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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



INTRODUCTION

Reference is made to the announcements of Raffles Interior Limited (the “**Company**”) dated 1 August 2023 and 15 August 2023 (the “**Announcements**”) 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 Announcements.

As disclosed in the Announcements, one of the conditions precedent of the Agreement is to obtain a valuation report by the Company in the form and substance satisfactory to the Company from a firm of professional valuers appointed by the Company showing the valuation of the Target Company (the “**Valuation**”). On 29 August 2023, AP Appraisal Limited (the “**Valuer**”), an independent professional valuer has issued the valuation report.

The Company wishes to provide the Shareholders and potential investors with additional information on the Acquisition and the Valuation as follows:

Valuation methodology adopted by the Valuer

For the valuation analysis, the market approach was adopted by the Valuer in deriving the fair value of 51% equity interest of the Target Company as at 31 July 2023 taking into account of the following factors:

1. The asset approach was not adopted as the approach does not take future growth potential into consideration;
2. The income approach was not adopted as it involves more assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable cashflow projections;
3. The market approach was adopted as there are sufficient comparable companies that could be identified in the market to facilitate a meaningful comparison and to form a reliable opinion of value.

Major Assumptions of the Valuation

The major assumptions of the Valuation are summarized as follows:

- 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;
- there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Target Company currently operates or will operate which will materially affect the revenues attributable to the Company, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- for the Target Company to continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;
- market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general;
- the unaudited financial statements of the Target Company as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Target Company as at the respective balance sheet dates;
- key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Target Company;

- there will be no material changes in the business strategy of the Target Company and its operating structure;
- all relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- the major shareholder of the Target Company will support and provide interest-free financing for the current and future business of the Target Company (including but not limited to working capital needs).

Key Inputs of the Valuation

Selection of the comparable ratio

For valuation analysis for the Target Company, the guideline public company method has been adopted by the Valuer, which has taken into account, among others, the Enterprise-Value-to-Earnings (“**EV/E**”), the Enterprise-Value-to-Sales (“**EV/S**”), the Enterprise-Value-to-Book-Value (“**EV/B**”) and the Enterprise-Value-to-EBITDA (“**EV/EBITDA**”) multiples and valuation adjustment for control premium and DLOM.

The Valuer considered that the above ratios were appropriate to be multiple in valuing the Target Company mainly due to: (i) there are sufficient comparable companies that could be identified in the market and their shares are actively traded; and (ii) these multiples can provide good and valid indicators of value to allow a meaningful comparison in the Valuation.

Selection basis of the comparable companies

In the course of the Valuation, 9 guideline public companies have been identified and selected by the Valuer as the comparable companies for the valuation analysis. Such companies were selected with reference to the following selection criteria:

- companies which are principally engaged in the business of carbonated soft drinks, fruit drinks or energy drinks;
- companies which provide relevant services majorly in Hong Kong or China;
- shares of the companies are actively traded in Hong Kong or China Stock Exchange;
- companies which have positive net profit for latest period; and
- companies which have market capitalization under USD15 billion.

Market comparable

Based on the market data from the 9 comparable public companies, the median of the EV/E, EV/S, EV/B and EV/EBTIDA ratios of these comparable companies are approximately 12.78 times, 2.10 times, 2.05 times and 7.71 times respectively.

During the course of the Valuation, the Valuer adopted the median rather than mean as the multiple due to the fact that the median is a better measure of the central tendency of the group as it is not skewed by exceptionally high or low characteristic values.

As such, the Valuer adopted the median for the determination of multiple in the Valuation.

Control premium

Based on the control premium published in Moore Control Premium & Discount For Lack Of Marketability Study, a premium for control of 26% has been adopted to reflect the degree of control associated with a 51% equity interest of the Company.

Discount for Lack of Marketability

The Valuer imposed a discount for lack of marketability (“**DLOM**”) on the Target Company, since there is a major difference between a closely-held private company’s common shares and those of its comparable public companies which is its lack of marketability. The Valuer has made reference to Moore Control Premium & Discount For Lack Of Marketability Study, and adopted a 21% DLOM in the Valuation.

Determination of Value

Based on the investigation and analysis stated above and in the Valuation Report, the Valuer opines that the fair value of 51% equity interest in the Target Company is HK\$26,100,000.

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

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

Hong Kong, 29 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.