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# **WO KEE HONG (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 720)**

## **VERY SUBSTANTIAL DISPOSAL**

### **DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF WO KEE HONG ESTATES LIMITED AND EVER RISING INVESTMENTS LIMITED**

#### **The Sale and Purchase Agreement**

On 13 September 2007, WKH BVI, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which WKH BVI agreed to sell, and the Purchaser agreed to acquire, the entire issued share capital of WKH Estates (which will at Completion be beneficially interested in the Non-voting Deferred Shares in Stoneycroft) and Ever Rising, for a total consideration of HK\$373,000,000.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Upon completion of the Sale and Purchase Agreement, the Company will cease to hold any interest in WKH Estates, Stoneycroft and Ever Rising, all of which will cease to be subsidiaries of the Company.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal will constitute a very substantial disposal for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders at the SGM.

A circular containing, among other things, further particulars of the Disposal together with the notice of the SGM to be convened for the purpose of approving the Disposal will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## **Resumption of Trading**

Dealings in the shares of the Company on the Stock Exchange have been suspended at the request of the Company with effect from 2:30 p.m., 13 September 2007 pending release of this announcement. Application has been made by the Company for the resumption of dealings in the shares of the Company on the Stock Exchange on 17 September 2007 at 9:30 a.m.

## **THE SALE AND PURCHASE AGREEMENT DATED 13 SEPTEMBER 2007**

### **Parties:**

Vendor: Wo Kee Hong (B.V.I.) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

Purchaser: MGI HK Investments, a company incorporated in the Cayman Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The principal businesses of the Purchaser are investment holding and property investment.

### **Assets to be disposed of:**

- (i) 1 share of US\$1.00 in the share capital of WKH Estates, representing the entire issued share capital of WKH Estates; and
- (ii) 2 shares of HK\$1.00 each in the share capital of Ever Rising, representing the entire issued share capital of Ever Rising.

Details of the WKH Estates Group and Ever Rising are set out in the paragraph headed "Information on WKH Estates, Stoneycroft and Ever Rising" below.

### **Consideration:**

The consideration for the Sale Shares shall be HK\$373,000,000 (as to HK\$372,230,000 for the WKH Estates Sale Share and as to HK\$770,000 for the Ever Rising Sale Shares) which shall be paid by the Purchaser to WKH BVI in the following manner:

- (a) an initial deposit in the sum of HK\$3,730,000 shall be paid to a solicitors' firm as stakeholders upon signing of the Agreement;
- (b) a further deposit in the sum of HK\$33,570,000 shall be paid to a solicitors' firm as stakeholders on or before 22 September 2007; and

- (c) the balance of the Consideration in the sum of HK\$335,700,000 shall be paid by the Purchaser at Completion and the escrow amount referred to in (a) and (b) above and paid to the solicitors' firm shall be released to WKH BVI at Completion.

The initial deposit in the sum of HK\$3,730,000 has been paid by the Purchaser on 13 September 2007.

The Consideration was arrived at after arm's length negotiation between the parties with reference to the book value of the Property as at 31 July 2007 in the amount of HK\$330,000,000. This basis was being used because the Property is the major asset of WKH Estates Group and Ever Rising.

**Post-completion adjustment:**

Within 60 business days after completion, the parties shall agree the Adjustment Assets and Adjustment Liabilities determined by reference to the balance sheet of each of WKH Estates, Stoneycroft and Ever Rising made up to 30 November 2007.

Where:

- (a) the Adjustment Assets exceed the Adjustment Liabilities, the Purchaser shall pay the excess to WKH BVI within 5 business days of the determination; or
- (b) the Adjustment Liabilities exceed the Adjustment Assets, WKH BVI shall pay the excess to the Purchaser within 5 business days of the determination.

Where the Adjustment Assets are equal to the Adjustment Liabilities, no payment shall be made by either party.

**Conditions:**

Completion of the Disposal is conditional upon the fulfillment or waiver of the following on or before 23 November 2007:

- (a) the approval of the Sale and Purchase Agreement and the sale of the Sale Shares contemplated under the Sale and Purchase Agreement by the Shareholders as required by the Listing Rules;
- (b) WKH BVI having proved good title to the Property free from all encumbrances save and except for the existing encumbrances which will be released at Completion;
- (c) the Purchaser undertaking a due diligence review (including corporate and financial aspects) of the WKH Estates Group and Ever Rising and being satisfied with such review in all material respects;
- (d) the warranties set out in the Sale and Purchase Agreement remaining true, accurate and not misleading;

- (e) where applicable, WKH BVI having obtained the necessary consents from its banks such that the entering into of the Sale and Purchase Agreement by WKH BVI and the transactions contemplated hereunder will not constitute a default under any of the bank facility documents of which WKH BVI and/or any of the Retained Group is a party;
- (f) WKH BVI able to locate certain original title deeds and documents relating to the Property on or before 31 October 2007 (or such later date as the parties may agree in writing) or provide to the Purchaser on or before 31 October 2007 (or such later date as the parties may agree in writing) a statutory declaration as agreed between the parties and made by a partner of a law firm and/or the director of Ever Rising and/or another appropriate person who is last known to have had possession of the said title deeds; and
- (g) WKH BVI to provide documents to the Purchaser on or before 31 October 2007 to evidence the transfer of the 20,000,000 non-voting deferred shares of HK\$1.00 each in the capital of Stoneycroft to WKH Estates at a consideration of HK\$1.00 by each of its current holder.

