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WO KEE HONG (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 80% INTEREST IN A COMPANY ENGAGING IN THE BUSINESS OF RETAILING AND WHOLESALING OF CHILDREN APPARELS, GRANT OF PUT OPTION AND RESUMPTION OF TRADING

Financial adviser to the Company



The Acquisition and the grant of the Put Option

On 2 September 2008, Smart Apex, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors pursuant to which Smart Apex agrees to acquire 80% of the issued share capital in SKC for the aggregate consideration of HK\$96,200,000, subject to adjustment as detailed in the paragraph headed “Adjustment to the Aggregate Consideration”. The SKC Group owns the “Kingkow” brand name with points of sales in the Greater China Region, Korea, Southeast Asia and Middle East.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Vendors and in case the Vendor is a corporate, its ultimate beneficial owners, is a third party independent of and not connected with the Company or its connected persons.

Upon completion of the Acquisition, SKC will be owned as to 80% by the Company and as to 20% by the Vendors in aggregate. SKC and its subsidiaries will become subsidiaries of the Company.

Pursuant to the Sale and Purchase Agreement, Smart Apex has granted the Put Option to the Vendors exercisable during the period from 1 January 2011 to 31 December 2015. Further details of the Put Option are set out in the paragraph headed “The Put Option”.

As the exercise price of the Put Option is to be calculated by reference to the relevant audited consolidated net profit of SKC at the time of the exercise of the Put Option, the maximum total consideration payable by Smart Apex under the Put Option cannot be determined as at the date hereof. The grant of the Put Option which is to be classified as if it has been exercised under Rule 14.74(1) of the Listing Rules together with the Acquisition is treated as constituting a very substantial acquisition for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders. None of the Vendors has any interest in the Company and hence all Shareholders can vote on the resolutions in relation to the Acquisition and the Put Option to be proposed at the special general meeting of the Company.

A circular containing, among other things, further particulars of the Acquisition and the Put Option together with the notice of a special general meeting of the Company to be convened for the purpose of approving the Acquisition and the Put Option will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

Resumption of trading

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 9:30 a.m. on Wednesday, 3 September 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in the trading of the Shares at 9:30 a.m. on Friday, 5 September 2008.

THE SALE AND PURCHASE AGREEMENT DATED 2 SEPTEMBER 2008

Parties

Purchaser: Smart Apex Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

Vendors: Ms. Chu, Ms. Yeung and eight other SKC Shareholders as identified in the table set out in the section headed "Information on the SKC Group"

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendors and in case the Vendor is a corporate, its ultimate beneficial owners, is a third party independent of and not connected with the Company or its connected persons. None of the Company and its connected persons has any prior business relationship with any of the Vendors, and in case of York Talent Ltd., its ultimate beneficial owners, before the entering into of the Sale and Purchase Agreement.

Assets to be acquired

The Sale Shares, being 80% of the issued share capital of SKC, are sold by the Vendors in proportion to their respective percentage holding in SKC and as to 3,878 Sale Shares by Ms. Chu (representing approximately 48.47% of the total Sale Shares), 1,237 Sale Shares by Ms. Yeung (representing approximately 15.46% of the total Sale Shares) and 2,885 Sale Shares by eight other SKC Shareholders (representing approximately 36.07% of the total Sale Shares).

The Aggregate Consideration

The aggregate consideration of HK\$96,200,000 (subject to adjustments described below) is payable by Smart Apex in cash in the following manner:

- (a) as to HK\$67,340,000 at Completion; and
- (b) as to HK\$28,860,000 (subject to adjustment detailed in the paragraph headed “Adjustment to the Aggregate Consideration” below) within 5 business days of the agreement of the adjusted amount between the parties and no later than 30 April 2010.

