



**Man Wah Holdings Limited**

1st Floor, Wah Lai Industrial Center 10-14 Kwei Tei Street,  
Fotan, New Territories, Hong Kong

[www.manwahholdings.com](http://www.manwahholdings.com)

## Man Wah strengthens PRC retail operations for potential spin-off listing

- Acquisition of mattress company at implied consideration of RMB83 m

**Singapore – 26<sup>th</sup> August 2008**, Main Board-listed Man Wah Holdings Limited (Bloomberg Ticker: MWH.SP, “Man Wah” or “敏华控股有限公司”), the PRC-based producer of the award-winning “*Cheers*” (芝华仕) brand of motion sofas, has today entered into a conditional sale and purchase agreement (the “Sale and Purchase Agreement”) for the acquisition of 100% of the issued and paid-up share capital of Famous Bedding Company Limited (“Famous Bedding”) and such Famous Bedding shares (the “Sale Shares”) shall on the direction of Man Wah be transferred to Man Wah Industrial Company Limited (“MWHK”), a wholly-owned subsidiary of Man Wah (the “Acquisition”).

Famous Bedding is an investment holding company. Its wholly-owned subsidiary, King Famous Bedding Manufacturing (Shenzhen) Co., Ltd (“Bedding SZ”) is principally engaged in the production and sale of mattress and bedding accessories under the brand “*Enlanda*” (爱蒙) with 140 stores in the PRC as at 30 June 2008. Bedding SZ’s premium “*Enlanda*” mattresses ([www.enlanda.com](http://www.enlanda.com)) can be customized to the needs of its user, including the users’ age, weight and sleeping patterns. Bedding SZ was also appointed by the official bank of the Beijing Olympics 2008, Bank of China, as its exclusive supplier of mattresses for the Beijing Olympics.

Upon completion of the Acquisition, Bedding SZ’s operations will come under Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd (“MWSZ”). MWSZ, a subsidiary of Man Wah, manages the PRC retail operations of Man Wah and its subsidiaries (the “Group”), which comprise of 230 “*Cheers*” specialty stores as at 30 June 2008. The Group will also explore the possibility of a subsequent listing of MWSZ in the future.



An Enlanda retail shop with the Beijing Olympic-related appointment prominently featured

The Group’s original target is to have 300 “*Cheers*” specialty stores by the end of FY2009. Together with the existing 140 “*Enlanda*” stores, the Group expects to exceed 500 stores by the end of FY2009, making it one of the largest PRC furniture retailers in terms of point of sales.

Bedding SZ recorded a net profit after tax of approximately RMB8.3 million for the financial year ended 31 December 2007. For the six months ended 30 June 2008, Bedding SZ recorded a net profit after tax of approximately RMB7.3 million.

Mr Francis Lee Fook Wah (李福华), Finance Director of Man Wah commented on the rationale of the acquisition, *“This acquisition is a union of two renowned PRC furniture brands. We expect to derive synergistic benefits as our ‘Cheers’ motion sofas and ‘Enlanda’ mattresses are complementary products. We will be able to cross sell our products to customers of Bedding SZ and vice versa, their products can also be pushed through our existing stores.*

*Our PRC stores are a strong driver of our performance over the last few years on the back of growing consumer affluence and our expanding retail network. With the inclusion of Bedding SZ, we will also explore the possibility of a subsequent listing of MWSZ in the future. This will benefit shareholders through a realization of the intrinsic value of our fast-growing PRC retail operations.”*

The acquisition of Famous Bedding is at an implied total consideration of RMB83.0 million. The vendors of the Sale Shares are Man Wah Far East Limited (“MWFE”) which owns 70% of Sale Shares and Weston International Investment Limited (“Weston”) which owns the remaining 30% of the Sale Shares.

On completion of the Acquisition, MWFE will hold approximately 16% of the equity interest in MWSZ and Weston will hold such number of shares in Man Wah (the “Shares”) up to a value of RMB24.9 million and at an issue price to be based on the weighted average price of such Shares from the date of the Sale and Purchase Agreement to the first completion date.

MWFE shall receive approximately 16% of the equity interest in MWSZ by way of either (i) a capital injection by way of an increase in the registered capital of MWSZ made by Man Wah on behalf of MWFE or (ii) a transfer of such percentage of Man Wah’s existing equity interest in MWSZ to MWFE, such that MWFE will hold 16% of the equity interest in MWSZ (the “Payment of Consideration to MWFE”). It is a condition subsequent to the Payment of Consideration to MWFE that MWHK shall transfer the entire equity interest in Bedding SZ and its four subsidiaries to MWSZ as part of the internal restructuring of Man Wah (the “Internal Restructuring”), and the resultant equity interest of MWHK and MWFE in the enlarged MWSZ shall remain at 84% and 16% respectively after this Internal Restructuring.

