
COMPANY HISTORY AND REORGANISATION

CORPORATE MILESTONES

- 1992 Mr. Wong co-founded Man Wah Sofa with his joint venture partner, Ms. Au Yeung Yim Wah, an Independent Third Party, with each holding a 50% interest in Man Wah Sofa. Man Wah Sofa began with three staff in Hong Kong engaged in selling sofas.
- 1995 Mr. Wong bought out his joint venture partner and became the sole owner of Man Wah Sofa in 1995. He established a manufacturing facility in Shenzhen, PRC through a joint venture with a Chinese partner.
- 1997 Opened first retail outlet in Hong Kong under the trade name “Morewell Furniture”.
- At that time, our customer base had broadened to include customers from Japan, Korea, Singapore and the Middle East and we had started selling our products to furniture importers and retailers in the U.S.
- 1998 Acquired the brand names “Cheers” and “芝華仕”.
- 2000 Famous Bedding was incorporated and commenced production and sale of mattresses and bedding accessories.
- 2001 Commenced sale of products to furniture importers and retailers in Europe.
- 2002 Appointed first three “Cheers” franchisees for specialty stores in Shanghai, Beijing and Shenzhen, PRC.
- 2003 Operated seven retail outlets in Hong Kong at North Point, Kowloon Bay, Shatin, Mongkok, Tsuen Wan, Hung Hom and Yuen Long.
- Appointed 11 “Cheers” licensees in the PRC.
- 2005 Completed our initial public offering listing our sofa and wood-based furniture business on the Main Board of the SGX-ST and raising S\$16.7 million (approximately HK\$93.65 million) in gross proceeds from the sale of 72.5 million new ordinary shares at S\$0.23 each.
- Commenced Phase 1 construction of a mega production facility, Man Wah Holdings Furniture Industrial Park, our Huizhou Daya Bay production facilities, on a 259,000 sq.m. plot of land in Huizhou Daya Bay, PRC.

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2006 Raised S\$24.1 million (approximately HK\$135.15 million) in gross proceeds from the placement of 43,000,000 new ordinary shares at HK\$0.40 each to fund Phase 2 expansion of our Huizhou Daya Bay production facilities.

Completed Phase 1 of our Huizhou Daya Bay production facilities increasing our annual sofa production capacity from 103,000 sets per annum to 153,000 sets per annum.

2007 Increased number of “Cheers” specialty stores in the PRC to 154 by the end of March 2007. Supplied to more than 20 of the U.S.’ 100 largest furniture retailers (as ranked by leading trade publication Furniture Today) compared to just two in 2006.

2008 Increased number of “Cheers” specialty stores in the PRC to 213 by the end of March 2008. Supplied more than 30 of the U.S.’ 100 largest furniture retailers (as ranked by leading trade publication Furniture Today).

Awarded one of “Asia 200 Best Under a Billion – Asia’s Top 200 Small and Midsize Companies” by Forbes Asia.

2009 Delisted from the Main Board of the SGX-ST on 15 September 2009 through the Delisting Offer by Alina to purchase all Shares other than those Shares already owned, controlled or under contract to be acquired by Alina, the undertaking Shareholders or parties acting in concert with them.

Increased number of “Cheers” specialty stores in the PRC to 296 as of 30 September 2009.

Seven retail furniture outlets (1 “Cheers” specialty store and 6 “Morewell Furniture” retail stores) in Hong Kong as of 30 September 2009.

Alina completed the compulsory acquisition of our remaining Shares held by public shareholders on 18 November 2009. Following the Delisting and the compulsory acquisition, Alina held 100% of our Shares. We subsequently undertook a reorganisation prior to [●], details of which are set out below under the section entitled “Reorganisation”.

We integrated Famous Bedding together with the “Enlanda” specialty stores as part of the Group on 7 December 2009.