If (i) WKH BVI informs the Purchaser of any fact which would prevent any of the conditions from being satisfied by the Long-stop Date; or (ii) any of the conditions set out in (a) to (g) is not fulfilled or waived by the Purchaser on or before the Long-stop Date; or (iii) WKH BVI fails to provide to the Purchaser a certificate of incumbency by its registered agent to be dated no earlier than seven days before Completion by the business day before the date of Completion, the Purchaser may (without limitation to any of its rights, powers and remedies under the Agreement and provided by law) terminate the Sale and Purchase Agreement by notice in writing to WKH BVI.

**Completion date:**

29 November 2007 or such other date as the parties shall agree in writing.

**Lease back units:**

On Completion, members of the Retained Group shall lease back certain units of the Property with a total floor area of approximately 155,172 square feet for a term of two years commencing from 30 November 2007 to 29 November 2009 for factories and ancillary offices purposes. The aggregate monthly rental for the lease back units is HK\$730,802.60. The Retained Group will be granted licences to use 16 car parking spaces free of charge.

**INFORMATION ON WKH ESTATES, STONEYCROFT AND EVER RISING**

WKH Estates is an investment holding company incorporated in the British Virgin Islands on 15 December 1995. The sole asset of WKH Estates is its interest in the entire issued share capital of Stoneycroft.

Stoneycroft is a company incorporated in Hong Kong with limited liability on 29 April 1977. It is principally engaged in the business of property holding. The assets of Stoneycroft are the Ground Floor, Block A of the 2nd Floor, Blocks A and B of the 3rd to 16th Floor of the Property with a total floor area of approximately 401,158 square feet and 98 car parking spaces of the Property. The carrying value of the above properties as at 31 July 2007 was HK\$329,238,204.

Ever Rising is a company incorporated in Hong Kong with limited liability on 5 October 1998. It is principally engaged in the business of property holding. The sole asset of Ever Rising is Block B of the 2nd Floor of the Property with a total floor area of approximately 842 square feet. The carrying value of the above properties as at 31 July 2007 was HK\$761,796.

As at the date of this announcement, the Property has been charged/mortgaged to certain banks to secure banking facilities granted to the Retained Group. Upon Completion, the outstanding amount due to the banks will be repaid and such Property Encumbrances will be released. In addition, certain parts of the Property are currently leased to third parties and occupied by the Group respectively.

The unaudited net loss before and after taxation and extraordinary items of WKH Estates for the two financial years ended 31 December 2006 and 31 December 2005 are HK\$0 and HK\$4,680, respectively.

The audited net profit/(loss) before and after taxation and extraordinary items for each of Stoneycroft and Ever Rising for the two financial years ended 31 December 2006 and 31 December 2005 are as follows:

	<b>For the year ended 31 December 2005</b>		<b>For the year ended 31 December 2006</b>	
	<b>Stoneycroft</b>	<b>Ever Rising</b>	<b>Stoneycroft</b>	<b>Ever Rising</b>
	<i>HK\$</i>		<i>HK\$</i>	
Net profit/(loss) before taxation and extraordinary items	5,379,862	(47,937)	37,429,091	91
Net profit/(loss) after taxation and extraordinary items	20,900,482	(47,937)	37,353,288	91

As at 31 December 2006, the unaudited net liabilities of WKH Estates was approximately HK\$78,000, the audited net asset value/(net liabilities) of Stoneycroft and Ever Rising was approximately HK\$313,928,000 and HK\$(233,000), respectively.

## **REASONS AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in the import, marketing and distribution of air-conditioning and refrigeration products, audio-visual equipment, car audio and electronic products, cars and car accessories, motor yachts, other electronic and electrical products and property investment.

As stated in the 2006 annual report of the Company, it is the corporate strategy of the Company (i) to continue to rationalise the Group structure to enhance efficiency and competitiveness by disposal of the non-core assets; and (ii) to focus on building a line of premium brands lifestyle products to capitalize on high growth luxury products market in Hong Kong and the PRC. After the Disposal, the Group will focus its resources on the consumer products and the luxury products businesses, both of which yield a higher profit margin with more growth potential. In addition, the gearing ratio and the cash flow position of the Group will be improved upon receipt of the proceeds. The Group can also use part of the proceeds from the Disposal for investing in new lines of business which will provide the Group with higher return. The Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

A gain of approximately HK\$79.6 million is expected to be recognised by the Company for the year ending 31 December 2007 following completion of the Disposal. The gain is calculated based on the difference between the consideration of the Disposal and the unaudited consolidated net asset value of the assets being disposed in the Company's consolidated financial statements as at 31 July 2007. Before completion of the Disposal, Ever Rising and WKH Estates are wholly-owned subsidiaries of the Company. Upon completion of the Disposal, Ever Rising and WKH Estates will cease to be the subsidiaries of the Company. The accounts of the Ever Rising and the WKH Estates Group will no longer be consolidated to the financial statements of the Group.

