of the property have been approved by the relevant authorities and is subject to obtaining the building ownership certificate after acceptance of works and under legal regulations; and
  - d. The property can be freely transferred by 泰州大自然家居有限公司.
5. 泰州大自然家居有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
7. An industrial complex located at the East of Xingyuan Road, the North of Yongning Road, Xuzhaung Subdistrict, Gaogang District, Taizhou City, Jiangsu Province, The PRC  中國江蘇省泰州市高港區許莊街道興園路東側、永寧路北側之一個工業廠區	<p>The property comprises a land parcel with a site area of approximately 62,818.00 sq.m. and with various industrial buildings completed in about 2014 erected thereon.</p> <p>The total gross floor area of the building is approximately 47,788.27 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 26 February 2063 for industrial use.</p>	<p>As advised by the Group, the property is occupied by the Group for industrial use.</p>	<p>RMB74,900,000</p> <p>100% interest attributable to the Group:</p> <p>RMB74,900,000</p>

## Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Tai Zhou Guo Yong (2013) No. 4060, dated 29 March 2013, the land use rights of the property with a site area of approximately 62,818.00 sq.m. is held by 泰州大自然德森堡木業有限公司 for a term expiring on 26 February 2063 for industrial use.
- Pursuant to a Building Ownership Certificate, Tai Fang Quan Zheng Gao Zi No. 80002044, the building ownership rights of part of the property with a gross floor area of 39,862.24 sq.m. is held by 泰州大自然德森堡木業有限公司 for industrial use.
- Pursuant to a Building Ownership Certificate, Tai Fang Quan Zheng Gao Zi No. 80002043, the building ownership rights of part of the property with a gross floor area of 4,007.27 sq.m. is held by 泰州大自然德森堡木業有限公司 for office use.
- Pursuant to a Building Ownership Certificate, Su (2018) Tai Zhou Bu Dong Chan Quan No.0023858, the building ownership rights of part of the property with a gross floor area of 3,918.76 sq.m. is held by 泰州大自然德森堡木業有限公司 for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 泰州大自然德森堡木業有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to seizure;
  - c. The property is subject to mortgages;
  - d. The existing use of the property is in compliance with the local planning regulations; and
  - e. The property can be freely transferred by 泰州大自然德森堡木業有限公司 upon the approval of the mortgagee.
7. 泰州大自然德森堡木業有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
8. An industrial complex located at No. 20, Guokai Avenue, Jiangnan District, Nanning City, Guangxi Zhuang Autonomous Region, The PRC  中國廣西壯族自治區南寧市 江南區國凱大道20號之一個工業廠區	<p>The property comprises a land parcel with a site area of approximately 53,625.33 sq.m. and with various industrial buildings completed in about 2015 erected thereon.</p> <p>The total gross floor area of the building is approximately 28,637.63 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 16 October 2064 for industrial use.</p>	<p>As advised by the Group, the property is occupied by the Group for industrial use.</p>	<p>RMB70,400,000</p> <p>100% interest attributable to the Group:</p> <p>RMB70,400,000</p>

## Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Nan Ning Guo Yong (2014) No. 645488, dated 18 November 2014, the land use rights of the property with a site area of approximately 53,625.33 sq.m. is held by 廣西柏景地板有限公司 for a term expiring on 16 October 2064 for industrial use.
2. Pursuant to 4 Real Estate Title Certificates, Gui (2020) Nan Ning Shi Bu Dong Chan Quan No. 0251522, Gui (2021) Nan Ning Shi Bu Dong Chan Quan Nos.0048626, 0048680 & 0048686, the building ownership rights of the property with a total gross floor area of 28,637.63 sq.m. is held by 廣西柏景地板有限公司 for industrial use.
3. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 廣西柏景地板有限公司 are in possession of a proper legal title to the property;
  - b. The property is not subject to seizure;
  - c. The property is subject to a mortgage;
  - d. The existing use of the property is in compliance with the local planning regulations; and
  - e. The property can be freely transferred by 廣西柏景地板有限公司 upon the approval of the mortgagee.
5. 廣西柏景地板有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
9. An industrial complex located at Gujia Village, Xingan County Industrial Zone, Guilin City, Guangxi Zhuang Autonomous Region, The PRC  中國廣西壯族自治區桂林市興安縣工業區興安鎮顧家村之一個工業廠區	<p>The property comprises a land parcel with a site area of approximately 33,386.10 sq.m. and with various industrial buildings completed in about 2015 erected thereon.</p> <p>The total gross floor area of the building is approximately 13,036.80 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on 17 October 2062 for industrial use.</p>	<p>As advised by the Group, the property is vacant as at the Date of Valuation.</p>	<p>RMB32,500,000</p> <p>100% interest attributable to the Group:</p> <p>RMB32,500,000</p>

## Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Xing Guo Yong (2012) No. 0120192, dated 5 December 2012, the land use rights of the property with a site area of approximately 33,386.10 sq.m. is held by 廣西大自然壁高高新裝飾材料有限公司 for a term expiring on 17 October 2062 for industrial use.
- Pursuant to a Building Ownership Certificate, Xing Fang Quan Zheng Xing An Xian No. 2015011472, the building ownership rights of part of the property with a gross floor area of 13,036.80 sq.m. is held by 廣西大自然壁高高新裝飾材料有限公司 for office and factory use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 廣西大自然壁高高新裝飾材料有限公司 is in possession of a proper legal title to the property;
  - The property is not subject to mortgage or seizure;
  - The existing use of the property is in compliance with the local planning regulations; and
  - The property can be freely transferred by 廣西大自然壁高高新裝飾材料有限公司.
- 廣西大自然壁高高新裝飾材料有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
10. An industrial complex located at No. 28, Shiji Revenue, Shangrao Economic and Technical Development Zone, Jiangxi Province, The PRC  中國江西省上饒市 經濟技術開發區世紀大道28號之一個工業廠區	The property comprises 2 land parcels with a total site area of approximately 296,602.75 sq.m. and with various industrial buildings completed in between 2009 to 2011 erected thereon.  The total gross floor area of the building is approximately 62,275.16 sq.m..  The land use rights of the property have been granted for terms expiring on 25 August 2053 and 24 October 2060 respectively for industrial use.	As advised by the Group, the property is occupied by the Group for industrial use.	RMB123,600,000  100% interest attributable to the Group: RMB123,600,000

## Notes:

- Pursuant to a Real Estate Title Certificate, Gan (2019) Shang Rao Shi Bu Dong Chan Quan No. 0022196 dated 08 October 2019, the land use rights of part of the property with a site area of approximately 173,294.75 sq.m. and the building ownership rights of part of the property with a gross floor area of 10,919.96 sq.m. are held by 江西盈然地板有限公司 for a term expiring on 25 August 2053 for industrial use.
- Pursuant to a Real Estate Title Certificate, Gan (2019) Shang Rao Shi Bu Dong Chan Quan No. 0023301 dated 22 October 2019, the land use rights of part of the property with a site area of approximately 123,308.00 sq.m. and the building ownership rights of part of the property with a gross floor area of 51,355.20 sq.m. are held by 江西盈然地板有限公司 for a term expiring on 24 October 2060 for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 江西盈然地板有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to seizure;
  - c. The property is subject to mortgages;
  - d. The existing use of the property is in compliance with the local planning regulations; and
  - e. The property can be freely transferred by 江西盈然地板有限公司 upon the approval of the mortgagee.
5. 江西盈然地板有限公司 is a wholly-owned subsidiary of the Company.



## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
11. An industrial complex located at the South of Hualiang Street, Lankao County Industrial Cluster Zone, Kaifeng City, Henan Province, The PRC  中國河南省開封市 蘭考縣產業集聚區華梁 街南側之一個工業廠區	<p>The property comprises 3 land parcels with a total site area of approximately 248,189.48 sq.m. and with various industrial buildings completed in about 2019 erected thereon.</p> <p>The total gross floor area of the building is approximately 49,696.00 sq.m..</p> <p>The land use rights of the property have been granted for terms expiring on 21 April 2067, 27 January 2068 and 26 November 2068 respectively for industrial use.</p>	<p>As advised by the Group, the property is occupied by the Group for industrial use.</p>	<p>RMB143,500,000</p> <p>60% interest attributable to the Group:</p> <p>RMB86,100,000</p>

## Notes:

- Pursuant to a Real Estate Title Certificate, Yu (2017) Lan Kao Xian Bu Dong Chan Quan No. 0003194 dated 24 August 2017, the land use rights of the property with a site area of approximately 131,610.00 sq.m. is held by 河南恒大大自然家居有限公司 for a term expiring on 21 April 2067 for industrial use.
- Pursuant to a Real Estate Title Certificate, Yu (2019) Lan Kao Xian Bu Dong Chan Quan No. 0001414 dated 26 March 2019, the land use rights of the property with a site area of approximately 107,608.18 sq.m. is held by 河南恒大大自然家居有限公司 for a term expiring on 27 January 2068 for industrial use.
- Pursuant to a Real Estate Title Certificate, Yu (2019) Lan Kao Xian Bu Dong Chan Quan No. 0001415 dated 26 March 2019, the land use rights of the property with a site area of approximately 8,971.30 sq.m. is held by 河南恒大大自然家居有限公司 for a term expiring on 26 November 2068 for industrial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.

5. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 河南恒大大自然家居有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to seizure;
  - c. The property is subject to mortgages;
  - d. The construction works of the property have been approved by the relevant authorities and is subject to obtaining the building ownership certificate after acceptance of works and under legal regulations; and
  - e. The property can be freely transferred by 河南恒大大自然家居有限公司 upon the approval of the mortgagee.
6. 河南恒大大自然家居有限公司 is a 60%-subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
12. 1st Floor, No. 5, 112 Hualin San Road, Chenghua District, Chengdu City, Sichuan Province, The PRC  中國四川省成都市 成華區華林三路5號附 112號1層	The property comprises a retail unit on the 1st Floor of a 5-storey commercial building.  The total gross floor area of the building is approximately 35.84 sq.m..  The land use rights of the property have been granted for a term expiring on 13 January 2051 for commercial use.	As advised by the Group, the property is occupied by the Group for commercial use.	RMB640,000  100% interest attributable to the Group: RMB640,000

## Notes:

- Pursuant to a Real Estate Title Certificate, Chuan (2017) Cheng Du Shi Bu Dong Chan Quan No. 0441995, dated 19 December 2017, the apportioned land use rights of the property with a site area of approximately 16.03 sq.m. and the building ownership rights of the property with a gross floor area of 35.84 sq.m. is held by 大自然家居(中國)有限公司 for a term expiring on 13 January 2051 for commercial use.
- The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
- We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - 大自然家居(中國)有限公司 is in possession of a proper legal title to the property;
  - The property is not subject to mortgage or seizure;
  - The property can be freely transferred by 大自然家居(中國)有限公司.
- 大自然家居(中國)有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
13. Room 02, Floor 1–3, Block 24, Phase 4, Kaisa Group Dongjiang Xincheng, Luoyang Town, Boluo County, Huizhou City, Guangdong Province, The PRC  中國廣東省惠州市博羅縣羅陽鎮佳兆業東江新城4期24棟1–3層02房	The property comprises a residential unit on the 1st to 3rd Floor of a 3-storey residential building.  The total gross floor area of the building is approximately 231.07 sq.m..  The land use rights of the property have been granted for a term expiring on 6 June 2078 for residential use.	As advised by the Group, the property is occupied by the Group for residential use.	RMB1,800,000  100% interest attributable to the Group: RMB1,800,000

## Notes:

1. Pursuant to a Real Estate Title Certificate, Yue (2018) Bo Luo Xian Bu Dong Chan Quan No. 0052676, dated 30 October 2018, the building ownership rights of the property with a gross floor area of 231.07 sq.m. is held by 大自然家居(中國)有限公司 for a term expiring on 6 June 2078 for residential use.
2. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 大自然家居(中國)有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to mortgage or any other material encumbrances;
  - c. The existing use of the property is in compliance with the local planning regulations; and
  - d. The property can be freely transferred by 大自然家居(中國)有限公司.
4. 大自然家居(中國)有限公司 is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
14. Room 3103, Block 1, Building 1, Shidai Ruida Garden, Shishan Town, Nanhai District, Foshan City, Guangdong Province, The PRC  中國廣東省佛山市 南海區獅山鎮小塘三環 東路11號時代睿達花園 1棟1座3103房	The property comprises a residential unit on the 31st Floor of a 33- storey residential building.  The total gross floor area of the building is approximately 127.37 sq.m..  The land use rights of the property have been granted for a term expiring on 6 February 2087 for residential use.	As advised by the Group, the property is occupied by the Group for residential use.	RMB2,100,000  67% interest attributable to the Group: RMB1,407,000

## Notes:

1. Pursuant to a Real Estate Title Certificate, Yue (2020) Fo Nan Bu Dong Chan Quan No. 0169875, dated 20 November 2020, the building ownership rights of the property with a gross floor area of 127.37 sq.m. is held by 東莞市大自然家居有限公司 for a term expiring on 6 February 2087 for residential use.
2. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 東莞市大自然家居有限公司 is in possession of a proper legal title to the property;
  - b. The property is not subject to mortgage or seizure;
  - c. The existing use of the property is in compliance with the local planning regulations; and
  - d. The property can be freely transferred by 東莞市大自然家居有限公司.
4. 東莞市大自然家居有限公司 is a 67%-subsidiary of the Company.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
15. Room 2602, 26th Floor, No. 4, Hujing Shiyi Road, Hujing Garden (extension) No. 3#4#, Guangzhou City, Guangdong Province, The PRC  中國廣東省廣州市 瑚璟花園(擴展)自編號 3#4#瑚璟十一街4號26 層2602房	The property comprises a residential unit on the 26th Floor of a residential building.  The total gross floor area of the building is approximately 138.10 sq.m..	As advised by the Group, the property is occupied by the Group for residential use.	RMB4,200,000  67% interest attributable to the Group: RMB2,814,000

## Notes:

1. Pursuant to a Real Estate Registration Certificate, Yue (2020) Guang Zhou Shi Bu Dong Chan Zheng Ming No. 06010993 dated 27 March 2020, the building ownership rights of the property is held by 東莞市大自然家居有限公司 via Sales and Purchase Contract No.201912308950.
2. The inspection was performed by Zhang Jinren, with over 5-year valuation experience, in July 2021.
3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, *inter alia*, the following information:
  - a. 東莞市大自然家居有限公司 has entered into a sales and purchase agreement with 陳錦恆 to dispose of the property, and the property has been legally transferred as at 12 August 2021.
4. 東莞市大自然家居有限公司 is a 67%-subsidiary of the Company.

## VALUATION CERTIFICATE

## Group II — Properties held by the Group in Cambodia

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
16. B4-01 #SSEZ.Road4, Sihanoukville Special Economic Zone, Smach Deng Village, Ream Commune, Prey Nob District, Sihanoukville Province, Cambodia	The property comprises a land parcel with a site area of approximately 83,725.85 sq.m. and various industrial buildings completed in about 2020 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	US\$13,200,000  100% interest attributable to the Group: US\$13,200,000
	The total gross floor area of the building is approximately 38,018.00 sq.m..		
	The land use rights of the property have been granted for a term expiring on 31 March 2049 for industrial use.		

*Notes:*

1. The inspection was performed by Ricky Lai, with over 5-year valuation experience, in August 2021.
2. We have been provided with a legal opinion on the property prepared by the Group's Cambodia legal adviser, which contains, *inter alia*, the following information:
  - a. A (non-registered) perpetual leasehold right over Property B-04-01 pursuant to the Land Lease Agreement (No.SSEZ-NFHK201902220) dated 01 March 2019 is valid and enforceable under Cambodian law and can be sub-leased, assigned, transferred or otherwise disposed of, to third-party subject to prior written consent of Sihanoukville Special Economic Zone Co., Ltd..
3. Nature Flooring Cambodia Co., Ltd. is a wholly-owned subsidiary of the Company.
4. As advised by the Group, Sihanoukville Special Economic Zone Co., Ltd. is the owner and lessor of the land of the property. It is the Chinese-based developer of Sihanoukville Special Economic Zone in cooperation with the local government. The Group is independent from Sihanoukville Special Economic Zone Co., Ltd..
5. As advised by the Group, the Group has no legal obstacles in obtaining the written consent from Sihanoukville Special Economic Zone Co., Ltd., and we have taken into account in our valuation.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
17. Building No. C34–21, Sihanoukville Special Economic Zone, Phum Pou Toeung, Bet Trang Commue, Prey Nob District, Sihanoukville Province, Cambodia	The property comprises a land parcel with a site area of approximately 30,970.00 sq.m. and various industrial buildings completed in about 2017 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	US\$5,350,000  75% interest attributable to the Group: US\$4,012,500
	The total gross floor area of the building is approximately 34,560.00 sq.m..		
	The land use rights of the property have been granted for a term expiring on 10 July 2063 for industrial use.		

*Notes:*

1. Pursuant to the Agreement on the Transfer and Assignment of Long-Term Lease of Land entered into between Omni Arbor Solution Co., Ltd. (“Omni”), Prowood (Cambodia) Flooring Co., Ltd. (“Prowood”) and Sihanoukville Special Economic Zone Co., Ltd. (“SSEZ Co., Ltd.”), the agreement contains the following information:
  - a. The land of the property was under a long-term land lease agreement (“Lease Agreement”) dated 25 June 2013 between SSEZ Co., Ltd. and Oceanus Investment Inc;
  - b. On 16 October 2015, Mrs. Xiao Yongjie and Mr. Xu Guixue, as pre-incorporators for and on behalf of Omni, entered into an Agreement on the Transfer of Land Use Rights (“Land Use Rights Transfer Agreement”) relating to the lease agreement between SSEZ Co., Ltd. and Oceanus Investment Inc;
  - c. An agreement was made between SSEZ Co., Ltd. and Mrs. Xiao Yongjie and Mr. Xu Guixue and Omni, whereby Omni adopted the Land Use Rights Transfer Agreement as its contract and became bound as a party thereto with the same effect as if Omni had been in existence as at the date of execution of the Land Use Rights Transfer Agreement (“Substitution Agreement”);
  - d. Omni transfers and assigns all of its rights and obligations under the Substitution Agreement and the Land Use Rights Transfer Agreement to Prowood and Prowood accepts and receives such rights and obligations from Omni;