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HISTORY

Our Group was founded in 1992 when our Chairman and founder, Mr. Wong and an Independent Third Party, Ms. Au Yeung Yim Wah, established Man Wah Sofa as a partnership in Hong Kong to engage in the sale of leather sofas. Initially, leather sofas were produced by an Independent Third Party sofa factory in Henggang Town, Longgang, Shenzhen, PRC pursuant to a processing agreement. Under the terms of the processing agreement, the sofa factory produced leather sofas for Man Wah Sofa in exchange for a processing fee. Pursuant to the arrangement with the sofa factory, Man Wah Sofa was also responsible for supplying machinery and raw materials. At that time, Man Wah Sofa’s principal customers were retailers based in Hong Kong. In 1992, our first year with a team of only three staff we achieved total sales of approximately HK\$3.5 million. In July 1995, Ms. Au Yeung Yim Wah sold her interests in Man Wah Sofa to Mr. Wong who subsequently incorporated Man Wah Industrial to undertake the business of Man Wah Sofa. In August 1994, New Uifa was incorporated in the PRC as a joint venture between Man Wah Sofa, which held 78% of its equity interests, and another Independent Third Party based in the PRC, Shenzhen Xinrong Gongmao Development Company Limited (深圳新榮工貿發展有限公司), which held the remaining 22% equity interests of New Uifa to take over the leather sofa manufacturing activity from the sofa factory at New Uifa’s leased premises. New Uifa continued to manufacture leather sofas from that leased premises until June 1997.

In April 1995, in connection with our focus on the retail sales business, we established Man Wah International to sell and distribute leather sofas and other furniture products such as beds, tables and mattresses in Hong Kong. Later in 1995, we expanded our customer base to include customers located in countries such as Japan, Korea, Singapore and the Middle East.

During the first six months of 1997, New Uifa relocated to a larger leased production facility located near its existing production facility in order to expand capacity. During the same period, Man Wah Industrial acquired a piece of land with a land area of approximately 8,400 sq.m. in Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC to construct our own production facility. We chose Shenzhen for our production facility due to its proximity to Hong Kong. In that same year, Man Wah Industrial opened our first retail outlet in Hong Kong, which had a GFA of approximately 2,500 sq.ft. under the registered trade name “Morewell Furniture” at Metropole International Department Store, North Point and, subsequently, another Morewell retail store in Hong Kong, which had a gross area of approximately 6,000 sq.ft. in Tuen Mun Town Plaza, Tuen Mun. We also began distributing our products to furniture importers and retailers in the U.S.

In 1998, we acquired the brand names “Cheers” and “芝華仕” which are registered trade marks under Class 20 in Hong Kong and the PRC, from Mr. Lo Cheuk Kay and Group Cheers Development Limited (君怡發展有限公司), respectively, both of whom are Independent Third Parties. The consideration for the Hong Kong trademarks and the PRC trademarks was HK\$180,000 and HK\$10,000, respectively, and was determined on an arm’s length basis. Subsequently, we registered “Cheers” in the United Kingdom in 1999. The acquisition allowed us to leverage and further develop these brand names.

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In the same year, as part of our plans to rationalise our Group structure and in anticipation of future expansion plans, we established a wholly-owned subsidiary, Man Wah Rong, in the PRC to take over leather sofa manufacturing from New Uifa. New Uifa then became dormant until October 1999. Man Wah Rong continued to operate from the same leased production facility in Shenzhen until October 1999. In 1998, we opened two additional Morewell retail stores in Hong Kong, which have an aggregate GFA of approximately 3,900 sq.ft. at Grand Central Plaza, Shatin and Shanghai Street, Mongkok. The Shanghai Street outlet subsequently closed in February 1999.

In May 1999, we opened a Morewell retail store in Hong Kong, which had a GFA of approximately 3,010 sq.ft., at Telford Plaza, Kowloon Bay, to extend our retail activities to other parts of Hong Kong. We closed the Telford Plaza outlet in September 2004 when the lease expired. In October 1999, we completed the first phase of construction on our production facilities located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC and Man Wah Rong shifted its leather sofa manufacturing operations to our new premises. The production facilities, which include factories and workers' dormitories, occupy a land area of approximately 8,400 sq.m. and have a built-up area of approximately 10,300 sq.m.