#### **USE OF PROCEEDS**

The net proceeds from the Disposal (after deducting therefrom the expenses, stamp duty payable on the transfer of the Ever Rising Sale Shares and the repayment of the outstanding banking facilities secured by the Property Encumbrances) are expected to be approximately HK\$217.5 million and will be applied:

- (a) to provide additional capital to enhance the operational capability of our existing businesses; and
- (b) to finance possible investment in new lines of business to broaden the scope of income of the Group; and
- (c) to fund the general working capital requirements of the Group.

#### **GENERAL**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal will constitute a very substantial disposal for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders at the SGM.

A circular containing, among other things, further particulars of the Disposal together with the notice of the SGM to be convened for the purpose of approving the Disposal will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

## RESUMPTION OF TRADING

Dealings in the shares of the Company on the Stock Exchange have been suspended at the request of the Company with effect from 2:30 p.m., 13 September 2007 pending release of this announcement. Application has been made by the Company for the resumption of dealings in the shares of the Company on the Stock Exchange on 17 September 2007 at 9:30 a.m..

## DEFINITIONS

- “Adjustment Assets” the aggregate of:
- (i) the total assets of Ever Rising excluding the investment property, fixed assets, leasehold improvement, rental arrears and other items in the balance sheet of Ever Rising as agreed by the parties;
  - (ii) the total assets of Stoneycroft excluding the investment property, fixed assets, leasehold improvement, rental arrears and other items in the balance sheet of Stoneycroft as agreed by the parties; and
  - (iii) the total assets of WKH Estates excluding the investment in Stoneycroft and any fixed assets;
- “Adjustment Liabilities” the aggregate of:
- (i) the total liabilities of Ever Rising excluding those items in balance sheet of Ever Rising as agreed by the parties;
  - (ii) the total liabilities of Stoneycroft excluding expired rental deposits; and
  - (iii) the total liabilities of WKH Estates excluding those items in balance sheet of WKH Estates as agreed by the parties;
- “Company” Wo Kee Hong (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
- “Completion” completion of the Sale and Purchase Agreement ;
- “connected persons” has the meaning ascribed thereto in the Listing Rules;
- “Directors” the directors of the Company;
- “Disposal” the sale of the Sale Shares pursuant to the Sale and Purchase Agreement;

“Ever Rising”	Ever Rising Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of WKH BVI;
“Ever Rising Sale Shares”	2 shares of HK\$1.00 each in the share capital of Ever Rising, representing the entire issue share capital of Ever Rising;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long-stop Date”	23 November 2007;
“Non-voting Deferred Shares”	the 20,000,000 non-voting deferred shares of HK\$1.00 each in the capital of Stoneycroft;
“Property”	Wo Kee Hong Building at Nos. 585-609 Castle Peak Road, Kwai Chung, New Territories, Hong Kong;
“Property Encumbrances”	the charged/mortgaged over the Property to secure banking facilities granted to the Retained Group, the outstanding amount as at 31 July 2007 is approximately HK\$154 million;
“Purchaser”	MGI HK Investments, a company incorporated in the Cayman Islands;
“Retained Group”	the Group including WKH BVI but excluding the WKH Estates Group and Ever Rising;
“Sale and Purchase Agreement”	the sale and purchase agreement between WKH BVI and the Purchaser dated 13 September 2007 in relation to the Disposal;
“Sale Shares”	WKH Estates Sale Share and Ever Rising Sale Shares;
“SGM”	the special general meeting of the Company to be convened to consider the Disposal and any transactions contemplated thereunder;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;



“Stoneycroft”	Stoneycroft Estates Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of WKH Estates;
“US\$”	United States dollar, the lawful currency of the United States of America;
“WKH BVI”	Wo Kee Hong (B.V.I.) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“WKH Estates”	Wo Kee Hong Estates Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of WKH BVI;
“WKH Estates Group”	WKH Estates and Stoneycroft; and
“WKH Estates Sale Share”	1 share of US\$1.00 in the share capital of WKH Estates, representing the entire issued share capital of WKH Estates.

*As at the date of this announcement, the Board comprises Mr. Richard Man Fai LEE (Executive Chairman and Chief Executive Officer), Mr. Jeff Man Bun LEE, Mr. Tik Tung WONG and Mr. Waison Chit Sing HUI, all of whom are executive Directors; Ms. Kam Har YUE, who is a non-executive Director; Mr. Boon Seng TAN, Mr. Raymond Cho Min LEE, and Mr. Ying Kwan CHEUNG, all of whom are independent non-executive Directors.*

By Order of the Board of  
**WO KEE HONG (HOLDINGS) LIMITED**  
**Richard Man Fai LEE**  
*Executive Chairman and Chief Executive Officer*

Hong Kong, 14 September 2007