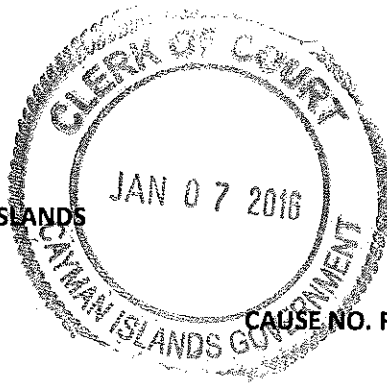


IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION



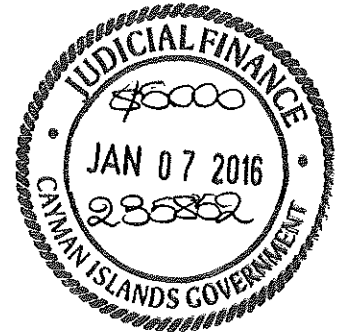
CAUSE NO. FSD 0001 OF 2016 (NRLC)

IN THE MATTER OF THE COMPANIES LAW (2013 REVISION)

AND IN THE MATTER OF DECOR INVESTMENT HOLDINGS LIMITED



WINDING UP PETITION



To: The Grand Court of the Cayman Islands

The humble Petition of HOMEWARE INVESTMENT HOLDINGS LIMITED c/o Mourant Ozannes, 94 Solaris Avenue, PO Box 1348, Camana Bay, Grand Cayman, KY1-1108 (the *Petitioner*) shows that:

BACKGROUND

1. DECOR INVESTMENT HOLDINGS LIMITED (the *Company*) is a Cayman Islands exempted company established on 10 January 2011 under the laws of the Cayman Islands with registration number 250262. The Company's registered office is situated at Maples Corporate Services Limited P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.
2. The Company is the parent of a group of companies (the *Group* and each company, a *Group Company*) which are principally engaged in the design, production, manufacture and retail sales of furniture, handicrafts and home furnishings. In particular, Passion Arts & Crafts Co., Ltd. (*Paisen*) and Yirong Arts & Crafts Co., Ltd (*Yirong*) are wholly-foreign owned enterprises incorporated in the PRC and are the key operating companies in the Group which hold the majority of the Group's cash and assets.
3. The Petitioner is a minority shareholder of the Company.

4. Pursuant to a consortium agreement dated 9 March 2011 (as amended on 24 May 2011 by way of a side letter and adoption of new articles of association) (the **Consortium Agreement**) and a supplemental subscription agreement (the **Supplemental Agreement**) between, among others, the Petitioner and the Company, the Company agreed to allot and issue, and the Petitioner agreed to subscribe for, convertible and exchangeable bonds (the **Bonds**) which would be convertible into shares of the Company or exchangeable for shares in Passion Art International Holdings Limited (**Passion Art**), a wholly-owned subsidiary of the Company. Sunny Art International Co, Limited (**Sunny Art**) is a wholly-owned subsidiary of Passion Art. The Company issued US\$13,896,902.16 and US\$35,000,000 Bonds respectively to the Petitioner and an additional US\$2,500,000 Bonds pursuant to the Supplemental Agreement.
5. Pursuant to the terms and conditions of the Consortium Agreement, the Company is under an obligation to seek the consent of the Petitioner before the Company or any of the Group Companies undertakes one or more of a list of reserved matters (the **Reserved Matters**). The Reserved Matters include, but are not limited to, any exercise of the borrowing powers of any Group Company and entering into, varying or amending contractual arrangements which will give rise to an obligation of debt by any Group Company. In addition, as part of the Petitioner's rights as a shareholder of the Company and holder of the Bonds, the Petitioner is entitled to be provided with the monthly reports and bank statements of each Group Company.
6. Further to the terms and conditions of the Consortium Agreement, it was agreed, that through Passion Art, the Company was to acquire the entire issued share capital of Passion Holdings Limited (**Passion Holdings**), a company incorporated in Singapore, by way of a voluntary conditional cash offer (the **Acquisition**). Upon completion of the Acquisition, the Company held all of the issued share capital in Passion Art, which, in turn, held all of the issued share capital in Passion Holdings. After completion of the Acquisition, Passion Holdings was subsequently liquidated and all of its assets, including Sunny Art and Yirong, were transferred to Passion Art. To the extent which the Petitioner has been provided with financial information in relation to the Company's financial position, the Company's issued share capital in Passion Art amounts to its only asset.
7. On 7 December 2015, the Petitioner issued a notice of breaches (the **Notice of Breaches**) to the Company, giving them notice that various breaches of the Consortium Agreement had occurred

whereby the Company had, without the knowledge of the Petitioner and without seeking the consent of the Petitioner required in relation to Reserved Matters, executed an extensive set of loan agreements, pledges and guarantees.

8. The Company failed to respond to the Notice of Breaches.
9. On 15 December 2015, the Petitioner issued a declaration of an event of default (the ***EOD Notice***) to the Company due to a default by any of the Group Companies to perform its obligations under the Consortium Agreement and thereby declared that the Bonds were immediately due and payable to the Petitioner.
10. On the same date, the Petitioner gave four weeks' notice (the ***Redemption Notice***) to the Company of the date on which the outstanding Bonds were to be redeemed and asserted that the Petitioner was entitled to redeem all of its Bonds for the sum of US\$109,295,683.00 on the date of redemption, being 15 January 2016 (the ***Redemption Date***).
11. Pursuant to the Consortium Agreement, additional interest has been accruing from the date of the Redemption Notice, and continues to accrue on the amounts owing under the Bonds.