In 2000, we opened another Morewell retail store in Hong Kong, which has a GFA of approximately 1,900 sq.ft., at Tsuen Wan Plaza, Tsuen Wan. In the same year, we also acquired the land adjacent to our production facilities in Shenzhen, which has a land area of approximately 6,100 sq.m. to facilitate the second phase of construction on our production facilities located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC.

In May 2001, Man Wah Industrial acquired all the equity interests in New Uifa from Man Wah Sofa and the PRC joint venture partner. This acquisition allowed us to manage New Uifa more effectively and to convert it from a leather sofa producer to a foam producer in 2002. After the sale of New Uifa to Man Wah Industrial, Man Wah Sofa became dormant. In 2001, we also opened a Morewell retail store in Hong Kong which has a GFA of approximately 4,500 sq.ft. at Grand Century Place, Mongkok. In the same year, we commenced the sale of our products to furniture importers and retailers in Europe.

In 2002, we opened another Morewell retail store in Hong Kong, which has a GFA of approximately 3,000 sq.ft. at Home World, Whampoa Garden, Hung Hom. In the same year, we appointed three licensees for specialty stores to distribute our "Cheers" brand sofas in Shanghai, Beijing and Shenzhen in the PRC. Under our specialty store arrangements, the specialty stores are obliged to sell only our "Cheers" brand sofas.

In the same year, as part of our plans to integrate our manufacturing by producing our own foam and to lower our production costs, we set up a production facility in rented premises at Bao An Village, Henggang Town, Longgang, Shenzhen, PRC, which has a GFA of approximately 10,000 sq.m. We shifted all our foam production activities to this new production facility. In August of the same year, as a testament to the quality of our leather sofas, Man Wah Industrial was awarded the "Good Design of Sofa Sets" award by the International Famous Furniture Exhibition Fair Organising Committee.

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In 2003, we opened a Morewell retail store, which had a GFA of approximately 2,600 sq.ft., in Hop Yick Plaza, Yuen Long and operated there until October 2004 when our lease expired. Also in 2003, we completed the second phase of construction of our sofa production facility located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC. Following completion of the second phase of construction, our sofa production facility in Shenzhen had a GFA of approximately 27,600 sq.m. To further expand our PRC retail network, we appointed 11 "Cheers" licensees in the PRC in the same year.

In recognition of the quality of our sofa production process, in June 2004, our subsidiaries Man Wah Industrial, Man Wah Rong and New Uifa received ISO9001:2000 certification for the establishment and application of a quality system for the design and manufacturing of sofas. In October of that year, to further increase our production capacity, we leased a new sofa production facility located at Man Wah Industrial Zone, No. 11, No. 228 Industrial District, Henggang Town, Longgang, Shenzhen, PRC. The new sofa production facility has a GFA of approximately 6,100 sq.m. and commenced full scale production in March 2005.

We were incorporated in Bermuda on 4 November 2004 under the Bermuda Companies Act under the name "Man Wah Holdings Limited". We undertook a restructuring exercise whereupon our Company became the holding company of our Group's sofa and wood-based furniture business in anticipation of our listing on the SGX-ST. We were listed on the SGX-ST on 16 June 2005 and remained listed on the SGX-ST for more than four years during which time we were in material compliance with the listing rules of the SGX-ST. During such time, we raised S\$24.1 million (approximately HK\$135.15 million) in gross proceeds from a placement of 43,000,000 new ordinary shares of HK\$0.40 each to fund the phase 2 expansion of our Huizhou Daya Bay production facilities.

Since 2005, we have terminated all franchisee and licensee arrangements. Most of these franchisees and licensees are now our distributors.