- e. SSEZ Co., Ltd. agrees to transfer and assign all of Omni's rights and obligations on the premise under the Lease Agreement to Prowood subject to Sihanoukville Special Economic Zone industrial planning;
  - f. The land use rights of land with an area of approximately 30,970 sq.m. was granted to Prowood for a term expiring on 10 July 2063 for industrial use;
  - g. In the event of any difference between the terms of this agreement with the Lease Agreement, the Land Use Rights Transfer Agreement or the Substitution Agreement, the terms of this agreement shall prevail; and
  - h. This agreement is the entire agreement of the Parties, and replaces all prior understandings, agreements, conditions, reservations, or representations, oral or written.
2. The inspection was performed by Ricky Lai, with over 5-year valuation experience, in August 2021.
3. We have been provided with a legal opinion on the property prepared by the Group's Cambodia legal adviser, which contains, *inter alia*, the following information:
- a. As per the Agreement on the Transfer and Assignment of Long-Term Lease of Land entered into by and between Omni Arbor Solution Co., Ltd., Prowood (Cambodia) Flooring Co., Ltd. And Sihanoukville Special Economic Zone Co., Ltd., the leasehold rights being the subject of transfer and/or assignment is the underlying leasehold rights under the long-term lease agreement dated 25 June 2013 which shall be considered as the main and principal agreement specifying all the terms and conditions in relation to the scope, extent and limitation of leasehold rights over the land as well as rights and obligations of the parties being the lessor and the lessee; and
  - b. A (non-registered) perpetual leasehold right over the land parcel as a result of the Agreement on the Transfer and Assignment of Long-Term Lease of Land should be valid and enforceable and the ability to be sub-leased, assigned, transferred or otherwise disposed of, to third-party shall be subject to the terms and conditions of the underlying long-term lease agreement dated 25 June 2013.
4. Prowood (Cambodia) Flooring Co., Ltd. is a 75%-subsidiary of the Company.
5. As advised by the Group, Sihanoukville Special Economic Zone Co., Ltd. is the owner and lessor of the land of the property. It is the Chinese-based developer of Sihanoukville Special Economic Zone in cooperation with the local government. The Group is independent from Sihanoukville Special Economic Zone Co., Ltd..
6. As advised by the Group, the Group is independent from Omni Arbor Solution Co., Ltd..
7. As advised by the Group, the Group has no legal obstacles in obtaining the written consent from Sihanoukville Special Economic Zone Co., Ltd., and we have taken into account in our valuation.

## VALUATION CERTIFICATE

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
18. Building No.A32, Sihanoukville Special Economic Zone, Smach Deng Village, Ream Commune, Prey Nob District, Sihanoukville Province, Cambodia	The property comprises a land parcel with a site area of approximately 40,226.00 sq.m. and various industrial buildings completed in about 2019 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	US\$4,760,000  51% interest attributable to the Group: US\$2,427,600
	The total gross floor area of the building is approximately 27,148.00 sq.m..		
	The land use rights of the property have been granted for a term expiring on 31 March 2047 for industrial use.		

*Notes:*

1. The inspection was performed by Ricky Lai, with over 5-year valuation experience, in August 2021.
2. We have been provided with a legal opinion on the property prepared by the Group's Cambodia legal adviser, which contains, *inter alia*, the following information:
  - a. A (non-registered) perpetual leasehold right over Property A-03-02 pursuant to the Land Lease Agreement (No. SSEZ-PLWI20170322) dated 22 March 2017 is valid and enforceable under Cambodian law and can be sub-leased, assigned, transferred or otherwise disposed of, to third-party subject to prior written consent of Sihanoukville Special Economic Zone Co., Ltd..
3. Woodin Wood (Cambodia) Co., Ltd. is a 51%-subsidiary of the Company.
4. As advised by the Group, Sihanoukville Special Economic Zone Co., Ltd. is the owner and lessor of the land of the property. It is the Chinese-based developer of Sihanoukville Special Economic Zone in cooperation with the local government. The Group is independent from Sihanoukville Special Economic Zone Co., Ltd..
5. As advised by the Group, the Group has no legal obstacles in obtaining the written consent from Sihanoukville Special Economic Zone Co., Ltd., and we have taken into account in our valuation.

## VALUATION CERTIFICATE

## Group III — Property held by the Group in Poland

No. Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2021
19. ul.Fabryczna 6a, 38–200 Jasło, Poland	The property comprises various land parcels with a total site area of approximately 132,731.00 sq.m. and various industrial buildings completed in between 2000 and 2018 erected thereon.	As advised by the Group, the property is occupied by the Group for industrial use.	PLN41,600,000  100% interest attributable to the Group: PLN41,600,000
	The total gross floor area of the building is approximately 28,663.36 sq.m..		
	The land use rights of the property have been granted for industrial use.		

## Notes:

1. The inspection was performed by Wiesław B., with over 5-year valuation experience, in August 2021..
2. We have been provided with a legal opinion on the property prepared by the Group's Poland legal adviser, which contains, *inter alia*, the following information:
  - a. Baltic Wood S.A. has full ownership rights with respect to 3 properties which constitute 13.2731 ha (132,731 sq.m.);
  - b. The property is subject to 3 mortgages;
  - c. The location of a property in a Special Economic Zone creates a pre-emption right for the Industrial Development Agency of any real property that is to be sold to purchase the real property at the price offered by a given buyer. It is important to note that any agreement for the purchase of a real property located in a Special Economic Zone must be conditional due to the pre-emption right of the Industrial Development Agency. The absence of conditionality in such an agreement effectively makes it null and void.;

- d. A foreigner (including a corporate person) from outside the European Economic Area (encompassing European Union countries, Iceland, Liechtenstein, and Norway) or Switzerland, who intends to purchase real estate in Poland, should obtain a prior permit from the Minister of the Interior and Administration. It is possible to obtain a permit if a purchase of real estate does not pose a threat to the defense, national security, or public order, and will not be opposed by social policy and public health considerations. A foreign company which intends to purchase real estate for the purpose of conducting business activity, should indicate that the purchase of real estate has real needs resulting from the nature of its business activity; and
  - e. The encumbrances specified in 2a. to 2d. above do not create formal limitations in transferring the title to the property. The potential purchaser assumes the obligations — meant as liability in, rem stemming from these encumbrances.
3. Baltic Wood S.A. is a wholly-owned subsidiary of the Company.

## 1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Rollover Arrangement, the Offeror and the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (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 document, the omission of which would make any of their statements in this document misleading.

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (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 document (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 document, the omission of which would make any of their statements in this document misleading.

## 2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was US\$4,000,000 divided into 4,000,000,000 Shares;
- (b) the Company had 1,377,783,990 Shares in issue;
- (c) the Company had not issued any Shares since the Last Accounting Date;
- (d) all of the issued Shares ranked *pari passu* in all respects as regards rights to capital, dividends and voting; and
- (e) save for the 71,200,000 Options, there were no outstanding options, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which may affect the Shares.

### 3. MARKET PRICES OF SHARES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period:

<b>Dates</b>	<b>Closing price (HK\$)</b>
29 January 2021	0.97
26 February 2021	0.99
31 March 2021	1.15
30 April 2021	1.14
31 May 2021	1.40
30 June 2021	1.25
16 July 2021 (Last Trading Day)	1.22
30 July 2021	1.57
31 August 2021	1.61
10 September 2021 (Latest Practicable Date)	1.63

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.63 per Share on 10 September 2021 (which was also the closing price on 9 September 2021, 7 September 2021, 6 September 2021 and 3 September 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).

## 4. DISCLOSURE OF INTERESTS

**Interests of Directors and Chief Executive in the Shares**

As at the Latest Practicable Date, the interests and positions of the Directors and chief executive of the Company in Shares, which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be entered in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, are set out below:

*Interests in the Company*

Name of Directors	Number of Shares		Number of Shares Interested	Approximate percentage of issued share capital of the Company
	Personal interest	Corporate Interest		
Mr. Se	20,000,000 <u>1,500,000<sup>(Note 2)</sup></u>  <u><u>21,500,000</u></u>	663,768,000 <sup>(Note 3)</sup>	685,268,000	49.74%
Mrs. Se	1,500,000 <sup>(Note 2)</sup>	663,768,000 <sup>(Note 3)</sup>	665,268,000	48.29%
Mr. She	1,500,000 <u>1,500,000<sup>(Note 2)</sup></u>  <u><u>3,000,000</u></u>	Nil	3,000,000	0.22%
Mr. Liang	2,500,000 <u>15,000,000<sup>(Note 2)</sup></u>  <u><u>17,500,000</u></u>	Nil	17,500,000	1.27%
Mr. Teoh Chun Ming	1,500,000 <sup>(Note 2)</sup>	Nil	1,500,000	0.11%

Name of Directors	Number of Shares		Number of Shares Interested	Approximate percentage of issued share capital of the Company
	Personal interest	Corporate Interest		
Professor Li Kwok Cheung, Arthur	1,000,000 <sup>(Note 2)</sup>	Nil	1,000,000	0.07%
Mr. Chan Siu Wing, Raymond	1,000,000 <sup>(Note 2)</sup>	Nil	1,000,000	0.07%
Mr. Ho King Fung, Eric	1,000,000 <sup>(Note 2)</sup>	Nil	1,000,000	0.07%

*Notes:*

- (1) All interests stated are long positions in the ordinary shares of the Company.
- (2) These interests represent the Options granted to the Directors pursuant to the terms of the Share Option Scheme, which entitle the Directors to subscribe for Shares.
- (3) 663,768,000 Shares are owned by Freewings. Freewings is owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se and Mrs. Se, respectively.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to section 352 of the SFO to be recorded in the register referred to therein (or pursuant to the Model Code to be notified to the Company and the Stock Exchange).

