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WINOX

Winox Holdings Limited
盈利時控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6838)

(1) DISCLOSABLE AND CONNECTED TRANSACTION;
AND
(2) CHANGE IN USE OF PROCEEDS

THE TRANSACTION

On 15 May 2012 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, Mr. Yiu and the Nominee entered into the Master Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and Mr. Yiu conditionally agreed to procure the sale of, the Sale Equity, being the entire equity capital of Ming Fung Kitchen, at the Purchase Consideration of RMB1 million (to be payable in cash at Completion), and the Purchaser also conditionally agreed to put funds in Ming Fung Kitchen to repay the Loans. As at the date of this announcement, the aggregate outstanding amount of the Loans was RMB28,959,096.95. Ming Fung Kitchen is principally engaged in the holding of the Assets, being land use rights for site area of 66,666 sq. m. located in Dongfeng Village, Huzhen Town, Boluo County, Huizhou, Guangdong Province, the PRC for industrial use (together with the four buildings erected thereon). The four buildings are currently leased to the Group for production.

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the date of this announcement, Mr. Yiu is a controlling Shareholder (as at the date of this announcement, Ming Fung Investment Limited, which is owned as to approximately 86.93% by Ming Fung Holdings (Hong Kong) Limited (a company owned as to 60% by Mr. Yiu and 40% by Ms. Law Wai Ping (the spouse of Mr. Yiu and an executive Director)), owns 66% of the total issued share capital of the Company), an executive Director, the chairman and the managing director of the Company. Accordingly, Mr. Yiu is a connected person of the Company and the Transaction constitutes a connected transaction for the Company under the Chapter 14A of Listing Rules. The Transaction is subject to the reporting and announcement requirements and the approval of the Independent Shareholders by way of poll at the EGM under the Listing Rules. Mr. Yiu and his associates will abstain from voting at the EGM.

It is expected that a circular containing, among other things, (i) further information on the Transaction; (ii) the recommendation from the independent board committee of the Company to the Independent Shareholders in relation to the Transaction; (iii) the letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Transaction; (iv) the property valuation report on the Assets; and (v) a notice of the EGM, will be despatched to the Shareholders on or before 5 June 2012.

As Completion is subject to the satisfaction of a number of conditions, the Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

CHANGE IN USE OF PROCEEDS

In view of the Group's plan to acquire the Assets and expand its production site at Dongfeng Village, the Board resolved to change the proposed use of certain unutilised net proceeds from the IPO in the manner as set out in the paragraph headed "Change in use of proceeds" below.

1. THE TRANSACTION

The Master Agreement

Date

15 May 2012

Parties

- (i) Mr. Yiu, as vendor;
- (ii) Super Powerful Limited, an indirect wholly-owned subsidiary of the Company, as purchaser; and
- (iii) 李輝柱先生 (Mr. Li Huizhu*), as nominee.

Subject matter of the Transaction

Subject to the satisfaction (or waiver) of the conditions precedent and to the other terms and conditions set out in the Master Agreement and the PRC Agreement, the Purchaser will acquire the Sale Equity at the Purchase Consideration and put funds in Ming Fung Kitchen to repay the Loans.

Purchase Consideration and repayment of the Loans

The Purchase Consideration (i.e. the consideration for the sale and purchase of the Sale Equity) shall be RMB1 million, which shall be payable in cash within 15 business days after Completion, and subject to Completion having taken place and after the determination of the Completion NAV, the Purchaser shall procure that Ming Fung Kitchen shall repay the Loans (being in the aggregate amount of RMB28,959,096.95) in full.

The Purchase Consideration was arrived at after arm's length negotiations between the parties to the Master Agreement after taking into account, among others, (i) the unaudited net assets value of Ming Fung Kitchen as at 30 April 2012 based on its management accounts as at 30 April 2012 (the "**Accounts**") after excluding the Loans, amounting to approximately RMB29.8 million; (ii) draft independent valuation of the Assets as at 30 April 2012 in the amount of RMB30.1 million; and (iii) the fact that the aggregate of the Purchase Consideration and the Loans, being approximately RMB30.0 million is approximately equal to the book value of the unaudited net assets value of Ming Fung Kitchen as at 30 April 2012 excluding the Loans.