We entered into a sale and purchase agreement on 26 August 2008 with Man Wah Far East and Weston International which owned 70% and 30% of the issued share capital of Famous Bedding, respectively. However, this agreement was not completed. Man Wah Far East is wholly owned by Mr. Wong and Weston International is wholly owned by Mr. Yu Tung Wan, one of our executive Directors. The consideration payable to Man Wah Far East for the proposed acquisition of 70% of Famous Bedding was 16% equity interest in Man Wah Furniture (SZ). As at 31 March 2008, the net asset value of Man Wah Furniture (SZ) was approximately RMB79.6 million (approximately HK\$90.5 million). This consideration was calculated based on the proportionate contribution of the net profit after tax ("NPAT") of Bedding SZ for the 18-month period ending 30 June 2008 to the aggregate of (i) the NPAT of Man Wah Furniture (SZ) and (ii) NPAT of Bedding SZ for the 18-month period ending 30 June 2008. The NPAT for Bedding SZ to be used in the profit contribution calculation was to be as computed by the Company and calculated based on Famous Bedding being an investment company with negligible costs. The exact amount was not quantified as it involved an exchange of shares. The total imputed consideration for the entire acquisition was approximately RMB83.0 million (approximately HK\$94.3 million), being derived from the consideration for the sale of the 30% stake in Famous Bedding by Mr. Yu Tung Wan which was approximately RMB24.9 million (approximately HK\$28.3 million). Hence, the notional amount for the 70%

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stake in Famous Bedding was approximately RMB58.1 million (approximately HK\$66.0 million). The consideration payable to Weston International for the proposed acquisition of 30% of Famous Bedding was RMB24.9 million (approximately HK\$28.3 million), the payment of which would have been satisfied by the issue and allotment of our Shares to Weston International at an issue price based on the weighted average of such Shares over a period of time since the announcement of the proposed acquisition. The proposed acquisition of Famous Bedding was conditional upon obtaining the approval of our non-interested Shareholders. We convened a special general meeting on 19 December 2008 for approval of the acquisition of Famous Bedding by our Shareholders. As our Share price decreased between the date of the announcement of the proposed acquisition and the special general meeting, the number of Shares to be allotted and issued to Weston International as consideration for the proposed acquisition increased and the Directors believe that the increased dilution was a factor taken into account by the non-interested Shareholders when they voted against the proposed acquisition.

On 5 June 2009, our Company and Alina announced the Delisting Offer for the voluntary Delisting by Alina.

The terms of the Delisting Offer were as follows:

- (i) Alina offered to pay S\$0.23 in cash for each offer Share and this price was applicable to any number of Shares tendered in acceptance of the Delisting Offer;
- (ii) Shareholders could choose to accept the Delisting Offer in respect of all or part of their holdings of the Shares; and
- (iii) the Shares acquired by Alina were fully paid and free from all encumbrances and other third party rights.

The Delisting Offer was conditional on, inter alia, (i) approval of the Delisting by Shareholders holding at least 75% of the total number of issued Shares, and (ii) Shareholders holding less than 10% of the total number of issued Shares voting against the Delisting. A special general meeting was held on 11 August 2009 to vote on the Delisting. Based on the scrutineer's calculation as recorded in the minutes of the special general meeting held on 11 August 2009, the outcome of the votes was as follows:

<u>For</u>	<u>Against</u>
590,354,000 Shares (96.71%)	7,745,000 Shares (1.296%)

The above percentages reflect the percentage of the total of 598,099,000 Shares entitled to vote.