### Interests of Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities (other than a Director or chief executive of the Company) who had an interest in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly,



interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company (or in any options in respect of such share capital) were as follows:

<b>Name of Shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of Shares Interested</b>	<b>Approximate percentage of issued share capital of the Company</b>
Freewings	Beneficial owner	663,768,000 <sup>(Note 2)</sup>	48.18%
Team One Investments Limited	Interest of controlled corporation	663,768,000 <sup>(Note 2)</sup>	48.18%
Trader World Limited	Interest of controlled corporation	663,768,000 <sup>(Note 2)</sup>	48.18%
Offeror	Beneficial owner	275,557,000 <sup>(Note 3)</sup>	20.00%
LLP	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
GP	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
Mr. Xie Yongyuan* (謝永元)	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
LP2	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
GF Xinde	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
GF Securities	Interest of controlled corporation	275,557,000 <sup>(Note 4)</sup>	20.00%
Rollover Shareholder	Beneficial owner	269,999,990	19.60%
Weng Hou	Beneficial owner	92,300,000	6.70%

*Notes:*

1. All interests stated are long positions in the ordinary shares of the Company.
2. Freewings is owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se and Mrs. Se, respectively.
3. Pursuant to the Share Charge, Freewings has charged 275,557,000 Shares in favour of the Offeror. Therefore, the Offeror holds a security interest in 275,557,009 Shares.
4. The Offeror is wholly-owned by LLP. The general partner of LLP is GP, which is wholly-owned by Mr. Xie Yongyuan\* (謝永元). LP1, LP2 and LP3 has contributed approximately 12.97%, 32.41% and 15.07% of the total capital contributed by the relevant entities to LLP, respectively. LP1 is wholly-owned by GF Securities. The general partner of each of LP2 and LP3 is GF Xinde, which is wholly-owned by GF Securities. Therefore, each of LLP, GP, Mr. Xie Yongyuan\* (謝永元), GF Xinde and GF Securities is deemed to be interested in the security interest in the 275,557,000 Shares held by the Offeror by virtue of the SFO. LP2 has also filed a disclosure of interest form under the SFO.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, there was no other person who had interest or short position in Shares or underlying shares of the Company which were required (pursuant to section 336 of the SFO) to be recorded in the register referred to therein.

**Other Interests**

As at the Latest Practicable Date:

- (a) Save as disclosed in the paragraph headed “7. Shareholding Structure of the Company” in the Explanatory Statement, none of the Offeror, the Offeror Concert Parties and the Committed Optionholders was interested in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).
- (b) Save as disclosed in the paragraph headed “4. Disclosure of Interests — Interests of Directors and Chief Executive in the Shares” above, none of the Directors was interested in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).
- (c) Save as disclosed in the paragraph headed “4. Disclosure of Interests — Interests of Directors and Chief Executive in the Shares” above, none of the Offeror Directors was interested in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
- (d) No subsidiary of the Company, no pension fund of any member of the Group and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any

exempt principal trader or exempt fund manager) owned or controlled any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).

- (e) Other than the Proposal, the Consortium Agreement, the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with: (i) the Offeror or the Offeror Concert Parties; and (ii) the Company or any party acting in concert with it (including any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code) or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” in the Takeovers Code.
- (f) No fund manager (other than exempt fund managers) connected with the Company managed any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares) on a discretionary basis.
- (g) The Directors (other than the OCP Optionholders) intended to accept the Option Offer in respect of their holdings of outstanding Options.
- (h) Neither the Company nor any Directors had borrowed or lent any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares), save for any borrowed shares which had been either on-lent or sold.

## **5. DISCLOSURE OF INTEREST IN OFFEROR’S SHARES**

- (a) As at the Latest Practicable Date, save as disclosed in the paragraph headed “12. Information on the Offeror and the Offeror Concert Parties”, the Company did not own or control, and no Director had any interest in, any shares (or any convertible securities, warrants, options or derivatives in respect of shares) in the Offeror.
- (b) During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares (or any convertible securities, warrants, options or derivatives in respect of shares) in the Offeror.

## **6. DEALINGS IN THE SHARES**

During the Relevant Period:

- (a) None of the Company or the Directors had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
- (b) None of the Offeror, the Offeror Directors, the Committed Optionholders nor any of the Offeror Concert Parties had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).

- (c) No person who had irrevocably committed themselves to accept the Proposal, to cancel the Scheme Shares or the Options or to vote for or against the Scheme had dealt for value in any Shares (or any convertible securities, warrants, options or derivatives in respect of Shares).
- (d) None of the Offeror and the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which had been either on-lent or sold.

During the Offer Period and up to the Latest Practicable Date:

- (e) No subsidiary of the Company, no pension fund of any member of the Group and no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any exempt principal trader or exempt fund manager) had dealt for value in any Shares (or any convertible securities, warrants, options and derivatives in respect of Shares).
- (f) No fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in any Shares (or convertible securities, warrants, options and derivatives in respect of Shares).

## **7. ARRANGEMENTS IN CONNECTION WITH THE OFFER**

As at the Latest Practicable Date:

- (a) No arrangement was in place for any benefit (other than statutory compensation required under appropriate laws) which would be given to any Director (as compensation for loss of office or otherwise) in connection with the Proposal.
- (b) Other than the Consortium Agreement, the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, there were no agreements or arrangements between any Director and any other person which are conditional on or dependent upon the outcome of the Offer (or otherwise connected with the Proposal).
- (c) Other than the Consortium Agreement, the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, there were no material contracts entered into by the Offeror in which any Director has a material personal interest.
- (d) Other than the Consortium Agreement, the OCPO Confirmations, the Irrevocable Option Undertakings and the Irrevocable Rollover Undertaking, there were no agreements, arrangements or understandings (including any compensation arrangement) that existed between: (i) the Offeror or the Offeror Concert Parties; and (ii) any of the Directors, recent directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposal.

As at the Latest Practicable Date:

- (e) 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).
- (f) the Offeror and the Offeror Concert Parties had not entered into any derivative in respect of the securities of the Company.
- (g) save for 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.
- (h) Save for the Conditions, there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke (or seek to invoke) a pre-condition or a condition to the Proposal.
- (i) 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.
- (j) 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 the Offeror Concert Parties; or (b) the Company, its subsidiaries or associated companies.

## 8. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which are in force and which: (i) (including both continuous and fixed-term contracts) had been entered into or amended within the Relevant Period; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

<b>Name</b>	<b>Term of service contract/ appointment letter</b>	<b>Position and Employer</b>	<b>Remuneration</b>
Mr. Se Hok Pan	three (3) years commencing from 1 April 2021	Executive Director of the Company	HK\$3,600,000 per annum
	three (3) years commencing from 1 April 2018	Executive Director of the Company	HK\$3,600,000 per annum
Ms. Un Son I	three (3) years commencing from 1 April 2021	Executive Director of the Company	HK\$2,700,000 per annum
	three (3) years commencing from 1 April 2018	Executive Director of the Company	HK\$2,700,000 per annum
Mr. She Jian Bin	three (3) years commencing from 1 April 2021	Executive Director of the Company	HK\$1,100,000 per annum
	three (3) years commencing from 1 April 2018	Executive Director of the Company	HK\$1,100,000 per annum
Mr. Liang Zhihua	three (3) years commencing from 1 February 2021	Non-executive Director of the Company	HK\$200,000 per annum
	three (3) years commencing from 1 February 2018	Non-executive Director of the Company	HK\$200,000 per annum

Name	Term of service contract/ appointment letter	Position and Employer	Remuneration
Mr. Teoh Chun Ming	three (3) years commencing from 1 July 2021	Non-executive Director of the Company	HK\$200,000 per annum
	three (3) years commencing from 1 July 2018	Non-executive Director of the Company	HK\$200,000 per annum
Professor Li Kwok Cheung, Arthur	three (3) years commencing from 4 May 2020	Independent non-executive Director of the Company	HK\$200,000 per annum
Mr. Chan Siu Wing, Raymond	three (3) years commencing from 4 May 2020	Independent non-executive Director of the Company	HK\$200,000 per annum
Mr. Ho King Fung, Eric	three (3) years commencing from 4 May 2020	Independent non-executive Director of the Company	HK\$200,000 per annum

## 9. LITIGATION

No members of the Group are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 10. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being a contract entered into in the ordinary course of business) that have been entered into by members of the Group within the two years prior to the date of the Joint Announcement (i.e. commencement of the Offer Period) up to the Latest Practicable Date:

- (a) the investment agreement dated 30 December 2019 entered into by and among: (i) the Company; (ii) Boville Investments sp. z.o.o. ("**Boville**"), a wholly-owned subsidiary of the Company; and (iii) Gamrat S.A., Mr. Krzysztof Moska, Mr. Leszek Sobik, Mr. Adam Łanoszka, Mr. Wojciech Hoffmann, Mr. Adam Góralczyk and Mr. Rafał Zawierucha (the "**Vendors**"), in relation to acquisition by Boville of the entire issued share capital of Baltic Wood S.A. ("**Baltic Wood**") from the Vendors for a total consideration of not more than EUR18,362,000;