In the event that the net assets value of Ming Fung Kitchen as at Completion (the "**Completion NAV**", and the balance sheet as at the date of Completion and the income statement for the period commencing 1 January 2012 to the date of Completion shall together be referred to as the "**Completion Accounts**") shall be less than RMB600,000 (being the agreed net assets value of Ming Fung Kitchen as determined by reference to the Accounts after agreed adjustments for anticipated expenses and taxes), the Purchase Consideration shall be reduced by an amount equal to the difference between the Completion NAV and RMB600,000. For the purpose of determining the Completion NAV, the value of the Assets shall not be higher than their carrying value as stated in the Accounts. The Vendor shall procure that the Completion Accounts and the Completion NAV shall be (i) prepared and compiled (as the case may be) in the form and with such details as the Purchaser may reasonably require, and (ii) delivered to the Purchaser on the day of Completion.

Conditions precedent of the Transaction

Completion shall be subject to the satisfaction (or waiver) of the following conditions precedent:

- (i) the results of the due diligence investigation being to the satisfaction of the Purchaser (in its sole opinion);
- (ii) the PRC Agreement being entered into and executed by the parties thereto on or before 31 July 2012, or such later date as the Purchaser may, in writing, agree;
- (iii) there being, in the sole opinion of the Purchaser, no material adverse change, or prospective material adverse change, in the business or financial conditions or assets (including for the avoidance of doubt, the conditions of and title to the Assets) of Ming Fung Kitchen;

- (iv) the passing by shareholders of the Company (other than those prohibited from voting under the Listing Rules, if applicable) of the necessary resolution(s) at an extraordinary general meeting of the Company convened in accordance with the Listing Rules in relation to the Transaction;
- (v) the approvals of PRC government authorities having been obtained in relation to the conversion of Ming Fung Kitchen into a wholly foreign owned enterprise and the transfer of the Sale Equity to the Purchaser, respectively, and a new business licence having been issued to Ming Fung Kitchen reflecting the aforesaid; and
- (vi) all approvals (regulatory, administrative or otherwise, and whether relating to contractual provisions, licence, title document or otherwise), if any, required for the consummation of the Transaction (or any of the transactions or matters stipulated in the PRC Agreement) having, in the sole opinion of the Purchaser, been obtained.

The above condition precedents (i) and (vi) may be waived (in whole or in part) by the Purchaser at its absolute discretion. Completion shall take place on the date upon which the last of the conditions precedent is satisfied or waived or such other date as the parties may mutually agree in writing. If the conditions precedent shall not have been fulfilled and/or waived (as herein provided) in full on or before 5:00 p.m. on 31 December 2012 (or such later date as the Purchaser may, in writing, agree), all rights, obligations and liabilities of the parties under the Master Agreement (and/or under the PRC Agreement, as the case may be) shall cease and terminate and none of the parties shall have any claim against any other in respect of the Master Agreement (or the PRC Agreement, as the case may be) save for any antecedent breach of the Master Agreement (and/or under the PRC Agreement, as the case may be).

Further documentation

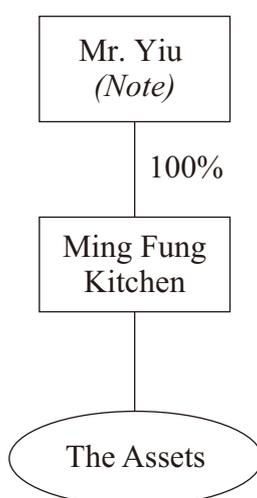
As one of the conditions precedent to Completion, the PRC Agreement containing further detailed terms and provisions required to implement the transactions contemplated by the Master Agreement has to be entered into and executed by the parties thereto on or before 31 July 2012 or such later date as the Purchaser may agree in writing. Pursuant to the Master Agreement, Mr. Yiu shall procure that the Nominee shall enter into the PRC Agreement with the Purchaser as soon as practicable within seven business days after the passing of the necessary resolution(s) at an extraordinary general meeting of the Company convened in accordance with the Listing Rules in relation to the Transaction (or such later date as the Purchaser may, in writing, agree) on such terms reflecting the terms in the Master Agreement as the Purchaser may reasonably require, and the Nominee agrees to enter into such PRC Agreement with the Purchaser on such terms reflecting the terms in the Master Agreement as the Purchaser may reasonably require. The Master Agreement will survive the execution of the PRC Agreement.

