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中國海外諾信國際控股有限公司

CHINA OVERSEAS NUOXIN INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00464)

- (1) MAJOR AND CONNECTED TRANSACTION IN
RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL IN
SKY OCEAN GROUP LIMITED;
(2) CONNECTED TRANSACTION IN RELATION TO THE LEASE; AND
(3) CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE PURCHASE**

THE DISPOSAL

On 25 August 2021 (after trading hours of the Stock Exchange), the Purchaser (a connected person of the Company at the subsidiary level) and the Vendor (an indirectly wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the Disposal Share, for a consideration of HK\$72.4 million.

Completion is subject to the fulfilment or waiver (as the case may be) of the Disposal Conditions. Upon Completion, the Disposed Company will cease to be a subsidiary of the Company.

THE LEASE

On 25 August 2021 (after trading hours of the Stock Exchange), Dongguan Kenford (an indirectly wholly-owned subsidiary of the Company) and Dongguan Kario (an indirectly wholly-owned subsidiary of the Disposed Company and a connected person of the Company at the subsidiary level after Completion) entered into the Lease Agreement, pursuant to which Dongguan Kario as the lessor will lease the Leased Properties to Dongguan Kenford as the lessee, for a monthly rent of RMB250,000 from 1 September 2021 (or any other date as agreed by the parties if the Completion falls on a date after 1 September 2021) to 31 March 2024, subject to the fulfillment of certain conditions precedent.

THE PURCHASE

On 25 August 2021 (after trading hours of the Stock Exchange), the Vendor (an indirectly wholly-owned subsidiary of the Company) and Dongguan Kario (an indirectly wholly-owned subsidiary of the Disposed Company and a connected person of the Company at the subsidiary level after Completion) entered into the Purchasing Agreement, pursuant to which Dongguan Kario agreed to sell and the Vendor agreed to purchase electrical haircare products from 1 September 2021 (or any other date as agreed by the parties if the Completion falls on a date after 1 September 2021) to 31 March 2024, subject to the fulfillment of certain conditions precedent.

IMPLICATIONS OF THE DISPOSAL, THE LEASE AND THE PURCHASE UNDER THE LISTING RULES

Major and connected transaction in respect of the Disposal

The transaction contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company as one or more of the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 25% but are less than 75%. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The Purchaser is a director of certain subsidiaries of the Company. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the transaction contemplated under the Sale and Purchase Agreement will constitute a connected transaction of the Company. As (i) the Purchaser is a connected person at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Connected transaction in respect of the Lease

Dongguan Kario is an indirectly wholly-owned subsidiary of the Disposed Company. Since the Disposed Company will be wholly-owned by the Purchaser after Completion and that the Purchaser is a connected person of the Company at the subsidiary level, Dongguan Kario will be an associate of the Purchaser. Pursuant to HKFRS 16, the Leased Properties will be treated as right-of-use assets with the aggregate consideration of approximately HK\$8.8 million and the transaction contemplated under the Lease Agreement will be recognised as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. As the Lease Agreement will constitute a connected transaction of the Company at the subsidiary level and the Board has approved the Lease Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Lease Agreement are fair and reasonable and the Lease is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Lease Agreement is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Lease and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Lease Agreement and the transactions contemplated thereunder.

Continuing connected transactions in respect of the Purchase

Dongguan Kario is an indirectly wholly-owned subsidiary of the Disposed Company. Since the Disposed Company will be wholly-owned by the Purchaser after Completion and that the Purchaser is a connected person of the Company at the subsidiary level, Dongguan Kario will be an associate of the Purchaser and the transactions contemplated under the Purchasing Agreement will constitute continuing connected transactions of the Company. As the Purchasing Agreement will constitute a connected transaction of the Company at the subsidiary level and the Board has approved the Purchasing Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Purchasing Agreement are fair and reasonable and the Purchasing Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Purchasing Agreement is only subject to the reporting, annual review and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Purchase and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Purchasing Agreement and the transactions contemplated thereunder.

GENERAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder on the conditions that (i) no Shareholder is required to abstain from voting if a general meeting of the Company is held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) approval has been given by a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the Shares in issue giving the right to vote at general meetings to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders is materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, China Yuen Capital Limited, who directly holds 253,132,500 Shares (representing approximately 56.80% of the total issued Shares), has given its written approval to the Sale and Purchase Agreement and the transactions contemplated thereunder and such written approval is accepted in lieu of holding a general meeting. Therefore, no extraordinary general meeting of the Company will be convened for the purpose of approving the Sale and Purchase Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, amongst other things, further details of the Agreements and the transactions contemplated thereunder shall be despatched to the Shareholders within 15 business days after publication of this announcement, i.e. on or before 15 September 2021.

Warning: Shareholders and/or potential investors of the Company should note that Completion is subject to the fulfilment of the Disposal Conditions and therefore may or may not occur. As the Disposal may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and any other securities of the Company.

THE SALE AND PURCHASE AGREEMENT

On 25 August 2021 (after trading hours of the Stock Exchange), the Purchaser (a director of certain subsidiaries of the Company and connected person of the Company at the subsidiary level) and the Vendor (an indirectly wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the Disposal Share, for a consideration of HK\$72.4 million.

