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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)

ANNOUNCEMENT

SUBSCRIPTION OF SUBSCRIPTION SHARES BY SUBSCRIBERS UNDER GENERAL MANDATE

SUBSCRIPTION

The Board is pleased to announce that on 24 July 2015, the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 272,600,000 Subscription Shares at the Subscription Price of HK\$0.55 per Subscription Share.

The Subscription Shares represents approximately 19.08% of the total issued share capital of the Company as at the date of this announcement, and approximately 16.02% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Price of HK\$0.55 per Subscription Share represents (i) a discount of approximately 15.38% to the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on 23 July 2015, being the last trading day immediately prior to the date of the Subscription Agreement; (ii) a discount of approximately 8.64% to the average closing price of approximately HK\$0.602 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and (iii) a discount of approximately 4.68% to the closing price of approximately HK\$0.577 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Subscription Agreement.

The aggregate gross and net proceeds from the Subscription will be approximately HK\$149,930,000 and approximately HK\$149,730,000 respectively. The Company intends to retain the net proceeds of the Subscription for capital expenditure to increase production capacity of the Group's products and as general working capital of the Group. The net Subscription Price will be HK\$0.55 per Subscription Share.

The Subscription Shares will be conditionally allotted and issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM of the Company held on 12 May 2015. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate, and the issue of the Subscription Shares are not subject to any additional Shareholders' approval.

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, of which 1,429,000,000 Shares have been issued and are fully paid up and are listed on the Stock Exchange.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares. The Subscription is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. If such condition is not fulfilled, the Subscription will not proceed.

As the Completion of the Subscription is subject to the satisfaction of certain conditions precedent, the Subscription may or may not proceed. Shareholders and potential Subscribers are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 24 July 2015, the Company entered into the Subscription Agreement with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 272,600,000 Subscription Shares at the Subscription Price of HK\$0.55 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date

24 July 2015

Parties

- (i) The Company; and
- (ii) the Subscribers.

Subscribers

The Subscribers are not less than six in number. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscribers are Independent Third Parties as at the date of this announcement and upon the Completion of the Subscription.

Subscription

Subscription Shares

Subscription Shares will be conditionally allotted and issued by the Company pursuant to the terms and subject to the conditions set out in the Subscription Agreement. The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the Closing Date including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

The number of the Subscription Shares is 272,600,000, representing approximately 19.08% and 16.02%, respectively, of the issued shares and the issued shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued shares of the Company from the date of this announcement to the Completion of the Subscription save for the issue of the Subscription Shares) pursuant to the terms and subject to the conditions set out in the Subscription Agreement, which is summarized and set out under the paragraph headed "Conditions Precedent of the Subscription" below. The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$2,726,000.

The Subscription Monies will be HK\$149,930,000, which shall be payable in cash and in HK\$ by the Subscribers to the Company as follows:

- (a) 30% of the Subscription Monies, being HK\$44,979,000 shall be payable upon the signing of the Subscription Agreement;
- (b) 20% of the Subscription Monies, being HK\$29,986,000, shall be payable within three Business Days from the date of the Subscription Agreement; and
- (c) the remaining 50% of the Subscription Monies, being HK\$74,965,000, shall be payable at Completion of the Subscription.

Subscription Price

The Subscription Price of HK\$0.55 per Subscription Share represents (i) a discount of approximately 15.38% to the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on 23 July 2015, being the last trading day immediately prior to the date of the Subscription Agreement; (ii) a discount of approximately 8.64% to the average closing price of approximately HK\$0.602 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and

(iii) a discount of approximately 4.68% to the closing price of approximately HK\$0.577 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Subscription Agreement.

The Subscription Price has been negotiated and arrived at on an arm's length basis and by reference to the market conditions. The Directors are of the opinion that the Subscription Price is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

The net Subscription Price will be HK\$0.55 per Subscription Share.

Conditions Precedent of the Subscription

The Completion of the Subscription is conditional upon the fulfilment of the following:

1. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the allotment and issue of the Subscription Shares according to the Subscription Agreement); and
2. there being no breach of any of the Subscriber Warranties or Warranties which is material in the context of the Subscription.

The Company shall, as soon as is reasonably practicable, apply to the Stock Exchange for the granting of listing of, and permission to deal in, the Subscription Shares after the signing of the Subscription Agreement and the Company shall use all reasonable endeavours to obtain the granting of such listing and permission to deal by the Listing Committee of the Stock Exchange as soon as is reasonably practicable and will inform the Subscribers promptly following the granting of the same. The Company shall furnish such information, supply such documents, pay such fees and do all such acts and things as may reasonably be required by the Subscribers, SFC and/or the Stock Exchange in connection with the fulfilment of the above mentioned conditions.

If the above mentioned conditions are not fulfilled within 28 days after the date of signing of the Subscription Agreement or such later date as may be agreed between the Company and the Subscribers, the Subscription Agreement shall terminate and neither the Company nor the Subscribers shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Completion of the Subscription

Subject to the fulfilment of the above-mentioned conditions, the Completion of the Subscription shall take place at principal place of business of the Company in Hong Kong at 9:00 a.m. Hong Kong time on the Closing Date.