Pursuant to the Master Agreement, Mr. Yiu shall, upon the execution of the PRC Agreement by the parties thereto, execute and deliver a deed of guarantee and indemnity (on such terms as the Purchaser shall reasonably require) under which Mr. Yiu shall, among others, (i) guarantee the performance and payment obligations of the Nominee under the PRC Agreement in favour of the Purchaser, and (ii) indemnify Ming Fung Kitchen and the Purchaser against any liabilities and/or taxes (including any penalties relating thereto) incurred by Ming Fung Kitchen (whether in respect of the Assets or otherwise) which have not been expressly disclosed in the Accounts.

Information on Ming Fung Kitchen

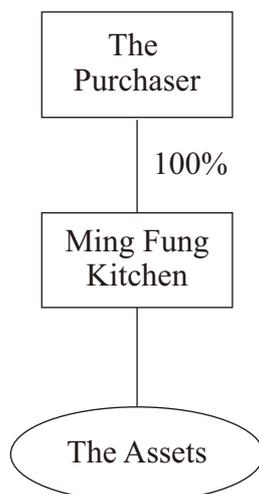
Shareholding structure of Ming Fung Kitchen

As at the date of this announcement and immediately before Completion:



Note: As at the date of this announcement, the entire equity capital of Ming Fung Kitchen is legally held by the Nominee, who has entered into an entrustment agreement to hold the entire equity capital of Ming Fung Kitchen for and to the order of Mr. Yiu.

Immediately after Completion:



Information on Ming Fung Kitchen

Ming Fung Kitchen was established in the PRC with limited liability on 31 December 2010. As at the date of this announcement, the entire equity capital of Ming Fung Kitchen is legally held by the Nominee, who has entered into an entrustment agreement to hold the entire equity capital of Ming Fung Kitchen for and to the order of Mr. Yiu. It is principally engaged in the holding of the Assets and part of the Assets are currently leased to the Group for rental income. Information on the Assets are set out in the paragraph headed “Information on the Assets” below.

Set out below is the unaudited financial information of Ming Fung Kitchen for the period from 31 December 2010 (date of incorporation) to 30 April 2012 based on its management accounts prepared under the generally accepted accounting principles in the PRC.

	For the four months ended 30 April 2012 RMB'000 (unaudited)	From 31 December 2010 (date of incorporation) to 31 December 2011 RMB'000 (unaudited)
Revenue	220	385
Loss before taxation	(90)	(22)
Loss after taxation	(90)	(22)

Based on the Accounts, as at 30 April 2012, the unaudited net assets value of Ming Fung Kitchen was approximately RMB0.9 million.

Upon Completion, Ming Fung Kitchen will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the Group’s consolidated financial statements.

Information on the Assets

The Assets are land use rights for two adjacent site areas of 6,666 sq. m. and 60,000 sq. m. with a term due to expire on 7 March 2061 and 27 September 2061 respectively located in Dongfeng Village, Huzhen Town, Boluo County, Huizhou, Guangdong Province, the PRC for industrial use (together with the four buildings erected thereon). Currently, there are four buildings, namely a factory, two ancillary buildings and one electricity room, with an aggregate gross floor area of approximately 3,732 sq. m., which have been leased to the Group for its production for a term of two years from 23 May 2011 to 22 May 2013. The other parts of the land are currently vacant.

The original cost of investment incurred by Mr. Yiu and/or his associates for the entire equity capital of Ming Fung Kitchen taking into account the capital injected into Ming Fung Kitchen together with the aggregate outstanding loans owing from Ming Fung Kitchen to Mr. Yiu and/or his associates amounted to approximately RMB30.0 million.

Reasons for and benefits of the Transaction

The Group is a stainless steel products manufacturer principally engaged in the development and manufacture of stainless steel watch bracelets, costume jewellery and accessories, and mobile phone cases and parts for its customers on original equipment manufacturing basis.

The Directors consider that the Transaction is in line with the business strategies and expansion plan of the Group. The Directors consider that the Group's existing production capacity may not be sufficient to cater for the Group's expansion needs. The Group has leased from Ming Fung Kitchen the factory building and electricity room and other ancillary buildings in Dongfeng Village for temporary production use and commenced the operation of its factory at Dongfeng Village in 2011. As further mentioned in the Prospectus, the Group intended to establish a new production plant at another site in Huzhen, Boluo County, Huizhou (the "**Huzhen Site**") for the manufacturing of stainless steel costume jewellery, accessories and mobile phone cases, and, as a prerequisite for the construction of factory on the Huzhen Site, among others, the construction land quota (建設用地指標) has to be granted by the relevant land bureau and the approval for the conversion of the current permitted land uses of the site from agricultural land uses to industrial land uses by the relevant land administrative or government authorities has to be obtained. As at the date of this announcement, the requisite construction land quota in respect of the site or part thereof has not been granted, and accordingly the development of production premises at Huzhen Site is expected to be delayed.