Weston shall receive the Shares of up to a value of RMB24.9 million in the following two tranches:-

- (i) allotment and issue of such number of Shares up to a value of RMB11.8 million upon the completion of the Payment of Consideration to MWFE and the Internal Restructuring; and
- (ii) allotment and issue of such number of Shares to up a value of RMB13.1 million upon the fulfilment of the Earn-out Condition (as defined below).

Weston will only receive payment of the remaining RMB13.1 million in full as set out above if the Net Operating Profits of Bedding SZ for the financial year ended 31 December 2008 is not be less than RMB15 million (the “Earn-out Condition”). In the event the Earn-out Condition is not fulfilled, the number of Shares to be allotted and issued to Weston shall be adjusted downwards proportionately. For the avoidance of doubt, in the event the profits of Bedding SZ for the financial year ended 31 December 2008 exceeds RMB15 million, the number of Shares to be allotted and issued to Weston shall not be adjusted upwards.

In preparation of a possible listing of MWSZ in the future, MWHK will inject approximately RMB23.3 million in the form of three properties, as capital into the registered capital of MWSZ. This capitalisation exercise shall take place after the completion of the Payment of Consideration to MWFE and the Internal Restructuring. Therefore, at the time of the capitalisation of the three properties, MWFE will already own 16% of the equity interest in MWSZ.

Following the above capital injection, MWFE shall be bound to maintain its 16% equity interest in MWSZ and pursuant to which it shall inject approximately RMB4.4 million, in the form of cash as capital into the registered capital of MWSZ in order to maintain its 16% equity interest in MWSZ.

Mr Wong Man Li, the Managing Director of Man Wah, holds 80% of the issued and paid-up capital of Man Wah Investments Limited which holds 100% of the issued and paid-up share capital of MWFE which in turns holds 70% of the issued and paid-up share capital in Famous Bedding. Mr Yu Tung Wan, the Non-Executive Director of Man Wah, is the sole shareholder of Pan Glory Limited which holds 100% of the issued and paid-up capital of Weston which in turns holds 30% of the issued and paid-up capital in Famous Bedding.

Having regard to the quantum of the purchase consideration for the Sale Shares payable to MWFE as aggregated with past transactions with Mr Wong Man Li as required under Listing Rule 906 of the Listing Manual and the relationship between Man Wah and Mr Wong Man Li, the Acquisition is an interested person transaction under Listing Rule 906 and requires approval from the shareholder of the Company (“Shareholders”).

Similarly, having regard to the quantum of the purchase consideration for the Sale Shares payable to Weston as aggregated with past transactions with Mr Yu Tung Wan as required under Listing Rule 906 of the Listing Manual and the relationship between Man Wah and Mr Yu Tung Wan, the Acquisition is an interested person transaction under Listing Rule 906 and Shareholders’ approval will be sought.

CIMB-GK Securities Pte. Ltd. has been appointed as the financial adviser to the Group to advise on the acquisition.

Li Jianhong, Bernard Tay Ah Kong and Lee Teck Leng Robson, being the Directors of the Group for the time being other than Directors who are deemed interested in the Acquisition (“Independent Directors”), have appointed DMG & Partners Securities Pte Ltd as independent financial adviser to advise them for the purposes of the acquisition.

-- The End --

## **About Man Wah Holdings Limited (Bloomberg Code: MWH.SP)**

Established in 1992, **Man Wah Holdings Ltd. (“Man Wah”)** is a home furnishing group, primarily engaged in the design, manufacture and sale of a broad range of mid to high-end motion sofas (specialty sofas with features such as recline and footrests), which are sold through extensive distribution channels in Hong Kong and the PRC, and direct export to the international market under its well-known brand - “*Cheers*”.

The “*Cheers*” brand had received the prestigious China Top Brand award in September 2007 from the PRC authorities. The Group currently operates three sofa production facilities in the PRC. With the completion of Phase II of its Huizhou Daya Bay plant in December 2007, production capacity has enhanced to 500,000 sofa sets per annum to meet the growing demand from its expanding clientele base.

For more information, please log on [www.manwahholdings.com](http://www.manwahholdings.com)

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**Issued for and on behalf of Man Wah Holdings Limited**

**By Financial PR Pte Ltd**

**For more information please contact:**

**Gabriel TAN / Kathy ZHANG**

**[Staff@financialpr.com.sg](mailto:Staff@financialpr.com.sg)**

**Tel: (65) 64382990 Fax: (65) 64380064**