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## **Raffles Interior Limited**

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

**(Stock Code: 1376)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 51% EQUITY INTEREST OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONVERTIBLE NOTE UNDER GENERAL MANDATE**

#### **Financial Adviser**



#### **THE ACQUISITION**

The Board is pleased to announce that on 1 August 2023 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$25,500,000, which will be satisfied by the issue of the Convertible Note upon Completion.

Upon Completion, the Company will be beneficially interested in 51% equity interest of the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

**As the Completion is subject to fulfilment (or waiver, if applicable) of certain conditions precedent set out in the Agreement and therefore the Acquisition may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 1 August 2023 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$25,500,000, which will be satisfied by the issue of the Convertible Note upon Completion.

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **Date**

1 August 2023 (after trading hours)

### **Parties**

- (i) the Purchaser; and
- (ii) the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% equity interest of the Target Company.

Upon Completion, the Company will be beneficially interested in 51% equity interest of the Target Company and the Target Company will become a non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

### **Consideration**

The consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares shall be HK\$25,500,000.

The Consideration shall be paid and settled in full by the Purchaser by issuing the Convertible Note with the Conversion Price (subject to adjustment) to the Vendor (or its nominee(s)) upon Completion subject to the terms and conditions set out in the Agreement.

The Consideration was arrived at arm's length negotiations between the Vendor and the Purchaser on normal commercial terms.

## **Profit Guarantee**

The Vendor guarantee to the Purchaser that the net profit after tax of the Target Company as stated in the Target Company's audited accounts for the Profit Guarantee Period shall not be less than HK\$5,000,000 per annum (the "**Guaranteed Net Profit**").

If, the profit as stated in the Target Company's audited accounts for the Profit Guaranteed Period above shall be less the Guaranteed Net Profit giving rise to a shortfall ("**Sum A**"), the Vendor shall pay to the Purchaser a sum ("**Sum B**") calculated in accordance with the following:

$$\text{Sum B} = \text{Sum A} \times 2.0$$

Sum B shall be paid and settled in cash to the Purchaser's designated bank account within fourteen (14) Business Days of date of issuance of the Target Company's audited accounts.

If the actual net profit after tax as stated in the Target Company's audited accounts for the Profit Guaranteed Period shall be zero or is in the negative for the Profit Guaranteed Period in question, the Vendor shall pay to the Purchaser a sum equal to the Consideration, being HK\$25,500,000, which shall be paid and settled in cash to the Purchaser's designated bank account within fourteen (14) Business Days of date of issuance of the Target Company's audited accounts.

If the profit as stated in the Target Company's audited accounts for the Profit Guaranteed Period shall be greater than the Guaranteed Net Profit, the profit guarantee as referred above shall not be applicable to the Vendor.

## **THE CONVERTIBLE NOTE**

Set out below are the principal terms of the Convertible Note:

Issuer:	The Company
Principal amount:	HK\$25,500,000
Interest:	The Convertible Note shall not bear any interest
Maturity date:	The date falling on the 3rd anniversary from the issue date of the Convertible Note

Conversion rights: Provided that (i) any conversion of the Convertible Note does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Noteholder(s) which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules, the Noteholder(s) shall have the right to convert on any business day during the conversion period the whole or any part(s) of the outstanding principal amount of the Convertible Note into Conversion Shares at the Conversion Price (subject to adjustments)

Conversion period: The period commencing from 12 months from the issue date of the Convertible Note and ending on the Maturity Date of the Convertible Note (both dates inclusive)

Conversion Price: The initial Conversion Price is HK\$0.136 per Conversion Share, subject to adjustments in the event of, among others, share consolidation or subdivision, capitalization of profits or reserves, capital distribution, rights issue or open offer and such other customary events which an independent financial adviser or the auditor of the Company certifies to warrant an adjustment.

The initial Conversion Price represents:

- (i) a discount of approximately 28.4% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on 1 August 2023, being the date of the Agreement;
- (ii) a premium of approximately 29.5% to the average closing price of approximately HK\$0.105 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 112.5% to the net asset value per Share attributable to the Shareholders as at 31 December 2022, of approximately HK\$0.064 per Share, calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately S\$10,973,000 (or equivalent to approximately HK\$64,302,000) as at 31 December 2022, as set out in the 2022 annual report and 1,000,000,000 Shares in issue as at the date of this announcement.

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor, taking into account the recent closing price of the Shares, business development of the Group and the financial position of the Group. The Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Conversion Shares:**

Assuming full conversion of the Convertible Note at the initial Conversion Price, a total of 187,500,000 Conversion Shares will be allotted and issued, which represent approximately 18.8% of the total number of Shares in issue as at the date of this announcement; and approximately 15.8% of the total number of Shares in issue and as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Note, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of issue of the Conversion Shares upon full conversion of the Convertible Note.