- (b) the supplemental agreement dated 30 December 2019 entered into by and between Boville and Mr. Rafał Zawierucha in relation to the increase of the consideration payable to Mr. Rafał Zawierucha in respect of the acquisition of shares of Baltic Wood by Boville from Mr. Zawierucha of EUR300,000;
- (c) the sale and purchase agreement dated 26 January 2021 entered into by and between Nature Home (China) Limited\* (大自然家居(中國)有限公司) (“**Nature Home China**”), a wholly-owned subsidiary of the Company, and Ziran Youpin (Hengqin) Technology Co., Limited\* (自然優品科技(橫琴)有限公司) (“**Ziran Youpin**”) in relation to the acquisition of the entire equity interest in Guangdong Youzhong Home Co., Limited\* (廣東優眾家居有限公司) by Nature Home China from Ziran Youpin for a consideration of RMB9,500,000;
- (d) the sale and purchase agreement dated 23 April 2021 entered into by and between Nature Home China and Henglin Home Stock Limited\* (恒林家居股份有限公司) (“**Henglin Home**”) in relation to the disposal of 10,306,765 shares of Zhejiang Yongyu Home Stock Limited\* (浙江永裕家居股份有限公司) (formerly known as Zhejiang Yongyu Bamboo Stock Limited\* (浙江永裕竹業股份有限公司)) by Nature Home (China) to Henglin Home for a consideration of RMB120,000,000;
- (e) the sale and purchase agreement dated 16 August 2021 entered into by and among Nature Home China, 河南恒大家居產業園有限公司 (Henan Evergrande Home Industrial Park Limited\*) (“**Henan Evergrande**”) and 深圳恒大材料設備有限公司 (Shenzhen Evergrande Materials Equipment Limited\*) (“**Shenzhen Evergrande**”) in relation to the purchase of 40% of the entire equity interests in 河南恒大大自然家居有限公司 (Henan Evergrande Nature Home Limited\*) by Nature Home China from Henan Evergrande for a consideration of RMB60,000,000; and
- (f) the sale and purchase agreement dated 16 August 2021 entered into by and among Nature Home China, Henan Evergrande and Shenzhen Evergrande in relation to the purchase of 40% of the entire equity interests in 河南恒大大自然木業有限公司 (Henan Evergrande Nature Wood Industry Limited\*) by Nature Home China from Henan Evergrande for a consideration of RMB20,000,000.



**11. EXPERTS**

The following are the qualifications of the experts which have given advice which is contained in this document:

<b>Name</b>	<b>Qualification</b>
GF Capital (Hong Kong) Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
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
Ravia Global Appraisal Advisory Limited	an independent property valuer
Guang Dong July Law Firm	legal adviser to the Company as to PRC laws
R&T Sok & Heng Law Office	legal adviser to the Company as to Cambodia laws
D. Dobkowski spółka komandytowa	legal adviser to the Company as to Poland laws

**12. CONSENTS**

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of the opinions, reports and/or letters and/or the references to its name and/or opinions, reports and/or letters in the form and context in which they respectively appear.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection: (i) from 9:30 am to 5:30 pm, Monday to Friday (excluding any public holiday in Hong Kong), at the Hong Kong office of the Company (at Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong); (ii) at the website of the Company at <http://www.nature-home.com.hk/>; and (iii) at the website of the SFC at <http://www.sfc.hk>, from the date of this document until the Effective Date (or the date on which the Scheme lapses, whichever is earliest):

- (a) the articles of association of Offeror;
- (b) the memorandum and articles of association of the Company;

- (c) the Board Letter;
- (d) the IBC Letter;
- (e) the IFA Letter;
- (f) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020;
- (g) the Interim Results Announcement;
- (h) the Property Valuation Report;
- (i) the legal opinion as issued by Guang Dong July Law Firm and referred to in the Property Valuation Report;
- (j) the legal opinion as issued by R&T Sok & Heng Law Office and referred to in the Property Valuation Report;
- (k) the legal opinion as issued by D. Dobkowski spółka komandytowa and referred to in the Property Valuation Report;
- (l) the Consortium Agreement;
- (m) the Share Charge;
- (n) the Irrevocable Option Undertakings;
- (o) the Irrevocable Rollover Undertaking;
- (p) the OCPO Confirmations;
- (q) the service contracts referred to in the paragraph headed “8. Directors’ Service Contracts” in this Appendix;
- (r) the material contracts referred to in the paragraph headed “10. Material Contracts” in this Appendix;
- (s) the written consents referred to in the paragraph headed “12. Consents” in this Appendix;
- (t) the form of the Option Offer Letter;
- (u) the Form of Acceptance; and
- (v) this document.

**14. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.
- (b) The registered office of the Offeror is situated at Unit 1102, 11/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.
- (c) 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 implementation of the Proposal is being led by Mr. Se. The principal member of the Offeror Concert Parties is Mr. Se.
- (d) The correspondence address of Mr. Se is Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.
- (e) As at the Latest Practicable Date, the Offeror Directors are Mr. Se, Mrs. Se, Ms. Wu Xiuting, Mr. Liu Yanjia and Mr. Zeng Jian.
- (f) As at the Latest Practicable Date, the Offeror had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired under the Offer.
- (g) The Share Registrar is Computershare Hong Kong Investor Services Limited, which is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (h) The principal share registrar and transfer agent of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.
- (i) The company secretary of the Company is Mr. Lai Kwok Keung, Alex. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (j) The registered address of GF Capital (being the financial adviser to the Offeror) is situated at 29–30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (k) The registered address of the IFA in Hong Kong is situated at 18/F, Fung House, 19–20 Connaught Road Central, Central, Hong Kong.
- (l) The English language text of this document will prevail over the Chinese language text.

**IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION**

**CAUSE NO: FSD 235 OF 2021 (DDJ)**

**IN THE MATTER OF SECTIONS 14 TO 16 AND SECTION 86 OF THE COMPANIES ACT  
(2021 REVISION)**

**AND**

**IN THE MATTER OF NATURE HOME HOLDING COMPANY LIMITED 大自然家居控股有  
限公司**

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**SCHEME OF ARRANGEMENT**

*(under section 86 of the Cayman Islands Companies Act (2021 Revision))*

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**BETWEEN**

**NATURE HOME HOLDING COMPANY LIMITED**

**大自然家居控股有限公司**

*(an exempted company incorporated with limited liability  
under the laws of the Cayman Islands with registration number 192320)*

**AND**

**THE SCHEME SHAREHOLDERS**

*(as hereinafter defined)*

## PART A

## PRELIMINARY

## 1. DEFINITIONS

1.1 In this Scheme, unless the context otherwise requires or unless otherwise expressly provided for, the following capitalised expressions shall bear the following meanings:

“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
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business, as defined in the Takeovers Code
“BVI”	the British Virgin Islands
“Cancellation Price”	the consideration of HK\$1.70 per Scheme Share cancelled, payable in cash by the Offeror to the Scheme Shareholders pursuant to this Scheme
“Companies Act”	the Companies Act (2021 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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 and this Scheme becoming effective as set out in the section headed “3. Conditions of the Proposal” in the explanatory statement of the Scheme Document
“Consortium”	the Founders and the Financial Investors

“Court Meeting”	a meeting of the Qualifying Shareholders (and, if applicable, any class of such holders) convened at the direction of the Grand Court at which this Scheme (with or without modification) shall be voted upon, or any adjournment thereof
“Directors”	the directors of the Company
“Effective Date”	the date on which this Scheme, if approved at the Court Meeting and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act being the date on which a copy of the order of the Grand Court sanctioning this Scheme and confirming the Reduction is delivered to the Registrar for registration pursuant to section 86(3) of the Companies Act (assuming the Scheme 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) the Rollover Arrangement, the Reduction, the increase in the issued share capital of the Company and the implementation of the Proposal, or any adjournment of such meeting <sup>(note)</sup>
“Ever Grand”	Ever Grand Inc Limited, a company incorporated in Hong Kong with limited liability and which 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”	(i) Zhuhai Houjiang Consulting Service Co. Ltd.* (珠海厚疆諮詢服務有限責任公司), (ii) GF Qianhe Investment Co. Ltd.* (廣發乾和投資有限公司), (iii) Guangdong Xindongneng Equity Investment Limited Partnership* (廣東新動能股權投資合夥企業(有限合夥)), (iv) 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)), (v) Guangdong Fengyue Equity Investment Limited Partnership, (vi) 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)), (vii) 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)) and (viii) Zhoushan and Zhongxin Equity Investment Limited Partnership* (舟山和眾信股權投資合夥企業(有限合夥)), being members of the Consortium which provide 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 which is the controlling shareholder of the Company, and is the beneficial owner of 663,768,000 Shares (representing approximately 48.18% of the Company’s issued Shares)
“Grand Court”	the Grand Court of the Cayman Islands and any court capable of hearing appeals therefrom
“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
“Independent Shareholders”	the Shareholders other than the Offeror and the Offeror Concert Parties who hold Shares