The Subscribers shall:

- (a) on or before 9:00 a.m. on the Closing Date pay or procure the payment in Hong Kong dollars in immediately available funds to the Company of an amount equivalent to the remaining 50% of the Subscription Monies. Such payment shall be made to the bank account held with a leading bank in Hong Kong as may be notified by the Company to the Subscribers two Business Days before the Closing Date; and
- (b) deliver to the Company the receipt of the telegraphic transfer made.

Subject to the Subscriber's fulfilment of its above-mentioned obligations on or before 4:00 p.m. (Hong Kong time) on the Closing Date, the Company shall:

- (a) duly allot and issue the Subscription Shares to the Subscribers; and
- (b) promptly register each Subscriber as a member of the Company.

The Company shall, on the Closing Date or as soon as practicable thereafter, procure that definitive certificates in respect of the Subscription Shares be delivered to the Subscribers or deposit the same into the accounts of the relevant CCASS participants with whom the Subscribers have accounts in accordance with the Subscribers' instructions, in either cases, as specified in the notices to be given by the Subscribers to the Company at least five Business Days prior to Closing Date.

As the Completion of the Subscription is subject to the satisfaction of certain conditions precedent, the Subscription may or may not proceed. Shareholders and potential Subscribers are advised to exercise caution when dealing in the Shares.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued pursuant to the General Mandate and not subject to Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 272,600,000 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares. No separate approval of Shareholders is required for the Subscription. The 272,600,000 Subscription Shares constitute 100% of the General Mandate.

LISTING APPLICATION

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AGREEMENT

The gross proceeds of the Subscription is approximately HK\$149,930,000. The Company intends to retain the net proceeds of the Subscription of approximately HK\$149,730,000 for capital expenditure to increase production capacity of the Group's products and as general working capital of the Group.

The Directors consider that the Subscription represents opportunities to raise additional funding for the Group's business operation and it will also strengthen the financial position for the Group's business developments and broaden the Shareholders base of the Company. In addition, the Directors consider that the Subscription is preferred method of fund raising as compared with other equity fund raising exercises based on the time and costs involved.

The Directors consider that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECT OF ISSUE ON SHAREHOLDING

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the Closing Date other than as a result of the allotment and issue of the Subscription Shares) is set out below:

Shareholders	As at the date of the Subscription Agreement		Immediately upon completion of the Subscription Agreement	
	Number of Shares	%	Number of Shares	%
Green Seas Capital Limited (<i>Note 1</i>)	401,621,200	28.11	401,621,200	23.60
Hong Kong Investments Group Limited (<i>Note 2</i>)	134,700,000	9.43	134,700,000	7.92
Mr. Wu Qingshan (<i>Note 3</i>)	26,502,800	1.85	26,502,800	1.56
Ms. Xie Qingmei (<i>Note 4</i>)	9,538,000	0.67	9,538,000	0.56
Subscribers	—	—	272,600,000	16.02
Public	<u>856,638,000</u>	<u>59.94</u>	<u>856,638,000</u>	<u>50.34</u>
	<u>1,429,000,000</u>	<u>100.00</u>	<u>1,701,600,000</u>	<u>100.00</u>

Notes:

1. The entire issued share capital of Green Seas Capital Limited is legally and beneficially owned by Mr. Wu Zheyang, who is deemed to be interested in the shares held by Green Seas Capital Limited.
2. The entire issued share capital of Hong Kong Investments Group Limited is legally and beneficially owned by Mr. Cheung Chi Mang, who is deemed to be interested in the shares held by Hong Kong Investments Group Limited.
3. Mr. Wu Qingshan is an executive Director.
4. Ms. Xie Qingmei is an executive Director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the 12 months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
23 September 2014	Placing of existing Shares and subscription of new Shares	Approximately HK\$148 million	For capital expenditure to increase production capacity of the Group's products, potential merger and acquisitions and general working capital of the Group	To be used as intended

DEFINITIONS

“AGM”	the annual general meeting of the Company
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Merry Garden Holdings Limited (美麗家園控股有限公司), a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the Stock Exchange
“Closing Date”	being the third business day following the date on which the last in time of the conditions precedent shall have been satisfied or waived in accordance with the Subscription Agreement, or such other place, time or date as the parties may agree in writing
“Completion of the Subscription”	completion of the Subscription of the Subscription Shares in accordance with the Subscription Agreement
“Director(s)”	Director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot and issue up to 20% at the total number of Shares of the Company in issue on 12 May 2015, at the AGM of the Company held on 12 May 2015

“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third parties who are independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“SFC”	the Securities and Futures Commission
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Independent Third Parties who entered into the Subscription Agreement respectively, collectively refer to the Subscribers
“Subscription”	the subscription by the Subscribers for the Subscription Shares on and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the agreement dated 24 July 2015 entered into between the Company and the Subscribers
“Subscription Monies”	means such sum as is the aggregate of the Subscription Price multiplied by the number of the Subscription Shares
“Subscription Price”	the price of HK\$0.55 per Subscription Share
“Subscription Share(s)”	new Shares to be conditionally allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreement
“Subscriber Warranties”	the warranties and representations given by each Subscriber in the Subscription Agreement

“Warranties” the warranties and representations given by the Company in the Subscription Agreement

“%” per cent.

By Order of the Board
Merry Garden Holdings Limited
美麗家園控股有限公司
Wu Zheyuan
Chairman

Hong Kong, 24 July 2015

As at the date of this notice, 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 Prof. Jin Zhongwei, Prof. Su Wenqiang and Mr. Lam Hin Chi.