The Conversion Shares have an aggregate nominal value of HK\$1,875,000, a market value of HK\$31,687,500, based on the closing price of HK\$0.169 per Share on the Last Trading Day and a market value of HK\$35,625,000, based on the closing price of HK\$0.190 per share on the date of the agreement.

The Conversion Shares will be issued under the General Mandate. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

The Conversion Shares shall rank *pari passu* in all respects with all other issued Shares as at the date of allotment of such Conversion Shares and be entitled to all dividends and other distributions, the record of which falls on a date on or after the date of allotment of such Conversion Shares.

**Transferability:**

Subject to the prior written consent of the Company, the Convertible Note is freely transferrable.

**Application of Listing**

No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Note.

### **Conditions Precedent**

Completion of the sale and purchase of the Sale Shares is conditional upon, among others:

- (a) the Purchaser is satisfied with the Due Diligence Review, Legal Opinion and Valuation Report on the Target Company;
- (b) the Stock Exchange having granted approval for the listing of, and permission to deal in the Conversion Shares;
- (c) no indication from the Stock Exchange having been received to the effect that the listing of shares of the Company will or may be withdrawn or objected to for any reason attributable to the transactions contemplated under the Agreement or the Completion;
- (d) there having been no material breach of any of the warranties by the Vendor;
- (e) all necessary consents, approvals, authorisations and licenses in relation to the transactions contemplated under the Agreement (including the change of control of the Target Company and the issuance of the Convertible Note and the Conversion Shares thereunder) having been obtained;
- (f) the Vendor shall have all requisite power, authority and capacity to sell the Sale Shares; and
- (g) the Target Company has obtained the Target Business from 武漢二廠飲料有限公司 and the Restructuring having been completed.

The Purchaser may waive any of the above conditions precedent in conditions precedent (a), (d), (e) and (f) above by giving notice in writing to the Vendor.

The Vendor and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfilment of the conditions set out in conditions precedent (a) to (g) on or before the Long Stop Date or such other date as the Vendor and the Purchaser may agree in writing. If any of the conditions precedent in conditions precedent (a) to (g) shall not have been fulfilled (or waived, where applicable) in all respects prior to the Long Stop Date, the Agreement shall be terminated automatically and of no further effect and all liabilities and obligations of the parties to the Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties to the Agreement which shall have accrued prior to such termination.

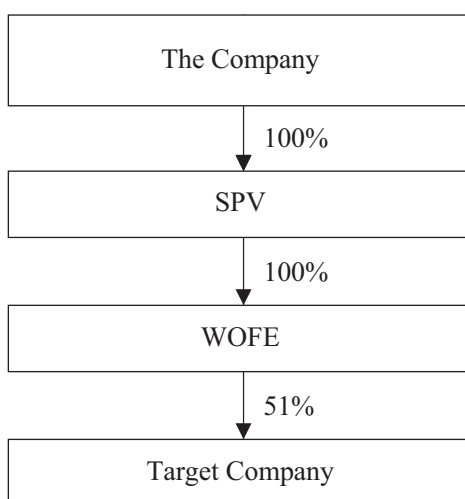
If at any time either the Vendor or the Purchaser becomes aware of any fact or circumstance that might prevent any conditions precedent set out above from being satisfied, it shall inform the other party as soon as reasonably practicable.

## Completion

The Completion shall take place within ten (10) Business Days after all the conditions as specified in the Agreement have been fulfilled (or waived, where applicable) at the office of the Purchaser (or at such other time or place as the parties to the Agreement may agree).

Upon Completion, the Target Company shall have completed the relevant industry and commerce reporting and registration procedures at the administration of market regulation in relation to the Acquisition, and the WOFE having registered as the shareholder of the 51% equity interest of the Target Company and the Company will be beneficially interested in 51% of the equity interest of the Target Company through the SPV and the WOFE, and the Target Company will become a non-wholly owned subsidiary of the Company.

The following chart shows the shareholding structure of the Target Company immediately upon Completion:



## INFORMATION OF THE PARTIES

### Information of the Purchaser

The Purchaser is incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

### Information of the Vendor

The Vendor is a company incorporated in the PRC with limited liability and its principal business is engaged in the e-commerce business and is interested in 51% of the equity interest in the Target Company. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is ultimately beneficially owned as to 90% by 武漢秀生活電子商務有限公司 which is ultimately beneficially owned as to 90% by Mr. Shan.

Mr. Shan is a Chinese citizen and is experienced in the food and beverage industry in the PRC. Mr. Shan is currently an executive director of Sky Light Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under stock code 3882.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor and Mr. Shan are Independent Third Parties.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and the equity interest in which is owned as to 51% by the Vendor and the remaining 49% is owned by 武漢宇服科技有限公司, an Independent Third Party. The Target Company is principally engaged in the sale and distribution of soft drink products under the brand name “二廠汽水”. As at the date of this announcement, the Target Company has no subsidiary.