“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
“Latest Practicable Date”	10 September 2021, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information contained therein
“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(有限合伙)), a limited partnership enterprise established in the PRC and which wholly-owns 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)
“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”	6 October 2021 (or such other date as may be announced to the Shareholders), being the record date for the purpose of determining the entitlement of the Qualifying Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“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, and is the beneficial owner of 20,000,000 Shares (representing approximately 1.45% of the Company’s issued Shares)
“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
“New Shares”	the new Shares to be issued to the Offeror pursuant to this Scheme, the number of which is equal to the number of Scheme Shares to be cancelled
“OCP Optionholders”	Mr. Se, Mrs. Se, Mr. She and Mr. Liang, being Offeror Concert Parties who hold Options
“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 “ <i>acting in concert</i> ” in 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))
“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 this Scheme becoming unconditional
“Optionholders”	holders of Options

“Options”	the outstanding options granted under the Share Option Scheme
“PRC”	the People’s Republic of China
“Proposal”	the proposed privatisation of the Company by the Offeror by way of this 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 the Scheme Document
“Qualifying Shareholders”	registered holders of Scheme Shares as at the Meeting Record Date
“Reduction”	the reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares
“Register”	the register of members of the Company
“Registrar”	the Registrar of Companies appointed in accordance with the Companies Act
“Rollover Arrangement”	the arrangement between the Offeror and the Rollover Shareholder under the Irrevocable Rollover Undertaking
“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), and which is the beneficial owner of 269,999,990 Shares (representing approximately 19.60% of the Company’s issued Shares)
“Scheme”	this scheme of arrangement under section 86 of the Companies Act as set out in Appendix IV to the Scheme Document (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 dated 14 September 2021 issued jointly by the Offeror and the Company (containing, among other things, each of the letters, statements, appendices and notices in connection with the Scheme)
“Scheme Record Date”	15 October 2021 (or such other date as may be announced to the holders of Scheme Shares), being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Price under this 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 Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Company’s branch share registrar in Hong Kong
“Shares”	ordinary shares of par value US\$0.001 each in the share capital of the Company
“Shareholders”	holders of 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
“Weng Hou”	Weng Hou Investment Company Limited, a company incorporated in Macau with limited liability and an Offeror Concert Party, and which is the beneficial owner of 92,300,000 Shares (representing approximately 6.70% of the Company’s issued Shares)

“%” per cent. or percentage

\* *For identification purposes only*

*Note:*

- (1) Only the Independent Shareholders shall be entitled to vote to approve the Rollover Arrangement at the EGM.

## 2. INTERPRETATION

2.1 In this Scheme, unless the context otherwise requires or otherwise expressly provides:

- (a) references to Parts, Clauses and Sub-Clauses are references to parts, clauses and sub-clauses respectively of this Scheme;
- (b) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (c) references to a statute, statutory provision, enactment or subordinate legislation include the same as subsequently modified, amended or re-enacted from time to time;
- (d) references to an agreement, deed or document shall be deemed also to refer to such agreement, deed or document as amended, supplemented, restated, verified, replaced and/or novated (in whole or in part) from time to time and to any agreement, deed or document executed pursuant thereto;
- (e) the singular includes the plural and vice-versa and words importing one gender shall include all genders;
- (f) headings to Parts, Clauses and Sub-Clauses are for ease of reference only and shall not affect the interpretation of this Scheme; and
- (g) all references to time are references to Hong Kong time.

## 3. THE COMPANY

- 3.1 The Company is an exempted company which was incorporated with limited liability under the laws of the Cayman Islands on 27 July 2007 with registration number 192320. The Company’s registered office address is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

3.2 The Shares have been listed on the Main Board of the Stock Exchange (stock code: 2083) since 26 May 2011. As at the Latest Practicable 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, all of which are fully paid.

3.3 As at the Latest Practicable Date, all of the issued shares of the Company had been listed and were traded on the Stock Exchange.

#### 4. THE OFFEROR

4.1 The Offeror is 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.

4.2 The Offeror has undertaken to the Grand Court to be bound by this Scheme, and shall execute and do (and procure to be executed and done) all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

#### 5. THE PURPOSE OF THIS SCHEME

5.1 The Offeror has proposed the privatisation of the Company by way of this Scheme.

5.2 The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Price, so that thereafter the Offeror and the Offeror Concert Parties shall hold (in aggregate) 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). Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be restored to its former amount by the issue to the Offeror at par (credited as fully paid) such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.

5.3 As at the Latest Practicable Date, an aggregate of 1,085,662,990 Shares were legally and/or beneficially owned by the Offeror Concert Parties and registered as follows:

Names	Number of Shares	Approximate
		Percentage of Shares in issue
Freewings	663,768,000	48.18%
Rollover Shareholder	269,999,990	19.60%
Weng Hou	92,300,000	6.70%
Ms. Se	35,595,000	2.58%
Mr. Se	20,000,000	1.45%
Mr. Liang	2,500,000	0.18%

Names	Number of Shares	Approximate Percentage of Shares in issue
Mr. She	1,500,000	0.11%

*Note:*

Freewings is a private company owned by Team One Investments Limited as to 60.19% and Trader World Limited as to 39.81%. Team One Investments Limited and Trader World Limited are wholly-owned by Mr. Se and Mrs. Se, respectively.

Each of the Offeror and the Offeror Concert Parties (which are presumed to be acting in concert with the Offeror under the Takeovers Code) shall procure that any Shares in respect of which they are beneficially interested shall not be represented or voted at the Court Meeting. As at the Latest Practicable Date, except as disclosed above, the Offeror is not beneficially interested in any Shares.

**PART B****THE SCHEME****6. APPLICATION AND EFFECTIVENESS OF THIS SCHEME**

- 6.1 The compromise and arrangement effected by this Scheme shall apply to all Scheme Shares and is binding on all Scheme Shareholders.
- 6.2 Subject to the Conditions having been fulfilled or waived (as applicable), this Scheme shall become effective as soon as: (a) an order of the Grand Court sanctioning this Scheme (under section 86 of the Companies Act) has been duly delivered to the Registrar (pursuant to section 86(3) of the Companies Act) for registration; and (b) an order of the Grand Court confirming the Reduction (and the minute referred to in section 17(1) of the Companies Act) are registered pursuant to section 17 of the Companies Act.
- 6.3 Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.

**7. REDUCTION OF CAPITAL AND CANCELLATION OF THE SCHEME SHARES****7.1 On the Effective Date:**

- (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares in accordance with sections 14 to 16 of the Companies Act (with the equivalent number of New Shares being issued as fully paid to the Offeror) and the Scheme Shareholders shall cease to have any rights with respect to the Scheme Shares, except the right to receive the Cancellation Price;
- (b) subject to and forthwith upon the Reduction taking effect, the issued share capital of the Company shall be increased to its former amount by the allotment and issue at par of such aggregate number of New Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
- (c) the Company shall apply the credit amount arising in its books of account as a result of the Reduction (referred to in paragraph 7.1(a)) in paying up in full at par such number of New Shares as is equal to the number of Scheme Shares cancelled, which shall be allotted and issued to the Offeror, credited as fully paid as mentioned in paragraph 7.1(b).

**8. CONSIDERATION FOR THE CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

- 8.1 In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price.

8.2 The Cancellation Price shall be paid on a pro rata basis as follows:

**1 Scheme Share: HK\$1.70.**

## 9. PAYMENTS

- 9.1 As soon as possible and not later than seven (7) Business Days after the Effective Date, the Offeror shall send (or cause to be sent) to the Scheme Shareholders cheques by ordinary post (at the risk of the recipients to their registered addresses as shown in the Register) in respect of the Cancellation Price payable to such Scheme Shareholders pursuant to clause 8 of this Scheme.
- 9.2 Unless otherwise indicated in writing to the Share Registrar, all such cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their registered addresses as appearing on the Register at the Scheme Record Date (or, in the case of joint holders, at the address as appearing on the Register at the Scheme Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding).
- 9.3 Cheques shall be posted at the risk of the addressee, and none of the Offeror, the Company or the Share Registrar shall be responsible for any loss or delay in the despatch of the same.
- 9.4 Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of clause 9.2, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
- 9.5 On or after the day being six calendar months after the posting of the cheques pursuant to clause 9.2, the Offeror shall have the right to cancel or countermand any cheque which has not been encashed (or that has been returned uncashed) and shall place all monies represented thereby in a deposit or custodian account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to clause 8 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in clause 9.2 of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled (as the case may be) shall be conclusive and binding upon all persons claiming an interest in the relevant monies.



9.6 On the expiration of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme, and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name (including accrued interest, subject to any deduction required by law and expenses incurred).

9.7 Paragraph 9.6 shall take effect subject to any prohibition or condition imposed by law.

#### **10. CERTIFICATES REPRESENTING SCHEME SHARES**

10.1 Each instrument of transfer and certificate existing at the Scheme Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares, and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation thereof.

#### **11. MANDATES AND OTHER INSTRUCTIONS**

11.1 All mandates or relevant instructions to the Company in force at the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.

#### **12. SCHEME EFFECTIVE DATE**

12.1 Subject to the Conditions having been satisfied in full (or to the extent permitted by law waived by the Offeror), this Scheme shall become effective in accordance with its terms as soon as a copy of the order of the Grand Court sanctioning this Scheme under section 86 of the Companies Act has been registered by the Registrar pursuant to section 86(3) of the Companies Act and the court order confirming the Reduction and the minute referred to in section 17(1) of the Companies Act are registered pursuant to section 17 of the Companies Act.

#### **13. MODIFICATION AND SEVERABILITY**

13.1 The Company and the Offeror may consent jointly (for and on behalf of all concerned) to any modification of or addition to this Scheme or to any condition which the Grand Court may think fit to approve or impose.

