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MERRY GARDEN HOLDINGS LIMITED

美麗家園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1237)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Placing Agent



Guotai Junan Securities (Hong Kong) Limited

On 23 September 2014, the Placing and Subscription Agreement was entered into among the Vendor, the Company and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 165,000,000 Placing Shares held by the Vendor to not less than six Placees, at HK\$0.93 per Placing Share.

Pursuant to the Placing and Subscription Agreement, the Company has conditionally agreed to allot and issue the Subscription Shares (being such number of new Shares representing the number of Placing Shares actually placed under the Placing, with a maximum number of 165,000,000 new Shares) at HK\$0.93 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed "Conditions of the Subscription".

The price per Placing Share represents (i) a discount of approximately 3.1% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange on 23 September 2014, (ii) a discount of approximately 1.06% to the average closing price of approximately HK\$0.94 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 2.3% over the average closing price of approximately HK\$0.909 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Assuming the Placing Shares are fully placed under the Placing, the Placing will reduce the shareholding of the Vendor and any party acting in concert with it from approximately 34.38% to approximately 20.63% of the existing issued share capital of the Company. The Subscription will increase the shareholding of the Vendor and any party acting in concert with it to approximately 30.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, thereby triggering a general offer obligation under the Takeovers Code. An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 29 July 2014. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Assuming that the Placing Shares are fully placed under the Placing and the Subscription is completed, the net proceeds from the Subscription payable to the Company will amount to approximately HK\$148 million. The Company intends to retain the net proceeds for:

- (1) capital expenditure to increase production capacity of the Group's products;
- (2) potential merger and acquisitions should appropriate opportunities arise and where the Directors consider it in the interest of the Group to do so; and
- (3) general working capital of the Group.

PLACING AND SUBSCRIPTION AGREEMENT

On 23 September 2014, the Placing and Subscription Agreement was entered into among the Vendor, the Company and the Placing Agent for the Placing of existing Shares held by the Vendor and the Subscription of new Shares to be issued by the Company to the Vendor, details of which are set out below.

1. The Placing

Vendor:

The Vendor, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Wu, an executive Director.

As at the date of this announcement, the Vendor and parties acting in concert (as defined in the Takeovers Code) with it are controlling shareholders of the Company, holding in aggregate 412,515,200 Shares which represent approximately 34.38% of the existing issued share capital of the Company.

Number of Placing Shares:

The Placing Agent has agreed to procure, on a best effort basis, Places for the purchase of up to 165,000,000 Shares owned by the Vendor.

Assuming the Placing Shares are fully placed under the Placing, the Placing Shares represent 13.75% of the existing issued share capital of the Company and approximately 12.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Placees:

The Placing Shares will be placed to not less than six Placees who and their ultimate beneficial owners are independent of the Directors, chief executive or substantial shareholders of each of the Company, its subsidiaries and their respective associates, in accordance with the Listing Rules, and that such Placees are not acting in concert with the Vendor in relation to the control of the Company within the meaning of the Takeovers Code.

Placing price:

HK\$0.93 per Placing Share.

This price was agreed after arm's length negotiations among the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 3.1% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange on 23 September 2014, (ii) a discount of approximately 1.06% to the average closing price of approximately HK\$0.94 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 2.3% over the average closing price of approximately HK\$0.909 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Placing Agent:

Guotai Junan Securities (Hong Kong) Limited

Completion of the Placing:

The Placing is unconditional and completion of the Placing is expected to take place on 26 September 2014.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendor free and clear from all liens, charges, encumbrances, claims, options and third party rights and with all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares if the record date shall fall on or after the date of completion of the Placing.

2. The Subscription

Subscriber:

The Vendor

Number of Subscription Shares:

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for such number of new Shares representing the number of Placing Shares actually placed under the Placing, with a maximum number of 165,000,000 new Shares, which, having an aggregate nominal value of HK\$1,650,000, represents 13.75% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 12.09% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscription price:

HK\$0.93 per Subscription Share, which is equivalent to the price per Placing Share.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the extraordinary general meeting of the Company held on 29 July 2014. The Company is authorised to issue 240,000,000 Shares under such mandate and the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription.

Conditions of the Subscription:

The Subscription is conditional upon:

- (a) the Listing Committee agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (b) the Executive granting a waiver to the Vendor to the effect that neither the Vendor nor any party acting in concert with it will be obliged to make a general offer for the Shares under the Takeovers Code as a result of the Subscription; and
- (c) completion of the Placing pursuant to the Placing and Subscription Agreement.

None of the above conditions can be waived by the parties to the Placing and Subscription Agreement.

Assuming the Placing Shares are fully placed under the Placing, the Placing will reduce the shareholding of the Vendor and any party acting in concert with it from approximately 34.38% to approximately 20.63% of the existing issued share capital of the Company. The then Subscription will increase the shareholding of the Vendor and any party acting in concert with it to approximately 30.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, thereby triggering a general offer obligation under the Takeovers Code.

An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription will take place on the business day immediately after the day on which the conditions referred to above are fulfilled.