### Financial Information of the Target Business

Set out below is a summary of the unaudited financial information of the Target Business for the years ended 31 December 2022 and 2021 and the six months ended 30 June 2023 based on the management accounts of the Target Business:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	829	866	23,101
Profit/(loss) before tax	(123)	(366)	2,257
Profit/(loss) after tax	(123)	(366)	2,081
		<b>As at 31 December 2022</b>	<b>As at 30 June 2023</b>
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
		(unaudited)	(unaudited)
Total assets		547	9,377
Net assets/(liabilities)		(588)	1,508



## REASONS FOR THE ACQUISITION

The Group is an interior fitting-out services provider in Singapore. As disclosed in the annual report of the Company, for the year ended 31 December 2022, the Group's revenue had decreased by 16.4% to approximately S\$66.5 million as compared to approximately S\$79.6 million for the year ended 31 December 2021, and net loss had increased by 21.9% from S\$1.1 million for the year ended 31 December 2021 to S\$1.4 million for the year ended 31 December 2022. The Group has been actively exploring other business opportunities to enhance its future development and strengthen revenue bases of the Group so as to enhance value to the Shareholders.

The Target Company is principally engaged in the sale and distribution of soft drink products under the brand name “二廠汽水” in the PRC. The brand has a history of over 70 years in the PRC and the Target Company has turned profit making for the six months ended 30 June 2023 which is mainly attributable to the recovery and relaxation from the suspension of logistics services and restrictions under the outbreak of COVID-19. The Board believes that the Acquisition is a desirable business opportunity for the Group to expand its operation and diversify its revenue streams. According to published information by Frost & Sullivan, the China's non-alcoholic beverage market can be categorized into tea, bottled water, protein beverage, juice, carbonated beverage, energy and sports beverage, coffee, and others. China's non-alcoholic beverage market, by retail consumption value, has increased from RMB900.7 billion in 2015 to RMB1,233.6 billion in 2020. The growth in retail consumption value of non-alcoholic beverage in China declined in 2020, which was mainly due to the outbreak of COVID-19 which peaked in February to April 2020. Driven by higher disposable income and continuous product innovation, China's non-alcoholic beverage market is expected to increase from RMB1,233.6 billion in 2020 to RMB1,946.5 billion by 2025, representing a CAGR of 9.6%.

In addition to the above, the Directors hold high prospects of the non-alcoholic beverage market in the PRC due to (i) the increasing spending power as a result of rising consumer spending power and per capita disposable income; and (ii) accelerating urbanization in the PRC which drives consumers' demand of high quality products and alternatives to traditional drinks such as tea and water.

Taking into account that (i) the settlement of the consideration for the Acquisition by way of Convertible Note does not cause or create any immediate cash outlay for the Group; (ii) the profit guarantee provided by the Vendor; (iii) there is no immediate dilution effect to the existing Shareholders; and (iv) the reasons above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the total number of issued Shares is 1,000,000,000. The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the full exercise of the conversion rights attaching to the Convertible Note, assuming there will be no change in the total number of Shares in issue (other than the issue of the Conversion Shares) between the date of this announcement and the date of issue of the Conversion Shares.

	As at the date of this announcement		Immediately upon the full exercise of the conversion rights attaching to the Convertible Note	
	Number of Shares	Approx. % of shareholding	Number of Shares	Approx. % of shareholding
<b>Controlling Shareholder</b>				
Ultimate Global Enterprises Limited ( <i>Note</i> )	750,000,000	75.0%	750,000,000	63.2%
The Vendor	0	0%	187,500,000	15.8%
Other public Shareholders	<u>250,000,000</u>	<u>25.0%</u>	<u>250,000,000</u>	<u>21.0%</u>
Total	<u>1,000,000,000</u>	<u>100%</u>	<u>1,187,500,000</u>	<u>100%</u>

*Note:* Ultimate Global Enterprises Limited (“**Ultimate Global**”) is legally and beneficially owned by the ultimate shareholders, namely, Mr. Lo Lek Chew, Mr. Chua Boon Par, Mr. Ding Hing Hui, Mr. Leong Wai Kit, Mr. Low Lek Huat, Mr. Low Lek Hee and Mr. Ng Foo Wah, each holding an effective interest of 33%, 15%, 12%, 10%, 10%, 10% and 10%, respectively.

## GENERAL MANDATE

The Conversion Shares will be issued under the General Mandate approved on 25 May 2023 and is not subject to additional Shareholders’ approval. The maximum number of Shares that can be issued under the General Mandate is 200,000,000 Shares, being 20% of the total number of Shares in issue as at the date of annual general meeting held on 25 May 2023.