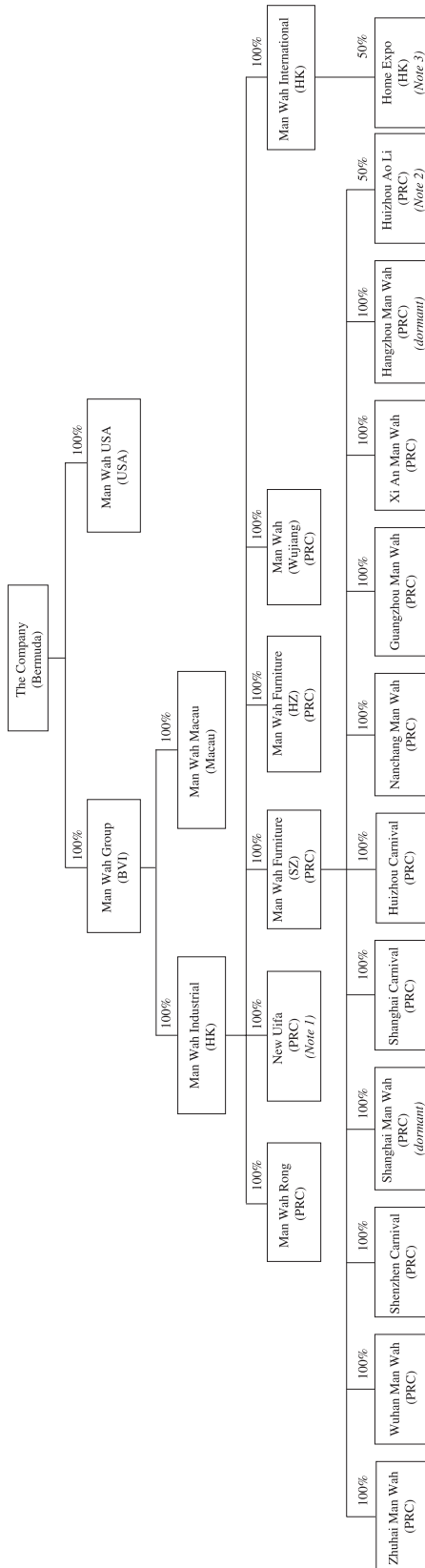
The total amount of the consideration paid by Alina pursuant to the Delisting Offer was S\$28.4 million (approximately HK\$159.3 million) which was funded by bank borrowings from United Overseas Bank Limited and by Mr. Wong personally.

CIMB Bank Berhad, Singapore Branch, the Company's independent financial adviser in relation to the Delisting, recommended that the Shareholders vote in favour of the resolution for the Delisting.

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Prior to the Delisting, the corporate structure of the Group (including our associated companies) was as follows:

Group chart immediately before Delisting



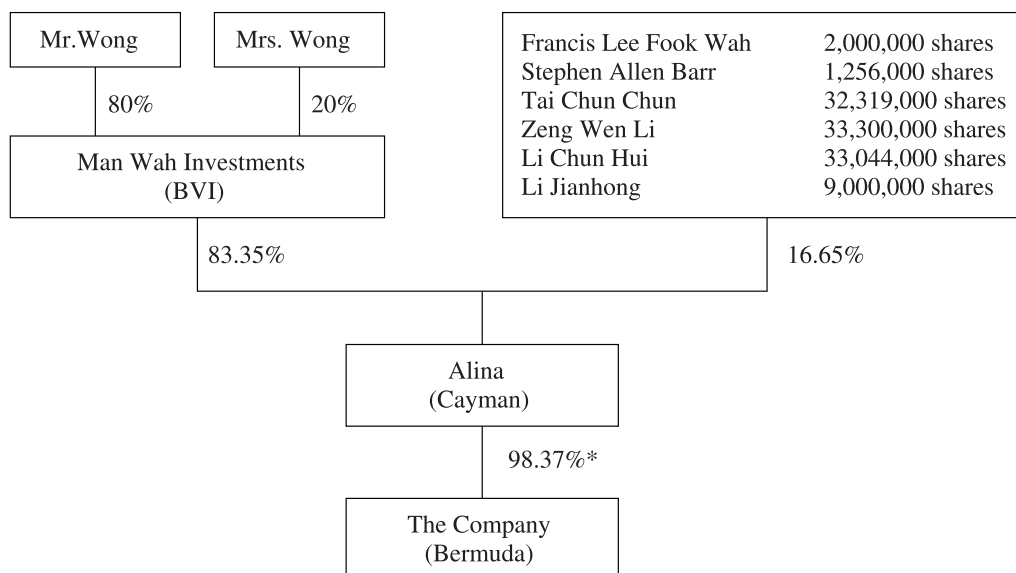
Notes:

- (1) New Uifa was subsequently liquidated on 9 February 2010.
- (2) Huizhou Ao Li where the remaining 50% equity interest is owned by Xiamen Mengfai Technology (Group) Holdings Co., Ltd. (廈門蒙發利科技(集團)股份有限公司) as to 45% and Mr. Lu Jisheng (陸吉生先生) as to 5%. As at the Latest Practicable Date, Huizhou Ao Li was in the process of being liquidated.
- (3) Home Expo is our jointly controlled entity, where the remaining 50% share capital is owned by Honourable Investment Limited, an Independent Third Party.