In view of the above and the production need of the Group, the Group entered into the Master Agreement for the acquisition of the Assets for its long-term production use. The Assets are located next to the town centre of Huzhen Town, Huizhou with ground levelling completed, which facilitates the construction of new factory and ancillary buildings on the site. The Directors consider that the Transaction will allow the Group to streamline its operations by concentrating the production of costume jewellery and accessories and mobile phone cases and parts in its production premises located in Dongfeng Village while sparing the production capacity of its production premises

located in Dalang Town, Dongguan, Guangdong for concentrating on the production of watch bracelets. The Directors consider that through the Transaction, the Group will be in a better position to capture the market demand and business growth. The Directors (excluding the independent non-executive Directors who will form their view after receiving the advice of the independent financial adviser) consider that the Transaction is in the interests of the Company and the Shareholders as a whole and the terms of the Master Agreement are fair and reasonable. The Company intends to finance the Transaction by internal resources and/or borrowings.

The Directors consider that it is in the interests of the Group to acquire more land for production use in order to cater for the long-term development plan of the Group. Accordingly, it is the present intention of the Group to continue to negotiate with the local government authorities for the grant of the construction land quota and for the approval of the conversion of the permitted land uses of the site to industrial land uses. However, there is no assurance that the Group will be able to acquire all or part of the Huzhen Site that is needed by the Group for its production, and to overcome the potential legal obstacles and complete legal procedures in relation thereto. The development of the Huzhen Site, including the size and exact plot(s) of land to be developed and timing of the development, will depend on the granting of the requisite land quota, and the circumstances (such as the market demand for the Group's products, the Group's production capacity and rate of utilization) at the relevant time, and the initial phase of the size of the Huzhen Site may be reduced having taken into account the aforesaid circumstances. The Company will inform the Shareholders when there is progress in the obtaining of the construction land quota for the Huzhen Site.

General

The Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the date of this announcement, Mr. Yiu is a controlling Shareholder (as at the date of this announcement, Ming Fung Investment Limited, which is owned as to approximately 86.93% by Ming Fung Holdings (Hong Kong) Limited (a company owned as to 60% by Mr. Yiu and 40% by Ms. Law Wai Ping (the spouse of Mr. Yiu and an executive Director)), owns 66% of the total issued share capital of the Company), an executive Director, the chairman and the managing director of the Company. Accordingly, Mr. Yiu is a connected person of the Company and the Transaction constitutes a connected transaction for the Company under the Chapter 14A of Listing Rules. The Transaction is subject to the reporting and announcement requirements and the approval of the Independent Shareholders by way of poll at the EGM under the Listing Rules. Mr. Yiu and his associates will abstain from voting at the EGM.

Mr. Yiu and Ms. Law Wai Ping, being the spouse of Mr. Yiu, have abstained from voting on the Board resolution approving the Transaction.

It is expected that a circular containing, among other things, (i) further information on the Transaction; (ii) the recommendation from the independent board committee of the Company to the Independent Shareholders in relation to the Transaction; (iii) the letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Transaction; (iv) the

property valuation report on the Assets; and (v) a notice of the EGM, will be despatched to the Shareholders on or before 5 June 2012.

As Completion is subject to the satisfaction of a number of conditions, the Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

2. CHANGE IN USE OF PROCEEDS

Reference is made to the Prospectus. The net proceeds received by the Company from the IPO were approximately HK\$198.35 million, of which approximately HK\$146.83 million had remained unused as at the date of this announcement. The proposed use of such IPO proceeds as provided in the Prospectus and the amount utilised for such use up to the date of this announcement are set out below:

Purpose	Amount allocated as provided in the Prospectus <i>HK\$' million</i> <i>(approximately)</i>	Amount utilised up to the date of this announcement <i>HK\$' million</i> <i>(approximately)</i>	Unutilised amount as at the date of this announcement <i>HK\$' million</i> <i>(approximately)</i>
1. Financing the development of the Huzhen Factory (such as defraying the related construction and land costs) (“ Purpose I ”)	49.59	2.82	46.77
2. Acquiring equipment and machinery for the Dongfengcun Factory and Huzhen Factory and for the expansion of the production capacity of the Group’s existing facilities (“ Purpose II ”)	128.93	28.87	100.06
3. General working capital and other general corporate purposes of the Group	19.83	19.83	–
Total	198.35	51.52	146.83

In view of the Group’s plan to acquire the Assets and expand its production site at Dongfeng Village, the Board resolved to change the proposed use of the unutilised net proceeds from the IPO originally allocated for Purpose I above in the amount of approximately HK\$46.77 million to finance the development of the Dongfengcun Factory (such as defraying the related construction and decoration/renovation costs).