Assuming full conversion of the Convertible Note, the Conversion Shares will utilize a maximum of, based on the initial Conversion Price, 187,500,000 Shares under the General Mandate.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following words and expressions shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of this announcement;
“Agreement”	The sale and purchase agreement dated 1 August 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“Board”	the board of Directors of the Company;
“Business Day(s)”	any day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours;
“CAGR”	the compound annual growth rate;
“Completion”	the completion of the Agreement;
“Completion Date”	the date on which Completion take place in accordance with the Agreement, but in any event not later than the Long Stop Date;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration”	HK\$25,500,000, being the total consideration for the Acquisition;
“Conversion Price”	the initial conversion price of HK\$0.136 per Conversion Share;
“Conversion Rights”	the rights attached to the Convertible Note to convert the whole or any part(s) of the principal amount into the Conversion Shares
“Conversion Shares”	the 187,500,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of settling of the Consideration;

“Convertible Note”	the interest free coupon convertible note to be issued by the to the Vendor upon Completion pursuant to the terms and conditions of the Agreement, for the purpose of settling the Consideration;
“COVID-19”	the Coronavirus Disease 2019;
“Director(s)”	the director(s) of the Company;
“Due Diligence Review”	the due diligence review and investigation being conducted by the Purchaser or its representatives as part of the conditions precedent of the Agreement;
“Frost & Sullivan”	Frost & Sullivan Limited, a market research company and an Independent Third Party
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 25 May 2023 to issue, allot and deal with up to 20% of the then issued share capital of the Company
“Legal Opinion”	the legal opinion to be obtained by the Purchaser as part of the conditions precedent of the Agreement, in the form and substance satisfactory to the Purchaser by a practising lawyer in the PRC appointed by the Purchaser opining on, <i>inter alia</i> , the due incorporation, valid and continued existence of the Target Company;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	persons(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, not connected person(s) to the Company and its associates in accordance with the Listing Rules;
“Last Trading Day”	31 July 2023, being the last trading day prior to this announcement;
“Long Stop Date”	31 December 2023 or any other date as the parties may agree in writing;

“Maturity Date”	The date falling 3 years after the date of issuing the Convertible Note;
“Mr. Shan”	Mr. Shan Chuan Long;
“Noteholder(s)”	the registered holder(s) of the Convertible Note
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan;
“Profit Guarantee Period”	the two (2) full financial years commencing after the Completion Date (exclusive of the financial year of the Completion Date)
“Purchaser”	the Company;
“Restructuring”	the restructuring of the businesses of the Target Company and 武漢二廠飲料有限公司, whereby the Target Business shall be transferred to the Target Company from 武漢二廠飲料有限公司, such transfer shall include but not limited to the transfer of sales and supplier contracts of the Target Business, reallocation of staff necessary for the operation of the Target Business etc. to the Target Company;
“RMB”	renminbi, the lawful currency of the PRC;
“S\$”	Singapore dollars, the lawful currency of the Republic of Singapore;
“Sale Shares”	51% equity interest in the Target Company as at the date of the announcement;
“Shares”	ordinary share(s) of the Company of HK\$0.01 each in the issued capital of the Company;
“SPV”	the special purpose vehicle to be established which shall be wholly owned by the Purchaser, for the purpose of holding the shares of the WOFE;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Business”	the business of the sale and distribution of soft drink products under the brand name “二廠汽水” owned and operated by 武漢二廠飲料有限公司 as at the date of the Agreement;
“Target Company”	武漢二廠汽水有限公司, a company incorporated in the PRC with limited liability, and is owned as to 51% by the Vendor, the remaining 49% is owned by an Independent Third Party;

“Valuation Report”	the valuation report to be obtained by the Purchaser as part of the conditions precedent of the Agreement, in the form and substance satisfactory to the Purchaser from a firm of professional valuers appointed by the Purchaser showing the valuation of the Target Company;
“Vendor”	武漢星航投網絡有限公司, a company incorporated in the PRC with limited liability
“WOFE”	a wholly owned foreign enterprise to be established in the PRC and shall be wholly owned by the SPV, for the purpose of holding the Sale Shares;
“%”	per cent.

By Order of the Board  
**Raffles Interior Limited**  
**Wong Heung Ming Henry**  
*Non-executive chairman and  
independent non-executive director*

Hong Kong, 1 August 2023

*As at the date of this announcement, the executive director of the Company is Mr. Ding Hing Hui; and the independent non-executive directors of the Company are Mr. Chia Kok Seng, Mr. Gay Soon Watt, Mr. Wong Heung Ming Henry and Mr. Tan Chong Huat.*