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MANWAH

MAN WAH HOLDINGS LIMITED

敏華控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 01999)

MAJOR TRANSACTION

THE ACQUISITION

The Board is pleased to announce that on 10 July 2020, the Company, the Vendor and the Warrantors entered into the Framework Agreement, whereby, subject to the fulfilment of certain conditions, the Company has agreed to purchase a 60% equity stake in the Target Company for a sum of up to US\$60 million (equivalent to approximately HK\$468 million) and to make available an additional cash sum of up to US\$57 million (equivalent to approximately HK\$444.6 million) to settle some payables to the banks and other creditors of the Target Group. The Target Company is currently under an interim judicial management order in Singapore, following a demand by a bank creditor for the repayment of debt. Although the Target Group is currently facing cash flow difficulties, based on the financial information provided by the Vendor, the Target Group has been making profits in the past two financial years. The Target Group's principal business of sofa manufacturing, sales and distribution are complementary to that of the Group.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Unless otherwise permitted under, and subject to, the Listing Rules, a circular containing, inter alia, (i) financial information of the Group; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) further details of the Acquisition; and (vi) general information will be despatched to the Shareholders on or before 31 July 2020.

Shareholders and potential investors should note that Completion is subject to the execution of the Definitive Agreement and the satisfaction and/or, where applicable, waiver of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 10 July 2020, the Company, the Vendor and the Warrantors entered into the Framework Agreement, whereby, subject to the fulfillment of certain conditions, the Company has agreed to purchase a 60% equity stake in the Target Company for a sum of up to US\$60 million (equivalent to approximately HK\$468 million) and to make available an additional cash sum of up to US\$57 million (equivalent to approximately HK\$444.6 million) to settle some of the Target Group Payables. The remaining shareholder of the Target Company after Completion will be the Vendor.

THE ACQUISITION

The Framework Agreement

<i>Date</i>	10 July 2020
<i>Parties</i>	(1) the Company (as Purchaser)
	(2) the Vendor
	(3) the Warrantors

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Vendor and the Warrantors and their respective ultimate beneficial owners (if applicable) are third parties independent of the Company and its Connected Persons.

Subject matter of the Acquisition

Pursuant to the Framework Agreement, the Vendor has agreed to sell the Sale Shares and, subject to the fulfilment of certain conditions, the Company has agreed to purchase the Sale Shares, representing 60% of the total equity interest of the Target Company as at the date of this announcement.

The Target Company is HTL International Holdings Pte Ltd, a private limited company incorporated in Singapore, which is principally engaged in manufacturing and selling furniture and sofa. As at the date of this announcement, the Target Company is owned by the Vendor as to 100%. Immediately upon the Completion, the Target Company will be owned by the Vendor as to 40% and the Company as to 60%. The Target Company is currently under an interim judicial management order in Singapore, following a demand by a bank creditor for the repayment of debt. Although the Target Group is currently facing cash flow difficulties, based on the financial information provided by the Vendor, the Target Group has been making profits in the past two financial years.

The Consideration

The Consideration for the Sale Shares shall be the lower of (i) 60% of the audited net asset value of the Target Group determined with reference to the audited consolidated financial statements as at 30 June 2020, and (ii) US\$60 million (equivalent to approximately HK\$468 million) (i.e. 60% of US\$100 million, being the agreed enterprise value of 100% of the Target Company).

Following the signing of the Framework Agreement and upon the execution of the Definitive Assignment, the Company shall make the payment of the Deposit in the sum of US\$10 million (equivalent to approximately HK\$78 million) to the Vendor, which, subject to Completion, will be applied as partial payment of the Consideration. In the event that the Completion does not take place (including but not limited to as a result of a non-satisfactory outcome of the Company due diligence on the Target Group and/or a breach other Conditions) on or before the Long Stop Date, the Deposit shall be refunded by the Vendor to the Company on demand with accrued interest of 8% per annum. Immediately upon receiving the Deposit from the Company, the Vendor agrees to execute the Share Charge to charge all issued shares of the Target Company in favour of the Company as security for assurance of the Completion and the refund of the Deposit in the event of failure in the Completion.

The Consideration to be payable by the Company to the Vendor shall be settled as follows:-

- (a) reducing the Consideration by an amount equal to the Deposit paid (if any) prior to Completion;
- (b) assigning 40% of the Target Group Payables to the Vendor on a dollar for dollar basis; and
- (c) the remainder in cash.

The maximum cash outlay in connection with the Acquisition and the Target Group Payables is US\$94.2 million (equivalent to approximately HK\$734.76 million).

The Group currently expects to finance the Consideration by the internal resources of the Group.

Basis for the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to (i) the estimated net asset value of the Target Group as at 30 June 2020 (to be determined and/or audited by an independent accounting firm); and (ii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition". Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Key Steps subsequent to the execution of Framework Agreement

Following the execution of the Framework Agreement and as mentioned above, the Company has set aside a cash sum of up to US\$57 million (equivalent to approximately HK\$444.6 million) to settle some of the Target Group Payables and subject to a satisfactory resolution of outstanding issues with various bank creditors, an application will be made for the discharge of the interim judicial managers of the Target Company.

Conditions Precedent

Subject to the execution of the Definitive Agreement, the Company is not obligated to proceed with the Acquisition, unless certain Conditions are fulfilled, some of which are set out below:

- (i) completion of the due diligence on the Target Company by the Company, and the results thereof being satisfactory to the Company;
- (ii) all necessary applicable consents, approvals (including board and shareholder resolutions) and waivers from the Company and the Vendor for or in connection with the Acquisition having been obtained;
- (iii) the completion of the Definitive Assignment;
- (iv) the discharge of the interim judicial managers or judicial managers, as the case may be; and
- (v) the Target Group's structure and its business and assets being substantially intact with reference to the audited net asset value of the Target Group to be determined and/or audited by an independent accounting firm.