The remaining unutilised net proceeds from the IPO set out in 2 above in the amount of approximately HK\$100.06 million will continue to be used for Purpose II above.

Dongfengcun Factory mentioned above include the factory and other ancillary buildings and premises erected and to be erected on the land with the total site area of 66,666 sq. m. located in Dongfeng Village, Huzhen Town, Boluo County, Huizhou, Guangdong Province, the PRC. For the avoidance of doubt, as mentioned in the paragraph headed “Reasons for and benefits of the Transaction” above, the Company intends to finance the Transaction by internal resources and/or borrowings instead of the net proceeds from the IPO.

The Board is of the view that the above changes to the proposed use of proceeds from the IPO will facilitate the Group in implementing its business strategy and production expansion plan, which will allow the Group to capture the market demand and benefit the Group’s development. The Directors consider that the above changes to the proposed use of proceeds is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Assets”	land with the total site area of 66,666 sq. m. (together with four buildings erected thereon) located in Dongfeng Village, Huzhen Town, Boluo County, Huizhou, Guangdong Province, the PRC
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of Directors
“Company”	Winox Holdings Limited (stock code: 6838), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Transaction
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Dongfengcun Factory”	the Group’s production facilities in Dongfeng Village, Huzhen Town, Boluo County, Huizhou, Guangdong Province, the PRC
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Huzhen Factory”	the Group’s planned new production facilities to be established in Huzhen, Boluo County, Huizhou, Guangdong Province, the PRC
“Independent Shareholders”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Transaction
“IPO”	the initial public offering of the Company made under the Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans in the aggregate amount of RMB28,959,096.95 owing from Ming Fung Kitchen to Mr. Yiu and his associates
“Master Agreement”	the master agreement dated 15 May 2012 entered into between Mr. Yiu, the Purchaser and the Nominee in relation to the Transaction
“Ming Fung Kitchen”	博羅明豐廚具製造有限公司 (Bo Luo Ming Fung Kitchen Appliance Manufacturing Limited*), a company with limited liability established in the PRC on 31 December 2010 and the entire issued equity capital of which is held by the Nominee for and to the order of Mr. Yiu as at the date of this announcement
“Mr. Yiu”	Mr. Yiu Hon Ming, the chairman and managing director of the Company, an executive Director and a controlling Shareholder
“Nominee”	李輝柱先生 (Mr. Li Huizhu*), who legally holds the entire equity capital of Ming Fung Kitchen as at the date of this announcement and has entered into an entrustment agreement to hold the entire equity capital of Ming Fung Kitchen on behalf of Mr. Yiu. The Nominee is the brother-in-law of Mr. Yiu
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Agreement”	documentation containing further detailed terms and provisions required to implement the transactions contemplated by the Master Agreement
“Prospectus”	the prospectus of the Company dated 30 June 2011 in relation to the IPO

“Purchase Consideration”	RMB1 million, being the consideration payable by the Purchaser to Mr. Yiu for the sale and purchase of the Sale Equity
“Purchaser”	Super Powerful Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Equity”	the entire equity capital of Ming Fung Kitchen
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the proposed acquisition of the Sale Equity by the Purchaser and putting of funds in Ming Fung Kitchen to repay the Loans by the Purchaser pursuant to the Master Agreement and the PRC Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meter(s)
“%”	per cent.

* *The English translation is for identification purposes only.*

By order of the Board
Winox Holdings Limited
Au Wai Ming
Deputy Chairman

Hong Kong, 15 May 2012

As at the date of this announcement, the Board comprises (a) three executive Directors, namely Mr. Yiu Hon Ming, Ms. Law Wai Ping and Mr. Chau Kam Wing Donald; (b) one non-executive Director, namely, Mr. Au Wai Ming; and (c) three independent non-executive Directors, namely Mr. Ma Weihua, Mr. Carson Wen and Professor Wong Lung Tak Patrick.