13.2 If any provision (or any part of any provision) of this Scheme is found by the Grand Court to be illegal or unenforceable, it shall be severed from this Scheme and the remaining provisions of this Scheme shall continue in force.

**14. COSTS AND EXPENSES**

14.1 (i) All expenses incurred by the Company in connection with this Scheme shall be borne by the Offeror if the Scheme is not approved by the Qualifying Shareholders at the Court Meeting; and (ii) in any other case, all costs, charges and expenses incurred by the Company (including costs, charges and expenses of the advisers and counsels appointed by the Company) shall be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror (including costs, charges and expenses of the advisers and counsels appointed by the Offeror) and other costs, charges and expenses of this Scheme shall be borne by Mr. Se.

**15. GOVERNING LAW**

15.1 The terms of this Scheme shall be governed by, and construed in accordance with, the laws of the Cayman Islands and the courts of the Cayman Islands shall have exclusive jurisdiction to hear and determine any proceeding and to settle any dispute which arises out of or in connection with the terms of this Scheme or its implementation (or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme) and for such purposes, the parties irrevocably submit to the exclusive jurisdiction of the Courts of the Cayman Islands (provided, however, that nothing in this Clause shall affect the validity of other provisions determining governing law and jurisdiction between the parties whether contained in any contract or otherwise).

15.2 The terms of this Scheme and the obligations imposed on the Company and the Offeror hereunder shall take effect subject to any prohibition or condition imposed by any applicable law.

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 235 OF 2021 (DDJ)

IN THE MATTER OF SECTIONS 14 TO 16 AND SECTION 86 OF THE COMPANIES ACT  
(2021 REVISION)

AND

IN THE MATTER OF NATURE HOME HOLDING COMPANY LIMITED 大自然家居控股有限公司

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NOTICE OF COURT MEETING

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**NOTICE IS HEREBY GIVEN** that, by an order dated 7 September 2021 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the registered holders of ordinary shares of US\$0.001 each in the capital of **NATURE HOME HOLDING COMPANY LIMITED** 大自然家居控股有限公司 (the “**Company**”) other than the Offeror and the Offeror Concert Parties (including the Rollover Shareholder), being the holders of Scheme Shares at the Meeting Record Date (being Wednesday, 6 October 2021) (the “**Qualifying Shareholders**”), for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement pursuant to section 86 of the Cayman Islands Companies Act (2021 Revision) (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders. Unless otherwise provided, capitalised terms used in this Notice of Court Meeting have the same meanings as defined in the Scheme.

The Court Meeting will be held at Thornton Room & Huthart Room I, 3/F, South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong at 11:00 a.m. on 6 October 2021, at which place and time all such Qualifying Shareholders are requested to attend either in person, by a fully authorised representative (if a corporation) or by proxy.

A dial-in will be available to allow attendees of the Court Meeting to attend the meeting by telephone. Qualifying Shareholders who wish to attend the Court Meeting by telephone should contact the company secretary of the Company at (852) 2858 6786 or EGM2021@nature-cn.cn for registration by no later than 4:00 p.m. on Monday, 4 October 2021. Please note that **no Voting will be permitted by way of the telephone dial-in** and any person entitled to and seeking to vote at the Court Meeting must either attend and vote in person at the meeting or appoint a proxy to vote on his behalf.

In the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Wednesday, 6 October 2021, the Court Meeting will be adjourned to Thursday, 7 October 2021 at 11:00 a.m., or at a time on an alternative day to be announced that falls within 14 days of the original date scheduled for the Court Meeting. The Company will post an announcement on the respective websites of the Stock Exchange and the Company (<http://www.nature-home.com.hk/>) to notify the Qualifying Shareholders of the date, time and venue of the rescheduled meeting. The Court Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

You should make your own decision as to whether you would attend the Court Meeting under bad weather conditions, bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme are incorporated in the composite scheme document dated 14 September 2021 of which this Notice forms part (the “**Scheme Document**”). A copy of the Scheme Document has been made available on the Company’s website at <http://www.nature-home.com.hk/>. A copy of the Scheme Document can also be obtained by the Qualifying Shareholders from the Hong Kong branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited (at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong).

At the Court Meeting, the following resolution will be proposed:

*“THAT the Scheme of Arrangement, a print of which has been submitted to this Court Meeting and, for the purpose of identification, signed by the chairman of this Court Meeting in its original form with such modifications, additions or conditions as may be approved or imposed by the Cayman Islands Grand Court and as may be agreed by the Company, be and is hereby approved”.*

If you are a Qualifying Shareholder at the Meeting Record Date (being Wednesday, 6 October 2021), you are entitled to attend and vote your Shares at the Court Meeting (and any adjournments thereof) either by voting in person or by proxy. Voting will be by way of poll. To be approved, the Scheme requires the approval by a majority in number, representing 75% in value or more, of the Qualifying Shareholders present and voting (whether in person or by proxy) at the Court Meeting. Such Qualifying Shareholders may vote in person at the Court Meeting or they may appoint one other person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Scheme Share, any one of such persons may vote at the Court Meeting (either personally or by proxy) in respect of such Scheme Share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most (or, as the case may be, the more senior) will alone be entitled to vote in respect of the relevant joint holding. For this

purpose, seniority will be determined by reference to the order in which the names of the joint holders stand on the Register in respect of such joint holding, the first named shareholder being the senior.

It is requested that the **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited (at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong), not later than 11:00 a.m. on Monday, 4 October 2021. But if proxy forms are not so lodged, they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting will have absolute discretion whether or not to accept them.

By the Order, the Grand Court has appointed Mr. Chan Siu Wing, Raymond to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results thereof to the Grand Court within seven days of the Court Meeting. The results of the Court Meeting will also be made available on the Company's Website at <http://www.nature-home.com.hk/> and will be the subject of a public announcement to be published on the Stock Exchange.

**NOTICE IS FURTHER GIVEN THAT**, if approved at the Court Meeting, the Scheme will be subject to the subsequent approval and sanction of the Grand Court (the "**Sanction Hearing**"), which is listed to be heard at the Law Courts, George Town, Grand Cayman at 10:00 a.m. on 12 October 2021 (Cayman Islands time), or as soon as practicable thereafter as it may be heard. Any Shareholder or Qualifying Shareholder is entitled (but not obliged) to attend the Sanction Hearing, through legal counsel, to support or oppose the sanction of the Scheme.

By Order of the Grand Court  
**NATURE HOME HOLDING COMPANY LIMITED**  
大自然家居控股有限公司

Dated 14 September 2021

***Registered Office***

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Nature Home Holding Company Limited (the “**Company**”) will be held at Thornton Room & Huthart Room I, 3/F, South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 6 October 2021, at 12:00 noon (Hong Kong time) (or immediately after the conclusion or the adjournment of the Court Meeting (as defined in the Scheme referred to in resolution 1(a) below)) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

**SPECIAL RESOLUTIONS****1. “THAT:**

- (a) pursuant to the scheme of arrangement (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands be and is hereby approved; and
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme), the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme).”

**ORDINARY RESOLUTIONS****2. “THAT:**

- (a) subject to and forthwith upon such reduction of capital referred to in resolution 1(b) taking effect, the share capital of the Company will be increased to its former amount by the issuance at par to New Modern Home Limited (新現代家居有限公司), credited as fully paid, of the aggregate number of Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled and extinguished;

- (b) the reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to New Modern Home Limited (新現代家居有限公司), and the directors of the Company be and are hereby authorised to allot and issue the same accordingly;
  - (c) any one of the directors of the Company be and is hereby authorised to do all such acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of or addition to, the Scheme or the reduction of capital, which the Grand Court of the Cayman Islands may see fit to impose; and
  - (d) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company."
3. "THAT the Rollover Arrangement (as defined in the Scheme, and being a special deal under Rule 25 of the Takeovers Code), the terms thereof and all the transactions contemplated or arising thereunder, be and are hereby approved, confirmed and ratified."

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

Hong Kong, 14 September 2021

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business in Hong Kong:*

Suite 2601, 26/F  
Tower 2, The Gateway, Harbour City  
Tsim Sha Tsui, Kowloon  
Hong Kong

*Notes:*

- (1) Only the Independent Shareholders (as defined in the Scheme) will be entitled to vote on the abovementioned resolution 3.
- (2) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him. A proxy needs not be a member of the Company, but must attend the EGM in person to represent him. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation will be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing (or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same). In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it will be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (4) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the composite scheme document containing the Scheme dated 14 September 2021 despatched to, among others, holders of Shares (the “Shareholders”).
- (5) In order to be valid, the **white** form of proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be lodged with the Company’s Hong Kong branch share registrar, being Computershare Hong Kong Investor Services Limited (at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong), not less than 48 hours (i.e. Monday, 4 October 2021 at 12:00 noon (Hong Kong time)) before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his **white** form of proxy, his **white** form of proxy will be deemed to have been revoked by operation of law.
- (6) In the case of joint holders of Shares, the vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register in respect of the relevant joint holding.
- (7) A dial-in will be available to allow attendees of the EGM to attend the meeting by telephone. Qualifying Shareholders who wish to attend the EGM by telephone should contact the company secretary of the Company at (852) 2858 6786 or EGM2021@nature-cn.cn for registration by no later than 4:00 p.m. on Monday, 4 October 2021. Please note that **no Voting will be permitted by way of the telephone dial-in** and any person entitled to and seeking to vote at the EGM must either attend and vote in person at the meeting or appoint a proxy to vote on his behalf.
- (8) Voting at the EGM will be taken by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (9) The Register will be closed from Thursday, 30 September 2021 to Wednesday, 6 October 2021 (both days inclusive) for determining Shareholders’ entitlement to attend and vote at the EGM, and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited (at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong), not later than 4:30 p.m. on Wednesday, 29 September 2021.