The Aggregate Consideration is to be received by the Vendors in proportion to the number of Sale Shares to be sold by each of them to the total number of Sale Shares. The Aggregate Consideration was determined after arm’s length negotiation between the Company and the Vendors with reference to the Guaranteed Profits and a price earnings ratio of approximately 6.5 times. In arriving at the Aggregate Consideration, the Company has compared the market statistics of companies engaging in apparels distribution and retailing business and is of the view that the Aggregate Consideration (in particular the 6.5 times price earnings ratio) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment to the Aggregate Consideration

Adjustment will be made to the audited consolidated net profits of SKC for the year ending 31 December 2009 by carving out the revenue and expenses relating to the operation of the SKC Group in Taiwan for the year ending 31 December 2009 up to a maximum amount of HK\$3,000,000 (the “**Adjusted 2009 Net Profits**”). The Vendors guarantee that the Adjusted 2009 Net Profits will not be less than HK\$18,500,000, ie. the Guaranteed Profits.

In the event the Adjusted 2009 Net Profits is less than HK\$16,000,000, the Original Balance Payment will be adjusted by reference to the following formula:

$$(\text{Guaranteed Profits} - \text{Adjusted 2009 Net Profits}) \times 6.5 \times 80\%$$

If the Adjusted 2009 Net Profits is zero or a negative figure, zero will be adopted as “Adjusted 2009 Net Profits” in application of the formula. Should the Reduced Amount exceeds the Original Balance Payment, the Reduced Amount will be equivalent to the Original Balance Payment.

There will not be upward adjustment to the Original Balance Payment.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (a) Smart Apex being satisfied with the results of the legal and financial due diligence review of the business, affairs, operation and financial position of SKC and the due incorporation of, the valid existence of and the power and capacity of the SKC Group to carry on their respective business;
- (b) the obtaining of all necessary approvals, authorizations or consents in Hong Kong or elsewhere in relation to the transactions contemplated under the Sale and Purchase Agreement;

- (c) the SKC Group having entered into entrustment agreements in such form to be agreed between the parties with Ms. Chu and Ms. Yeung respectively in respect of the business of the shops of the SKC Group;
- (d) the Company having obtained its shareholders' approval of the Acquisition and transactions contemplated under the Sale and Purchase Agreement at its general meeting in accordance with the Listing Rules;
- (e) SKC having obtained the consent to the change of ultimate beneficial owners of SKC from their bankers providing loan facilities to the SKC Group in accordance with the terms and conditions of such loan facilities, if required; and
- (f) to the extent required in the lease agreement relating to SKC's office in Manulife Tower as well as the lease agreement for an office at Causeway Bay, SKC having obtained the necessary consent from the landlord under the relevant lease agreement in relation to the transactions contemplated in the Sale and Purchase Agreement.

Four of the points of sale of the SKC Group are operated in the name of Ms. Chu and Ms. Yeung, the entrustment agreements referred to in (c) above are to rationalise and formalise the ownership of such points of sales by the SKC Group.

If any of the conditions shall not have been satisfied (or waived, where applicable, by Smart Apex pursuant to the Sale and Purchase Agreement) by the Long Stop Date, the Sale and Purchase Agreement shall lapse and the Sale and Purchase Agreement and all provisions contained except for, amongst others, provisions relating to restrictions on disclosure, shall, subject to the liability of any party to the other parties in respect of any antecedent breach of the terms hereof, be null and void and of no further effect.

Completion

Completion will take place on the fifth business day after satisfaction or waiver (as the case may be) of the conditions set out in the Sale and Purchase Agreement, or such later date as the parties may agree in writing prior to Completion.

The Put Option

Pursuant to the Sale and Purchase Agreement, Smart Apex has granted the Put Option to the Vendors exercisable during the period from 1 January 2011 to 31 December 2015 by serving a written notice on Smart Apex requiring Smart Apex to purchase up to 20% of the issued share capital of SKC. The consideration payable will be determined by reference to a price earnings ratio of 6.5 times of the audited consolidated net profit of SKC for the immediately preceding financial year in case the notice to exercise the Put Option is served on or before 30 June or the audited consolidated net profit of SKC for the immediately preceding 12 months up to 30 June in case the notice to exercise the Put Option is served after 30 June.

As the majority shareholder of SKC upon Completion, Smart Apex does not want the SKC Shareholders to sell their interest in SKC to outside parties when any of them wish to dispose of their interest and hence agreed to the grant of the Put Option. On the other hand, the SKC Shareholders can dispose of their interest in SKC to Smart Apex at a consideration to be determined by reference to the agreed formula at the same price earnings ratio as the Acquisition without having to identify a potential purchaser and to engage in lengthy discussion with such potential purchaser.