The Purchaser may, at any time on or before the Completion, by notice in writing to the Vendor, waive in whole or in part, and conditionally or unconditionally, the Conditions.

Completion

Completion is to take place within five (5) business days from the fulfilment of the Conditions, and in no event later than the Long Stop Date. Immediately upon the Completion, the Target Group will become non-wholly owned subsidiaries of the Company and the results and assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

INFORMATION ABOUT THE VENDOR AND THE WARRANTORS

Vendor

The Vendor is a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Yihua, one of the Warrantors. It is principally engaged in, among others, import and export business.

Warrantors

Yihua is a company established in the PRC listed on the Shanghai Stock Exchange with stock code 600978, which is principally engaged in the manufacture and sale of household products.

Yihua Group is a company established in the PRC, which is principally engaged in, among others, import and export business.

Mr. Liu is the chairman of Yihua Group, who is a PRC citizen.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below sets out certain audited financial information of the Target Group for the years ended 31 December 2018 and 2019:

	Year ended 31 December 2018 (audited) <i>Approx. '000</i>	Year ended 31 December 2019 (audited) <i>Approx. '000</i>
Net profit before taxation	US\$15,725 (equivalent to approximately HK\$122,653)	US\$48,680 (equivalent to approximately HK\$379,704)
Net profit after taxation	US\$11,081 (equivalent to approximately HK\$86,433)	US\$38,520 (equivalent to approximately HK\$300,459)

The unaudited net asset value of the Target Company as at 31 March 2020 is approximately US\$161 million (equivalent to approximately HK\$1,255.8 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and trading of sofa, ancillary products and chairs and other products.

The Target Company is a Singapore-based sofa maker previously listed on the Singapore Exchange. The Target Company has marketed its products to over 20 countries globally and has main production facilities located in the PRC.

The Acquisition is therefore considered by the Directors to be a good business opportunity to increase the Group's production capacity and to diversify the Group's client base for existing sofa and ancillary products business. The Directors consider that the terms and conditions of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition, the Company has obtained a written approval from the controlling shareholder of the Company, (i) Mr. Wong Man Li, the chairman and an executive Director of the Company, and (ii) Man Wah Investment, a company controlled by Mr. Wong Man Li, which are, in the aggregate, interested in 2,473,839,200 Shares (representing approximately 65.11% of the issued share capital of the Company). Accordingly, such written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

GENERAL

Unless otherwise permitted under, and subject to, the Listing Rules, a circular containing, inter alia, (i) financial information of the Group; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) further details of the Acquisition; and (vi) general information will be despatched to the Shareholders on or before 31 July 2020.

Shareholders and potential investors should note that Completion is subject to the execution of the Definitive Agreement and the satisfaction and/or, where applicable, waiver of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor, as contemplated under the Framework Agreement
“Board”	the board of Directors of the Company
“Completion”	Completion of the Acquisition
“Company”	Man Wah Holdings Limited 敏華控股有限公司, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Conditions”	the conditions precedent to the sale and purchase of the Sale Shares to be set out in the Definitive Agreement
“Connected Person(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition
“Definitive Agreement”	a definitive sale and purchase agreement to be entered into among others, the Company and the Vendor
“Definitive Assignment”	the definitive assignment agreement to be entered into between various bank creditors and the Company in respect of the acquisition by the Company of some of the Target Group Payables

“Deposit”	US\$10 million (equivalent to approximately HK\$78 million), being the deposit for the Acquisition
“Director(s)”	the directors of the Company
“Framework Agreement”	the Framework Agreement dated 10 July 2020 entered into by the Company, the Vendor and the Warrantors in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2020 or such other date as the parties to the Framework Agreement may agree
“Mr. Liu”	Mr. Liu Shaoxi, one of the Warrantors and also the chairman of Yihua Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement, will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the subject of the Acquisition, i.e. 60% of the issued share capital in the Target Company
“Share Charge”	the share charge to be executed by the Vendor in favour of the Company in respect of all issued shares of the Target Company
“Share(s)”	ordinary shares of HK\$0.40 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	HTL International Holdings Pte Ltd, a private limited company incorporated in Singapore
“Target Group”	collectively, the Target Company and its subsidiaries

“Target Group Payables”	payables of the Target Group to banks and other creditors
“US\$”	United States Dollars, the lawful currency of the United States of America
“Vendor”	Ideal Homes International Limited, a company incorporated in Hong Kong
“Warrantors”	collectively, Yihua, Yihua Group and Mr. Liu, who are parties to the Framework Agreement for the purpose of providing customary representations and warranties in connection with the Acquisition
“Yihua”	Yihua Lifestyle Technology Co., Ltd., a company established in the PRC
“Yihua Group”	Yihua Enterprise (Group) Co., Ltd., a company established in the PRC
“%”	per cent

For the purpose of this announcement and for illustration purpose only, conversion of US\$ to HK\$ is based on the exchange rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ have been or could be converted at the above rate or any other rates.

By Order of the Board
Man Wah Holdings Limited
Wong Man Li
Chairman

Hong Kong, 10 July 2020

* *for identification purposes only*

As at the date of this announcement, the executive Directors are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Alan Marnie, Mr. Dai Quanfa, Ms. Wong Ying Ying and Ms. Yang Huiyan; and the independent non-executive Directors are Mr. Chau Shing Yim, David, Mr. Ong Chor Wei, Mr. Kan Chung Nin, Tony and Mr. Ding Yuan.