FRAUD AND MISAPPROPRIATION OF THE COMPANY'S ASSETS

12. Ms Chen Huiling (***Ms Chen***) is a director of the Company and holder of approximately 75% of the issue share capital. Ms Chen is solely responsible for the day-to-day management and operations of the Group since Mr Zhao Long's resignation as Chief Executive Officer of the Group on 14 September 2015.
13. As the Petitioner is not involved in the day-to-day management and operations of the Group, it relies primarily on the financial statements and information provided to it by the Group pursuant to its information rights as shareholder and holder of the Bonds.
14. On 13 and 19 November 2015, the Petitioner and Ms Chen convened two urgent meetings (the ***Meetings***) to discuss the sudden and significant movement in the monthly financial reports from July 2015 to September 2015 (the ***Financial Issues***) and to seek an explanation regarding why the Petitioner's prior consent and approval was not obtained to the extent that the Financial Issues related to the Reserved Matters.

15. At the Meetings, amongst other admissions, Ms Chen stated that the consolidated financial statements of the Group are a “window dressing” and the monthly bank statements provided to the Petitioner (up to and including July 2015) are forgeries (the *Admissions*). The Admissions give rise to the obvious suspicion that the cash assets of the Group have been misappropriated and that the information now disclosed in the Group’s financial statements is false.
16. In addition, the Admissions reveal that the senior management of the Group engaged in serious fraudulent misconduct by misrepresenting the financial performance of the Group in order to enter into an extensive set of loan agreements, pledges and guarantees which were deliberately executed without the knowledge and authority of the Petitioner and in breach of the contractual provisions of the Consortium Agreement.

JUST AND EQUITABLE TO WIND UP THE COMPANY

17. It is just and equitable that the Company should be wound up pursuant to section 92(e) of the Companies Law (2013 Revision) (the *Companies Law*) due to fraud and misappropriation of the Company assets by senior management of the Company.
18. As a minority shareholder of the Company, the Petitioner’s rights and interests have been deliberately ignored as is evidenced by the elaborate scheme by the Group and the parties to the Consortium Agreement in their attempt to conceal the existence of loan agreements, pledges guarantees and bank statements entered into on or behalf of the Company and the Group Companies. Contrary to the obligations of the Company under the Consortium Agreement, these contractual transactions were entered into without notification to, or obtaining the requisite approval of, the Petitioner.

INSOLVENCY OF THE COMPANY

19. Accordingly, as at the date of this Petition, the Company has a prospective liability to the Petitioner in the sum of US\$109,295,683.00 (the *Debt*). The Debt will crystallise on 15 January 2016, on which date the Petitioner will become a creditor of the Company.
20. On the basis that the cash balance recorded in the consolidated financial statements of Passion Art for the month ending 30 September 2015 was RMB18,958,000 (US\$2,920,977.88), the Company will become cash flow insolvent on 15 January 2016.

21. Furthermore, the consolidated financial statements of Passion Art as at 30 September 2015 show total liabilities of RMB867,949,000 (US\$133,637,904.89) and its total assets as RMB727,468,000 (US\$112,005,064.85). Consequently the Company is balance sheet insolvent as the total liabilities exceeds its total assets on the basis of the Group's consolidated financial statements provided to the Petitioner.
22. The Petitioner presents this Petition pursuant to section 92(e) of the Companies Law on the ground that it is just and equitable that the Company should be wound up.
23. In the circumstances, the Petitioner seeks an order from this Honourable Court that the Company be wound up and official liquidators appointed.

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

1. The Company be wound up in accordance with the provisions of the Companies Law.
2. Nicholas James Gronow of FTI Consulting Hong Kong, Level 22, The Center 99 Queen's Road Central, Hong Kong and David Martin Griffin of FTI Consulting Cayman, Suite 3212, 53 Market Street, Camana Bay, Grand Cayman be appointed as joint official liquidators (*JOLs*) and be authorised to act jointly and severally.
3. The JOLs shall not be required to give security for their appointment.
4. The JOLs shall be authorised to exercise any of the powers conferred on them by the Court pursuant to Section 110(2) and Parts I and II of the Third Schedule of the Companies Law without the further sanction or intervention of the Court.
5. The JOLs be authorised to carry out any act or exercise any power considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding-up of its affairs and to prevent the dissipation of the Company's assets.
6. No suit, action or other proceeding shall be proceeded with or commenced against the Company except with the leave of the Court and subject to such terms as the Court may impose.

7. No disposition of the Company's property by or with the authority of the JOLs in carrying out their duties and functions and exercise of their powers under the Order shall be voided by virtue of section 99 of the Companies Law.
8. The JOLs be at liberty to appoint counsel, attorneys, and/or any other professional advisors, whether in the Cayman Islands or elsewhere as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit and to remunerate them out of the assets of the Company.
9. The JOLs and their staff be remunerated out of the assets of the Company.
10. The JOLs be at liberty to apply generally.
11. The costs of the Petition and the Petitioner be paid out of the assets of the Company, such costs to be taxed on an indemnity basis unless agreed with the JOLs.
12. Such further or other relief be granted as the Court deems appropriate.

AND your Petitioner will ever pray etc.

Dated this 5th day of January 2016

Filed the 7th day of January 2016



HARNEY WESTWOOD & RIEGELS
Attorneys-at-Law for the Petitioner

NOTE: This Petition is intended to be served on DECOR INVESTMENT HOLDINGS LIMITED at its registered office situated at Maples Corporate Services Limited, P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

THIS PETITION is filed by Harney Westwood & Riegels, Attorneys-at-Law for the Petitioners, whose address for service is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (Ref: MYK/JOE/045970.0008).

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman on _____ at _____ am/pm.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, KY1-1106, telephone 345 949 4296.