As the exercise price of the Put Option is to be calculated by reference to the relevant audited consolidated net profit of SKC at the time of the exercise of the Put Option, the maximum total consideration payable by Smart Apex under the Put Option cannot be determined as at the date hereof. The grant of the Put Option which is to be classified as if it has been exercised under Rule 14.74(1) of the Listing Rules together with the Acquisition will be treated as constituting a very substantial acquisition for the Company under the Listing Rules.

The Company will comply with the disclosure requirement in Rule 14.74(2) of the Listing Rules upon the exercise of the Put Option.

INFORMATION ON THE SKC GROUP

SKC is a company incorporated in Hong Kong with limited liability on 23 January 1998. The following table sets out the shareholding structure of SKC as at the date of the Sale and Purchase Agreement and upon Completion:

	Shareholding structure of SKC as at the date of the Sale and Purchase Agreement		Shareholding structure of SKC upon Completion	
	Number of shares held	Approximate percentage %	Number of shares held	Approximate percentage %
Ms. Chu	4,847	48.47	969	9.69
Ms. Yeung	1,546	15.46	309	3.09
York Talent Ltd.	1,031	10.31	207	2.07
Chan Roy	515	5.15	103	1.03
Ho Cheung Hing	515	5.15	103	1.03
Chan Ka Lok	412	4.12	82	0.82
Leung Yuet Ming	412	4.12	82	0.82
Ho Keung Hing	258	2.58	52	0.52
Ho Yun Kit	258	2.58	52	0.52
Yeung Sui Lung Gloria	206	2.06	41	0.41
Smart Apex	—	—	8,000	80
Total	<u>10,000</u>	<u>100</u>	<u>10,000</u>	<u>100</u>

Notes:

- Ms. Chu is the mother of Mr. Chan Roy.
- Ms. Yeung and Ms. Yeung Sui Lung Gloria are sisters.
- Mr. Ho Cheung Hing, Mr. Ho Keung Hing and Mr. Ho Yun Kit are brothers.

SKC has three wholly owned subsidiaries, Billion Treasure International Limited, Profit Dynamic Limited and 韵利(上海)商業有限公司 (Yunli (Shanghai) Trading Co. Ltd.*). Each of Billion Treasure International Limited and Profit Dynamic Limited is incorporated in Hong Kong with limited liability. 韵利(上海)商業有限公司 (Yunli (Shanghai) Trading Co. Ltd.*) is a wholly foreign owned enterprise established in the PRC. The members of the SKC Group are principally engaged in the retailing and wholesaling of children apparels. SKC also has a 46% interest in a company incorporated in Singapore which is engaged in the retail sale of children and infants' wear (including products and accessories for infants).

The SKC Group owns the “Kingkow” brand name. “Kingkow” is a leading international specialty retail chain with points of sales in the Greater China Region, Korea, Southeast Asia and Middle East offering high quality and uniquely design clothing and accessories for newborn to 14-year old children. The SKC Group has a long history and established customers base enabling it to expand in various regions since its founding in Hong Kong more than 10 years ago. As at the date of this announcement, the SKC Group has 98 points of sales located mainly in Hong Kong, Macau, PRC, Singapore, Thailand, Korea, United Arab Emirates and Kazakhstan.

According to the audited consolidated financial statements of SKC as at 29 February 2008, the net assets value of SKC was approximately HK\$81.9 million. SKC recorded audited consolidated net profit before and after tax for each of the two financial years ended 29 February 2008 as follows:

	For the year ended 29 February 2008 (audited) HK\$	For the year ended 28 February 2007 (audited) HK\$
Net profit before tax	23,994,122	14,001,664
Net profit after tax	21,343,572	12,760,374

Upon completion of the Sale and Purchase Agreement, SKC will be owned as to 80% by Smart Apex and will become an indirect subsidiary of the Company. The Vendors will own as to the remaining 20% of SKC. The results of the SKC Group will be consolidated into the Group’s financial results for the financial year ending 31 December 2008. Ms. Chu and Ms. Yeung will remain as directors of SKC and Smart Apex will nominate three persons to the board of directors of SKC.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the import, marketing, distribution and after-sales service of high quality, brand-name products serving customers in the Asian region, in particular, the markets of the PRC, Hong Kong, Macau, Singapore and Malaysia, and property investment. The products include principally cars and car accessories, motor yachts, helicopters, premium fashion apparel and accessories, air-conditioning and refrigeration products, audio-visual equipment, car audio and electronic products.