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Prior to the Delisting, the Shareholders' interests of the Company were as follows:

Shareholders' interest immediately before Delisting



**Note:* The remaining 1.63% interests were held by Shareholders who did not respond to the Delisting Offer. With effect from 18 November 2009 and after the completion of the compulsory acquisition by Alina of the Company's Shares, Alina became the 100% shareholder of the Company.

Pursuant to the Delisting Offer the undertaking Shareholders and certain parties acting in concert with them purchased all our Shares not held by Alina for S\$0.23 (approximately HK\$1.29) per Share.

Our Company was subsequently delisted from the SGX-ST on 15 September 2009. Thereafter, Alina acquired the remaining minority Shareholders' Shares on 18 November 2009 pursuant to a compulsory acquisition. The reasons for the Delisting, amongst others, were as follows:

(a) Low Trading Liquidity

Market records show that trading of the Shares on the SGX-ST had been generally thin. For the six-month period prior to 5 June 2009, being the date on which we announced the proposal for the Delisting, the average trading volume for the market days on which the Shares were traded on the SGX-ST was 514,505 Shares (based on information obtained from Bloomberg), representing approximately 0.23% of our Company's free float of Shares at the relevant time.

(b) Upfront Premium

The Delisting would give Shareholders an opportunity to realise the value of their investments in our Company at a premium over the historical trading prices of the Shares on the SGX-ST without incurring brokerage and other trading costs.

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(c) Lack of Understanding from Investors in Singapore

Our Company's operations are mainly based in Hong Kong and the PRC where it has a retail network fuelled by domestic consumption. Demand for our products stems largely from North America, Europe and North Asia. The lack of presence in Singapore resulted in investors in Singapore not having sufficient understanding of our products and business.

After the Delisting, we subsequently integrated Famous Bedding into our Group pursuant to a transfer of shares from Man Wah Far East and Weston International to Man Wah Group on 7 December 2009 in anticipation of [●]. Both Mr. Wong and Mr. Yu Tung Wan have been substantially involved in the management and operation of the Famous Bedding Group throughout the Track Record Period.

The sale and purchase agreement dated 7 December 2009 provided that the aggregate consideration for such transfer was the issue of a total of 57,616,000 Shares of which 40,331,000 Shares and 17,285,000 Shares were issued to Man Wah Investments (at the direction of Man Wah Far East) and Weston International, respectively. No independent valuation for Famous Bedding was done for purposes of the acquisition. The basis of the consideration was determined by the parties following good faith negotiations having regard to (i) the profits, (ii) growth potential; and (iii) size of operations of Famous Bedding vis-a-vis the Company. The Company is of the view that it is in its best commercial interest to enter into such sale and purchase agreement. The net profits of Famous Bedding during the Track Record Period were HK\$6,613,000, HK\$10,192,000, HK\$15,118,000 and HK\$23,038,000, respectively. As at 30 September 2009, the audited net asset value of Famous Bedding was HK\$44,394,000 and as at 30 November 2009 it had 170 stores operated by 128 distributors and 43 self-operated stores. The following table sets forth a summary of the key differences in the terms of the proposed acquisition and integration of Famous Bedding prior to and after the Delisting, respectively:

	<u>Proposed acquisition of Famous Bedding prior to the Delisting</u>	<u>Integration of Famous Bedding into our Group after the Delisting</u>
Date of sale and purchase agreement	26 August 2008	7 December 2009
Status of the Company	Listed on the SGX-ST	Private company
Counter parties	Man Wah Far East (wholly owned by Mr. Wong) and Weston International (wholly owned by Mr. Yu Tung Wan), which owned 70% and 30% of the issued share capital of Famous Bedding, respectively	
Consideration	Imputed consideration for the entire acquisition was approximately RMB83.0 million (approximately HK\$94.3 million).	Consideration not quantified

