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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)**

### **DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT**

On 29 December 2014, Zhangping Kimura entered into a Construction Contract with Xiamen Chengjian in relation to the Construction Works at an aggregate consideration of approximately RMB152.0 million (equivalent to approximately HK\$191.5 million).

The Construction Works are in relation to the Production Plants to be built on the land located at 福建省漳平市和平鎮和平村、和春村 (Heping Village and Hechun Village, Heping County, Zhangping City, Fujian Province\*) in the PRC and the Production Plants involve the use of approximately 105,000 square metres of the land. The Production Plants will comprise production plants and other ancillary facilities. The Production Plants will satisfy the production capacity necessary for the continuously growing business of the Group, relieve the pressure on the production capacity of the existing production lines and allow our growth in sales in timber villas and their related parts and structures.

The consideration of the Construction Contract will be satisfied by the net proceeds of the placing of existing Shares and subscription of new Shares in June and September 2014 by HK\$151.5 million (equivalent to approximately RMB120.2 million) and the shortfall will be satisfied by internally generated funds and bank loans.

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the transaction contemplated under the Construction Contract are more than 5% but less than 25%, the transaction contemplated under the Construction Contract constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

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## **THE CONSTRUCTION CONTRACT**

### **Parties**

- (1) Zhangping Kimura; and
- (2) Xiamen Chengjian

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Xiamen Chengjian and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

### **Date**

The Construction Contract was entered into on 29 December 2014.

### **Details of the subject matters of the Construction Contract**

The Construction Contract was in relation to the foundation construction, the water and electricity network laying for, and the construction of the Production Plants.

### **Consideration**

The consideration for the Construction Works is approximately RMB152.0 million (equivalent to approximately HK\$191.5 million). Upon signing of the contract, Zhangping Kimura will pay 40% of the consideration as deposit for materials preparation.

On 25th day of each calendar month, Xiamen Chengjian will deliver a report to Zhangping Kimura assessing the value of the work completed in the previous month. After approving the value of the completed work, Zhangping Kimura is required to pay 80% of such value of work as payments for constructions. Such payments shall first be deducted from the deposits for materials preparation paid upon signing of the contract proportionate to the percentage of work completed and the remaining amount will be paid by Zhangping Kimura within 15 days. An aggregate payment of 90% of the total consideration will be paid before the Completion Inspection of the Construction Works.

5% of the total consideration will be paid after the passing of the Completion Inspection of the Construction Works. A sum of 5% of the total consideration will be withheld as the Quality Assurance Retention Money for the Construction Works, which will be paid half year after the date of the completion of the Construction Works.

The consideration under the Construction Contract was determined by arm's length negotiation after taking into account of the whole design of the construction project, materials used, the size of project, and the past working experience with Xiamen Chengjian.

### **Completion of the Construction Works**

The Construction Works are expected to complete on or before 31 December 2015.

## **REASONS FOR, AND BENEFITS FROM, ENTERING INTO THE CONSTRUCTION CONTRACT**

The Construction Works are in relation to the Production Plants to be built on the land located at 福建省漳平市和平鎮和平村、和春村 (Heping Village and Hechun Village, Heping County, Zhangping City, Fujian Province\*) in the PRC and the Production Plants involve the use of approximately 105,000 square metres of the land.

Upon completion of the Construction Works, the Production Plants will accommodate six new production lines. The production lines mainly produce timber villas and their related parts and structure and will have an aggregate annual production capacity of approximately 65,000 cubic meters of such products. The Production Plants will satisfy the production capacity necessary for the continuously growing business of the Group, relieve the pressure on the production capacity of the existing production lines and allow our growth in sales in timber villas and their related parts and structures.

The consideration of the Construction Contract will be satisfied by the net proceeds of placing of existing Shares and subscription of new Shares in June and September 2014 by HK\$151.5 million (equivalent to approximately RMB120.2 million) and the shortfall will be satisfied by internally generated funds and bank loans.

The Directors consider that the terms of the Construction Contract are fair and reasonable and the entering into of the Construction Contract are in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As more than one of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the transaction contemplated under the Construction Contract are more than 5% but less than 25%, the transaction contemplated under the Construction Contract constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

## **GENERAL**

To the best of the Directors' knowledge, the principal business of Xiamen Chengjian are construction of properties in the PRC.

The principal activities of Zhangping Kimura are manufacturing and sales of outdoor wooden products to both domestic and overseas customers.

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

## DEFINITIONS

“Company”	Merry Garden 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
“Completion Inspection”	the inspection conducted by Zhangping Kimura at the completion of the Construction Works
“Construction Contract”	the construction contract dated 29 December 2014 entered into between Xiamen Chengjian and Zhangping Kimura in relation to the Construction Works
“Construction Works”	the foundation construction and the water and electricity network laying for, and the construction of the Production Plants pursuant to the Construction Contract
“Directors”	the Directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, The Macao Special Administrative Region of the PRC and Taiwan
“Production Plants”	the production plants and other ancillary facilities to be built on 福建省漳平市和平鎮和平村、和春村 (the Heping Village and Hechun Village, Heping County, Zhangping City, Fujian*) in the PRC
“Quality Assurance Retention Money”	the retention money to cover the costs of rectifying any quality defects found within half year after the date of the completion of the Construction Works
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Xiamen Chengjian”	廈門城健建設有限公司 (Xiamen Chengjian Construction Company Limited*), a company established in the PRC
“Zhangping Kimura”	Fujian Zhangping Kimura Forestry Products Co., Ltd. (福建省漳平木村林產有限公司), an indirect wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.26.

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

Hong Kong, 29 December 2014

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

\* *For identification purpose only*