The children’s wear market in China is very large and highly fragmented. There are over 400 million children in China and more than 100 million children living in urban areas. With growing urbanization and affluence and the “One Child” policy, the Directors believe that China represents a significant growing opportunity to the Group to further its brand building effort and to expand its coverage. The Board is of the view that the Acquisition would enable the Group to expand and diversify its existing fashion and accessories business line; and provide synergy to the Group’s wholesale and distribution networks. The Directors believe that the corporate strategy of the Group is in line with the strategy of the SKC Group to continue to expand its market leadership and to build its brand on the basis of its existing solid foundation. On this basis, the Board is of the view that the Group’s profitability and revenue stream shall be strengthened and further diversified by the Acquisition.

In view of the above, the Directors are of the view that the terms of the Sale and Purchase Agreement including the Aggregate Consideration are fair and reasonable so far as the Shareholders are concerned and the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Acquisition together with the grant of the Put Option is treated as constituting a very substantial acquisition for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders. None of the Vendors has any interest in the Company and hence all Shareholders can vote on the resolutions in relation to the Acquisition and the Put Option to be proposed at the special general meeting of the Company.

A circular containing, among other things, further particulars of the Acquisition and the Put Option together with the notice of a special general meeting of the Company to be convened for the purpose of approving the Acquisition and the Put Option will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company with effect from 9:30 a.m. on Wednesday, 3 September 2008 pending the release of this announcement. Application has been made to the Stock Exchange for resumption in the trading of the Shares at 9:30 a.m. on Friday, 5 September 2008.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 80% of the issued share capital of SKC pursuant to the Sale and Purchase Agreement;
“Aggregate Consideration”	the consideration for the Acquisition under the Sale and Purchase Agreement;
“Board”	the board of Directors;
“Company”	Wo Kee Hong (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;

“Guaranteed Profits”	the guarantee by the Vendors that the Adjusted 2009 Net Profits shall not be less than HK\$18,500,000;
“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”	15 November 2008 or such later date as the parties may agree in writing;
“Ms. Chu”	Ms. Chu Wan Kam Sabrina, one of the Vendors and a director of SKC;
“Ms. Yeung”	Ms. Yeung Sui King, one of the Vendors and a director of SKC;
“Original Balance Payment”	the amount of HK\$28,860,000;
“PRC” or “China”	The People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“Put Option”	the option granted by Smart Apex to the Vendors pursuant to the Sale and Purchase Agreement as detailed in the paragraph headed “The Put Option” in this announcement;
“Reduced Amount”	The amount to be deducted from the Original Balance Payment calculated in accordance with the formula set out in the paragraph headed “Adjustment to the Aggregate Consideration” in this announcement;
“SKC”	SKC Group Limited, a company incorporated in Hong Kong with limited liability and owned by the SKC Shareholders as at the date of this announcement;
“SKC Group”	SKC and its subsidiaries;
“SKC Shareholders”	Ms. Chu, Ms. Yeung and seven individuals and one body corporate identified in the table set out in the section headed “Information on the SKC Group”;
“Sale Shares”	8,000 ordinary shares of HK\$1.00 each in the issued share capital of SKC;
“Sale and Purchase Agreement”	the agreement for sale and purchase dated 2 September 2008 and entered into between the Vendors and Smart Apex in relation to the Acquisition and the grant of the Put Option;
“Shareholders”	the holders of the Shares;

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Smart Apex”	Smart Apex Holdings Limited, a wholly owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	Ms. Chu, Ms. Yeung and eight other SKC Shareholders identified in the table set out in the section headed “Information on the SKC Group”; and
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong.

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
WO KEE HONG (HOLDINGS) LIMITED
Richard Man Fai LEE
Executive Chairman and Chief Executive Officer

Hong Kong, 4 September 2008

* *for identification purposes only*