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	Proposed acquisition of Famous Bedding prior to the Delisting	Integration of Famous Bedding into our Group after the Delisting
Satisfaction of consideration	(i) Issue of 16% equity interest in Man Wah Furniture (SZ) to Man Wah Far East; and (ii) Issue and allotment of Shares to Weston International	(i) Issue of 40,331,000 Shares to Man Wah Investments (at the direction of Man Wah Far East); and (ii) Issue of 17,285,000 Shares to Weston International
Basis of determination of consideration	Based on proportionate contribution of net profit after tax (“NPAT”) of Bedding SZ for the 18-month period ending 30 June 2008 to the aggregate of the NPAT of Man Wah Furniture (SZ) and Bedding SZ for the same period.	Good faith negotiations having regard to the profits, growth potential and size of operations of the Famous Bedding vis-a-vis the Company.
Approvals required	Board and shareholders’ approval	Board approval only

New Uifa, originally a joint venture company owned by Man Wah Sofa and an Independent Third Party, was the first factory used for the manufacture of leather sofas for our Group since 1994. From August 1994 to 1998 New Uifa manufactured leather sofas in two leased premises in the PRC. In preparation for the reorganisation and expansion of the Group, Man Wah Rong, a wholly-owned subsidiary set up in 1998, took over the leather sofa manufacturing activity in the PRC. As a result of the transfer of the leather sofa manufacturing activity to Man Wah Rong, New Uifa became dormant. In May 2001, Man Wah Industrial acquired all the equity interests of New Uifa and since 2002, New Uifa’s business activity was converted from the production of leather sofas to the production of foam. We established an additional foam production facility at the Man Wah Holdings Furniture Industrial Park after the completion of Phase 1 of this park in 2006, which has sufficient capacity to produce significantly more foam than we produced through the New Uifa factory. Additionally, our new foam production facility is more efficient than the New Uifa facility. New Uifa then became dormant again in December 2007 and was eventually liquidated on 9 February 2010.

As at the Latest Practicable Date, we had production facilities in the PRC of over 320,000 sq.m. GFA, over 4,500 employees, one “Cheers” specialty store and six Morewell retail stores in Hong Kong, 296 “Cheers” specialty stores and 213 “Enlanda” specialty stores in the PRC and significant exports to furniture importers and retailers in the U.S. and Europe.

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As part of the compulsory acquisition of all Shares by Alina subsequent to the Delisting, we became wholly-owned by Alina on 18 November 2009. In anticipation of [●]:

- (a) on 27 November 2009, Alina declared a distribution in specie of all its Shares so that each of its shareholders received a pro rata distribution of Shares. Following the distribution, our Shares were held as follows:

Shareholders	No. of shares currently held	%
Man Wah Investments	555,281,000	83.35
Mr. Zeng Wen Li	33,300,000	5.00
Mr. Li Chun Hui	33,044,000	4.96
Ms. Tai Chun Chun	32,319,000	4.85
Mr. Li Jianhong	9,000,000	1.35
Mr. Francis Lee Fook Wah	2,000,000	0.30
Mr. Stephen Allen Barr	1,256,000	0.19
Total	<u>666,200,000</u>	<u>100.00</u>

- (b) on 7 December 2009, the entire issued share capital of Famous Bedding was transferred from Man Wah Far East and Weston International to Man Wah Group, our subsidiary. As consideration for the transfer we issued 40,331,000 Shares to Man Wah Far East (which Man Wah Far East directed us to issue to Man Wah Investments) and 17,285,000 Shares to Weston International, credited as fully paid. Thereafter, our Shares were held as follows:

Shareholders	No. of shares post acquisition	%
Man Wah Investments	595,612,000	82.29
Weston International	17,285,000	2.39
Mr. Zeng Wen Li	33,300,000	4.60
Mr. Li Chun Hui	33,044,000	4.56
Ms. Tai Chun Chun	32,319,000	4.47
Mr. Li Jianhong	9,000,000	1.24
Mr. Francis Lee Fook Wah	2,000,000	0.28
Mr. Stephen Allen Barr	1,256,000	0.17
Total	<u>723,816,000</u>	<u>100</u>