- (10) In the event that a tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on Wednesday, 6 October 2021, the EGM will be adjourned to Thursday, 7 October 2021 at 12:00 noon (or immediately after the Court Meeting has concluded or adjourned), or at a time on an alternative day to be announced that falls within fourteen days of the original date scheduled for the EGM. The Company will post an announcement on the respective websites of the Stock Exchange and the Company (<http://www.nature-home.com.hk/>) to notify the Shareholders of the date, time and venue of the rescheduled meeting. The EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force.

You should make your own decision as to whether you would attend the EGM under bad weather conditions, bearing in mind your own situation and if you should choose to do so, you are advised to exercise care and caution.

- (11) Please refer to the section headed “Actions to be taken” of the composite scheme document dated 14 September 2021 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the EGM, including: (i) compulsory body temperature checks; (ii) compulsory wearing of surgical face masks for each attendee; and (iii) no food or drinks will be served.

Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the EGM.

The Company would like to further remind the shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the EGM as its proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Subject to the development of the COVID-19 situation and any directives that may be further issued by the Hong Kong Government, the Company may implement and/or adjust precautionary measures for the EGM at short notice as the public health situation changes, and may issue further announcements on such measures as and when appropriate. In any event, Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM.

*As at the date of this notice, 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.*

*Set out below is the form of the Option Offer Letter being sent to each Optionholder in connection with the Option Offer and pursuant to the terms of the Share Option Scheme.*

14 September 2021

*To the Optionholders*

Dear Sir or Madam,

**OPTION OFFER  
IN RELATION TO  
THE 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**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) are provided to you together with this letter. Terms used but not defined in this letter have the same meanings as defined in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 27 July 2020, the Offeror and the Company jointly announced that on 26 July 2021, the Offeror had requested the Board to put forward the Proposal to the Independent Shareholders for the privatisation of the Company by way of the Scheme. As stated in the Announcement, 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**”), conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to any outstanding Options held by you. You are advised to refer to the Scheme Document when considering them.

**If you do not: (i) exercise your outstanding Options before the Option Lapsing Time to become a holder of Scheme Shares 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, your Options will lapse without any payment made to you.**

Your attention is also drawn to the terms and conditions of the documentation under which each of your Options was granted (including the terms of the Share Option Scheme).

**TERMS OF THE OPTION OFFER**

The Offeror offers to pay you the Option Offer Price, which represents the Cancellation Price minus the exercise price of the relevant Option, for each Option that you hold as at the Option Record Date.

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

Pursuant to and in accordance with the terms of the Share Option Scheme:

- (a) the Optionholders may at any time after the date of this letter but before 4:00 p.m. on Wednesday, 29 September 2021 (being the Option Lapsing Time) exercise all or any of his Options (to the extent not already exercised);
- (b) 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; and
- (c) all Options not so exercised by the Option Lapsing Time referred to in paragraph (a) above will lapse.

In consideration for the Offeror’s agreement to pay you the cash consideration set out above (as applicable to your holdings of Options), upon your acceptance, all rights and obligations under your Options will be cancelled by the Offeror and the Company subject to the Scheme becoming effective.

**Conditions of the Option Offer and Close of the Option Offer**

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from the Stock Exchange. The Option Offer will close at 4:00 p.m. on Wednesday, 6 October 2021.

The Conditions of the Proposal and the Scheme are set out in the paragraph headed “3. Conditions of the Proposal” in the Explanatory Statement. You are further advised to refer to the paragraphs headed “15. Overseas Shareholders and Optionholders” and “21. Registration and Payment” in the Explanatory Statement.

**Payments Under the Option Offer**

Cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible, but in any event within seven Business Days following the Effective Date. Your cash entitlements under the Option Offer will, notwithstanding the lapse of the Options at the Option Lapsing Time, continue to be subject to the conditions to entitlement under the existing terms of your Options up until the Option Record Date, including the requirement to remain in employment or service of the Group and other terms of the Share Option Scheme.

It is emphasised that none of the Offeror, the Company, GF Capital and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Option Offer. All Independent Shareholders, Beneficial Owners and/or Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal and they will be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme and/or the Option Offer.

**COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS**

The Option Offer will be available to you in respect of all Options that you hold as at the Option Record Date and for which you (or your nominee) have not been registered as the holder of the underlying Shares as at the Scheme Record Date. The choices available to you in respect of your Options are set out below.

**(A) Accept the Option Offer**

You may choose to accept the Option Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance, by ticking the “Accept” box on the Form of Acceptance and signing, completing and returning it in accordance with the instructions set out below by not later than 4:00 p.m. on Wednesday, 6 October 2021 (or such later time and/or date as may be notified to you). Such acceptance of the Option Offer will be in respect of all Options held by you as at the Option Record Date, and you will receive the Option Offer Price for all the relevant Options if the Scheme becomes effective.

**(B) Reject the Option Offer**

If you choose to reject the Option Offer, please tick the “Reject” box on the enclosed Form of Acceptance and sign, complete and return it in accordance with the instructions set out below.

Such rejection of the Option Offer will be in respect of all Options held by you as at the Option Record Date. Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not so exercised by the Option Lapsing Time will lapse.

If you reject the Option Offer, you will not be entitled to receive the cash consideration offered in respect of any of your Options.

Following receipt of this letter, if you: (i) reject the Option Offer; (ii) choose to do nothing (including not returning a Form of Acceptance); (iii) fail to tick either the “Accept” or “Reject” box or fail to sign on a returned Form of Acceptance; or (iv) fail to return a completed and signed Form of Acceptance by no later than 4:00 p.m. on Wednesday, 6 October 2021 (or such later date and time as may be notified to you by the Offeror or by way of an announcement by the Offeror and the Company on the website of the Stock Exchange), you will be treated as not having accepted the Option Offer in respect of all Options held by you as at the Option Record Date, your outstanding Options will lapse automatically at the Option Lapsing Time and you will receive neither the Option Offer Price nor the Cancellation Price.

### HOW TO RETURN THE FORM OF ACCEPTANCE

You should return the duly completed and executed Form of Acceptance so as to reach the Company at its principal office (being Suite 2601, 26/F, Tower 2, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong), for the attention of the company secretary of the Company and marked “Nature Home Holding Company Limited — Option Offer”, by no later than 4:00 p.m. on Wednesday, 6 October 2021 (or such later date and time as may be notified to you by the Offeror or by way of an announcement by the Offeror and the Company on the website of the Stock Exchange).

Before returning the Form of Acceptance, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

### LAPSED OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of an Option (which lapses, will lapse or has already lapsed) under the terms of its grant or the Share Option Scheme. You cannot accept the Option Offer in respect of an Option which has lapsed or will have lapsed by the Option Record Date (other than as a result of the failure to exercise the Options before the Option Lapsing Time).

### RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

Your attention is drawn to the IBC Letter and the IFA Letter which contain the advice and recommendation of the IBC and of the IFA, respectively, in relation to the Proposal and the Rollover Arrangement.

**INDEPENDENT FINANCIAL ADVICE**

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document, the Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**DECLARATION**

By returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including those set out in this letter and the Form of Acceptance), and that you have received the Scheme Document and this letter;
- (b) warrant and confirm that each Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Option will become void once that Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;
- (c) acknowledge that you cease to have any rights or obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of such Options you hold in respect of which you accept the Option Offer and agree that all rights and obligations under such Options will be cancelled;
- (d) confirm that any acceptance of the Option Offer cannot be withdrawn or altered;
- (e) authorise the Company or the Offeror (or any director or officer of the Company or the Offeror, or any agent of such person) to do all acts and things and to execute any document as may be necessary or desirable to give effect to (or in consequence of) your acceptance of the Option Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance; and
- (f) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

**GENERAL**

All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholders will be delivered by or sent to or from them (or their designated agents) at their risk, and neither the Offeror nor the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter will be taken as having been received by you within two Business Days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.

The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror, any Offeror Directors or their respective agents to complete and execute any document on behalf of the Optionholders and to do any other act, that may be necessary or expedient for the purpose of cancelling (or transferring to the Offeror or such persons as the Offeror may direct) all rights of the Optionholders in respect of the Options which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may (if the Offeror determine it appropriate) be as effective as if it were duly completed and received, notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter (including the date specified for receipt).

By accepting the Option Offer in respect of a particular Option, you irrevocably and at your own risk elect to authorise the Offeror (or such person as the Offeror may direct) to send to you or the Company as your agent (depending on your election), or procure the sending to you or the Company as your agent (depending on your election) of, the payment to which you are entitled.

Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. All Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

**RESPONSIBILITY STATEMENT**

(i) The directors of the Offeror jointly and severally; and (ii) the Directors jointly and severally, accept full responsibility for the accuracy of the information contained in this letter on the terms set out in the paragraph headed “1. Responsibility Statement” in Appendix III to the Scheme Document.

Yours truly,

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*