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Raffles Interior Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1376)

SUPPLEMENTAL ANNOUNCEMENT 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



Reference is made to the announcement of the Company dated 1 August 2023 (the “**Announcement**”) in relation to the acquisition of 51% equity interest of the Target Company involving the issue of the Convertible Note under the General Mandate. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as defined in the Announcement.

The Company would like to supplement further information in relation to the Acquisition as below:

- (1) As disclosed in the section headed “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, whereas 武漢宇服科技有限公司 is beneficially owned by Mr. Zheng Yu.

Mr. Zheng Yu is an experienced businessman in the food and beverage industry in the PRC.

- (2) The shareholding structure of the Company immediately upon the full exercise of the conversion rights as disclosed in the section headed “Effect on the Shareholding Structure of the Company” is only for illustrative purposes.

Pursuant to the terms and conditions of the Agreement, the Conversion Rights of the Convertible Notes shall not be exercisable to the extent that the public float of the Company will be less than 25% of the issued share capital of the Company following such exercise of the Conversion Rights, or such exercise of the Conversion Rights will result in the Company in breach of any provision of the Listing Rules.

- (3) Upon Completion, the Target Company will have acquired the Target Business and will continue to engage in the sales and distribution of soda products in the PRC. The Target Company engages suppliers for, among other things, (a) the processing of the soda product; (b) the manufacturing the bottles for the soda product; and (c) the labels for the soda products. It sells its products to customers via certain e-commerce platforms i.e. Jingdong (www.jd.com) and Taobao (www.taobao.com) as well as distributing them through local convenience stores and local distributors. Currently, there are more than 6 products on sale in the said e-commerce platforms including, pineapple flavour soda, orange flavour soda, banana flavour soda, strawberry flavour soda, blueberry flavour soda and cherry flavour soda. The Target Business in addition to selling its products on various e-commerce platforms has engaged more than 10 local distributors for the distribution of its products in various areas such as Dongguan, Chongqing and Qingdao.
- (4) The Company has engaged AP Appraisal Limited, an independent professional valuer, as the valuer for the Acquisition. It is preliminarily anticipated that the market approach would be used as the valuation method and the Valuation Report shall be issued by end of August. The Company shall make separate announcement(s) to update Shareholders on any material discrepancies between the Valuation Report and the valuation of the Target Company.
- (5) When determining the Conversion Price, the Directors have reviewed the closing prices and the trading volume of the Shares during the review period from 1 February 2023 to 1 August 2023 (the “**Review Period**”) (being the date of the Agreement). The Directors consider that the Review Period covering approximately 6 months prior to the date of the Agreement represents a reasonable and sufficient period to provide a general and fair overview of the recent trend of the Share price free from the influence of, if any short-term market volatility, when assessing the Conversion Price. The Review Period covering approximately 6 months was determined by the Directors with reference to, among other things, the financial and business performance of the Company and the market conditions.

Having considered (i) the general downward trend of the closing price of the Shares during the Review Period (ranged from the lowest of HK\$0.062 per Share on 14 February 2023 to the highest of HK\$0.19 per Share on 1 August 2023 and the average Share price of approximately HK\$0.081 per Share); (ii) the relatively low liquidity of the Shares during the Review Period (the monthly/periodic average daily trading volume in proportion to the total number of issued Shares ranged from approximately 0.028% to 4.992%); and (iii) the current financial situation of the Company, the Directors are of the view that the Conversion Price is reasonable.

- (6) The Guaranteed Net Profit was arrived after arm's length negotiations and was mainly based on the financial performance shown in the management accounts of the Target Company (assuming that the Restructuring has completed) for the years ended 31 December 2022 and 2021 and the six months ended 30 June 2023. Though for the years ended 31 December 2022 and 2021, the Target Company (assuming that the Restructuring has completed) was in a loss-making position, the financial performance of the Target Company (assuming that the Restructuring has completed) has rebounded from the impacts of COVID-19 and recorded a net profit after tax of approximately RMB 2.0 million for the six months ended 30 June 2023.

After arm's length negotiations, it was agreed by the Vendor and the Company that the multiple of the shortfall will be tuned down to 2.0 instead of 2.5, being the multiple that would enable the Purchaser to be indemnified of almost the full consideration in the scenario where the Target Company achieved a minimal net profit. The basis of the compensation by doubling the shortfall was determined after arm's length negotiations and was mainly based on the Consideration and the Profit Guarantee Period by the Vendor. In the event that the Target Company will record a loss-making position for the relevant year, pursuant to the Agreement, the Vendor is liable to compensate the Company the consideration. However, in the event that the Target Company had a shortfall from the Guaranteed Net Profit in the first financial year and in a loss-making position in the second financial year, the Vendor would be liable to the shortfall x 2.0 for the first financial year plus the Consideration in the second, therefore the compensation of doubling the shortfall was determined.

- (7) This supplemental announcement and the Announcement are for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 15 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.