If the conditions to the Subscription are not fulfilled by 7 October 2014 (or such other date as may be agreed by the parties to the Placing and Subscription Agreement), all rights, obligations and liabilities of the parties pursuant to the Placing and Subscription Agreement in relation to the Subscription shall cease and determine and none of the parties thereto shall have any claim against any other in respect of the Subscription save for rights and remedies accrued prior to such termination.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the Subscription is completed and there being no other change in the share capital of the Company, the shareholding structure of the Company (a) immediately before the Placing; (b) immediately after the Placing but before the Subscription; and (c) immediately after the Placing and the Subscription are as follows:

	Existing shareholding		After the Placing but before the Subscription		After the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Connected persons and substantial shareholders						
The Vendor and any party acting in concert with it (Note 2)	412,515,200	34.38	247,515,200	20.63	412,515,200	30.22
Mr. Cheung Chi Mang and his controlled corporation (Note 3)	134,700,000	11.23	134,700,000	11.23	134,700,000	9.87
Mr. Wu Qingshan (Note 4)	27,502,800	2.29	27,502,800	2.29	27,502,800	2.01
Ms. Xie Qingmei (Note 5)	<u>9,538,000</u>	0.79	<u>9,538,000</u>	0.79	<u>9,538,000</u>	0.70
Sub-total:	584,256,000	48.69	419,256,000	34.94	584,256,000	42.80
Public						
Places	—	—	165,000,000	13.75	165,000,000	12.09
Other public Shareholders	<u>615,744,000</u>	51.31	<u>615,744,000</u>	51.31	<u>615,744,000</u>	45.11
Total:	<u>1,200,000,000</u>	<u>100.00</u>	<u>1,200,000,000</u>	<u>100.00</u>	<u>1,365,000,000</u>	<u>100.00</u>

Notes:

1. The number of existing Shares held by the Shareholders mentioned in the above table is based on the register of interest kept by the Company pursuant to Section 336 of the SFO as at the date of this announcement.
2. The Vendor is wholly-owned by Mr. Wu, an executive Director. Mr. Wu is a party acting in concert with the Vendor.
3. Mr. Cheung Chi Mang is deemed to be interested in all the Shares in which Hong Kong Investments Group Limited, the entire issued share capital of which is wholly-owned by him, is interested by virtue of the SFO.
4. Mr. Wu Qingshan is an executive Director.
5. Ms. Xie Qingmei is an executive Director.

As disclosed in the above shareholding table, immediately after completion of the Placing as well as immediately after completion of the Placing and the Subscription, a minimum of 25% of the then issued share capital of the Company will be in public hands.

EQUITY FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activity:

Date of announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
18 June 2014, 19 June 2014 and 26 June 2014	Placing and top-up subscription of 200,000,000 new Shares under the then general mandate	Approximately HK\$155 million	For capital expenditure to increase production capacity and as general working capital as disclosed in the Company's announcements dated 18 June 2014, 19 June 2014 and 26 June 2014	To be used as intended

Save as disclosed above, the Company has not conducted any equity fund raising exercise during the past 12 months immediately preceding the date of this announcement.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing and Subscription Agreement (including the Placing Price and the placing commission to the Placing Agent) to be normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming that the Placing Shares are fully placed under the Placing and the Subscription is completed:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$153.5 million; and
- (ii) the net proceeds, after deducting related placing commission, professional fees and all related expenses which will be borne by the Company from the Subscription are estimated to be approximately HK\$148 million, which represents approximately HK\$0.897 per Share.

The Company intends to retain the net proceeds payable to it under the Subscription for:

- (1) capital expenditure to increase production capacity of the Group's products;
- (2) potential merger and acquisitions should appropriate opportunities arise and where the Directors consider it in the interest of the Group to do so; and
- (3) general working capital of the Group.

INFORMATION OF THE GROUP

The principal activities of the Group are research and development, design, production and sale of leisure household products and timber villas and their related parts and structures.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	means a day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Merry Garden Holdings Limited, the Shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the People's Republic of China
“Last Trading Day”	22 September 2014, being the last trading day for the Shares before the date of the Placing and Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu Zheyuan, the chairman of the Board, an executive Director and the controlling shareholder of the Company (as defined under the Listing Rules)
“Placee(s)”	any professional, institutional and other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Placing and Subscription Agreement”	the placing and subscription agreement dated 23 September 2014 among the Vendor, the Company and the Placing Agent
“Placing Shares”	up to a total of 165,000,000 Shares beneficially owned by the Vendor to be placed pursuant to the Placing and Subscription Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Placing and Subscription Agreement
“Subscription Shares”	such number of new Shares representing the number of Placing Shares actually placed under the Placing, with a maximum number of 165,000,000 new Shares
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Vendor” Green Seas Capital Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Wu

“%” per cent.

By order of the board of
Merry Garden Holdings Limited
Wu Zheyuan
Chairman

Hong Kong, 23 September 2014

As at the date of this announcement, the executive Directors are Mr. Wu Zheyuan, Mr. Wu Qingshan and Ms. Xie Qingmei, the non-executive Directors are Mr. Lee Kong Wai, Conway and Mr. Wu Dongping, and the independent non-executive Directors are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.