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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 FORMATION OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 8 July 2015, King Wood, HK Ebin and Zhailong entered into the Agreement in relation to the formation of the JV Company in the PRC to be engaged in the development and operation of a timber villas hotel project located at Guanzhai Mountain (A National 4As tourist attraction), Liangcheng County, Fujian Province, the PRC. The total investment on such project is expected to be approximately RMB200,000,000 and the Group will be mainly responsible for the construction works.

Pursuant to the Agreement, the registered capital of the JV Company shall be RMB100,000,000, which will be contributed as to RMB40,000,000 by King Wood, RMB30,000,000 by HK Ebin and RMB30,000,000 by Zailong, representing 40%, 30% and 30% of the total registered capital of the JV Company respectively.

LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Agreement exceeds 5% and all of the percentage ratios are less than 25%, the transactions contemplated under the Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING IN SHARES

Trading in the Shares on the Stock Exchange was halted at the request of the Company with effect from 10:59 a.m. on 8 July 2015 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 14 July 2015.

INTRODUCTION

The Board is pleased to announce that on 8 July 2015, King Wood, HK Ebin and Zhailong entered into the Agreement in relation to the formation of the JV Company in the PRC to be engaged in the development and operation of a timber villas hotel project located at Guanzhai Mountain (A National 4As tourist attraction), Liangcheng County, Fujian Province, the PRC. The total investment on such project is expected to be approximately RMB200,000,000 and the Group will be mainly responsible for the construction works.

THE AGREEMENT

Date

8 July 2015

Parties

- (1) King Wood;
- (2) HK Ebin; and
- (3) Zhailong

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, HK Ebin, Zhailong, together with their respective ultimate beneficial owner(s), are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Formation

The parties to the Agreement agreed that JV Company will be established in Liancheng County, Fujian Province, the PRC. The JV Company will be owned as to 40% by King Wood, 30% by HK Ebin and 30% by Zhailong.

Business scope

The JV Company will be principally engaged in the development and operation of a timber villas hotel project located at Liancheng County, Fujian Province, the PRC.

Capital contribution and further financing

Pursuant to the Agreement, the registered capital of the JV Company is RMB100,000,000, which will be contributed as to RMB40,000,000 by King Wood, RMB30,000,000 by HK Ebin and RMB30,000,000 by Zhailong. Further capital contributions shall be made by the Parties as considered necessary in meeting capital requirement for the development of the timber villas hotel project. Further capital contributions shall be made in accordance to their respective shareholding in the JV Company.

The Group intends to finance its share of the capital contribution to the JV Company of RMB40,000,000 by internal resources.

Board composition

The board of directors of the JV Company will comprise three (3) directors. Each of King Wood, HK Ebin and Zhailong will nominate one director to the board.

Financial impact to the Group

The total investment on such project is expected to be approximately RMB200,000,000, of which RMB80,000,000 shall be financed by the Group. Upon the establishment of the JV Company, King Wood, HK Ebin and Zhailong will be entitled to share the profit of the JV Company in proportion to their respective equity interests in the JV Company.

INFORMATION ABOUT THE PARTIES

The Group specialises in wood processing technology. Holding over 90 registered patents, the Group has a leading position in the innovation of wood modification technology. Via advanced wood processing technology, the Group provides one-stop services on home building materials, leisure furniture and tourism facilities to customers in over 35 countries and regions. The customer base of the Group covers large home improvement chains, tourism industry developers, builders and end consumers.

HK Ebin is principally engaged in the business of design, manufacturing and trading of timber construction materials and leisure wooden products. Zhailong is principally engaged in the business of development and operation of leisure tourism facilities and resorts in the PRC.

REASONS FOR ENTERING INTO THE AGREEMENT

Liancheng County is located at Longyan Municipal, Fujian Province, the PRC. It is a famous town of Hakka culture in China, as well as the key development area of the Fujian western coast economic zone. The Liancheng County has been awarded “Outstanding Tourism County in China”, “Town of Hot Spring in China” and “The Famous Town for Chinese Hakka Delicacies”. The Liancheng County possess rich tourism resources, with three national 4As tourist attractions, of which the Guanzhai Mountain Scenic Area was named the National Geological Park, National Natural Heritage and National Scenic Area.

The Directors believe that significant opportunities will be brought to the Group by the formation of the JV Company. Through direct involvement in the development of this tourism project, it allows the Group to more closely capture the trend driven by the flourishing development of the Chinese tourism, and solidify the Group’s leading positions in both of the leisure tourist facility developer and wood processing industry in China.

The Directors consider that the transactions contemplated under the Agreement are in the ordinary and usual course of business of the Group and the terms of the Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Agreement”	the agreement entered into by King Wood, HK Ebin and Zhailong on 8 July 2015
“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK Ebin”	HK Ebin Co., Limited, a company incorporated in Hong Kong with limited liability
“JV Company”	a company to be established in the PRC with limited liability in accordance with the terms and conditions of the Agreement
“King Wood”	King Wood (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Agreement, being King Wood, HK Ebin and Zhailong

“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhailong”	連城縣豸龍旅遊投資經營有限公司 (Liancheng County Zhailong Tourism Investment and Operations Co., Ltd.), a limited liability company established in the PRC

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

Hong Kong, 13 July 2015

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 Directors of the Company 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.