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 25 August 2021 (after trading hours of the Stock Exchange)

Parties

Vendor: Kenford Industrial (an indirectly wholly-owned subsidiary of the Company)

Purchaser: Mr. Lam Wai Ming (a connected person of the Company at the subsidiary level)

Subject of the Sale and Purchase Agreement

The Disposal Share represents the entire issued share capital of the Disposed Company which forms the subject matter of the Disposal.

The Vendor shall sell as legal and beneficial owner and the Purchaser shall purchase the Disposal Share with effect from Completion free from all Encumbrances and together with all rights and title to and interests in the Disposal Share (including the right to receive all dividends and distributions declared, made or paid on or after the Completion Date).

Consideration

The Consideration for the sale and purchase of the Disposal Share, being HK\$72.4 million, shall be settled by the Purchaser in the following manner:

- (a) HK\$40.0 million to be set off against the Loan; and
- (b) the remaining of HK\$32.4 million to be paid in cash by way of wire transfer of immediate available fund to a bank account designated by the Vendor or by way of cashier order upon Completion.

The terms of the Sale and Purchase Agreement have been negotiated at arm's length by the parties thereto and the Consideration was determined with reference to, among other things, the net asset value and the valuation of the Disposed Group.

The net asset value of the Disposed Group as at 31 July 2021 was approximately HK\$61.8 million, based on the unaudited financial information of the Disposed Group, whilst the valuation of the Disposed Group as at 31 July 2021 provided in the Valuation Report amounted to HK\$72.4 million. The Consideration represents a premium of approximately 17.2% to the said net asset value and is equal to the said valuation.

Disposal Conditions

The Completion is subject to the following Disposal Conditions being fulfilled (or being waived if applicable):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor, its holding company and the Company as required under the Listing Rules, including but not limited to the Shareholders' approval of the Company having been obtained and the approval of the Stock Exchange (if applicable);
- (b) the Disposal Group having settled all the amounts due to Kenford Industrial, if any;
- (c) the parties thereto having entered into the Lease Agreement and the Purchasing Agreement; and
- (d) the Vendor Warranties and the Purchaser Warranties remaining true and correct in all material respect.

The Vendor may waive the Disposal Conditions (c) and (d) (in respect of the Purchaser Warranties only), at any time by notice in writing to the Purchaser; the Purchaser may waive the Disposal Condition (d) (in respect of the Vendor Warranties only), at any time by notice in writing to the Vendor; and the Disposal Conditions (a) and (b) could not be waived.

The parties thereto shall use their respective reasonable endeavours to procure the fulfilment of the Disposal Conditions on or before the Long Stop Date.

In the event that any of the Disposal Conditions have not been fulfilled (or being waived if applicable) prior to the Long Stop Date, neither party thereto shall be bound to proceed with the Disposal and the outstanding obligations under the Sale and Purchase Agreement shall cease to be of any effect except those in relation to, amongst other things, the confidentiality of the Sale and Purchase Agreement, which shall remain in force and save in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement.

Other terms

The Purchaser shall be responsible for paying the followings and indemnify and hold harmless the Vendor, its holding company and the Company and each of their respective officers, Directors, employees, Shareholders, agents and other representatives from the following:

- (a) any liability for Taxes arising (directly or indirectly) as a result of the Disposal or the other transactions contemplated hereby (including, without limitation, all transfer, documentary, sales, use, stamp, recording, property, registration and similar Taxes, and all conveyance fees, recording charges and other charges and fees (including any penalties and interest) incurred in connection with consummation of the other transactions contemplated hereby); and

- (b) all liability for reasonable costs and expenses (including reasonable lawyers' fees and disbursements) incurred by the Vendor, its holding company and the Company in connection with any action, suit, dispute, proceeding, demand, assessment or judgment incident to any of the matters indemnified against as stated above.

Financial effect of the Disposal

Upon the Completion, the Disposed Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposed Group will cease to be consolidated to the financial statements of the Company.

The total asset value and net asset value of the Disposed Group as at 31 March 2021 were approximately HK\$147.4 million and HK\$69.6 million, respectively.

A summary of the financial information of the Disposed Group for the two years ended 31 March 2021 is set out below:

| | For the year ended 31 March 2021 | For the year ended 31 March 2020 |
|-----------------|---|---|
| | <i>approximately HK\$'000</i> | <i>approximately HK\$'000</i> |
| Loss before tax | 15,610 | 14,979 |
| Loss after tax | 15,594 | 14,971 |

Based on the unaudited financial information of the Disposed Group as at 31 July 2021 and the Consideration of HK\$72.4 million, the Company is expected to recognise a gain (before transaction costs) of approximately HK\$10.6 million from the Disposal following the Completion. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of the Disposed Company on the date of the Completion and be subject to audit. The expected gain of approximately HK\$10.6 million was arrived based on the difference of the Consideration of HK\$72.4 million against the net asset value of the Disposal Group amounting to approximately HK\$61.8 million as at 31 July 2021. The proceeds arising from the Disposal will be used by the Group to set off against the Loan, to repay outstanding bank borrowings, and for general working capital purposes.

THE LEASE AGREEMENT

On 25 August 2021 (after trading hours of the Stock Exchange), Dongguan Kenford (an indirectly wholly-owned subsidiary of the Company) and Dongguan Kario (an indirectly wholly-owned subsidiary of the Disposed Company and a connected person of the Company at the subsidiary level after Completion) entered into the Lease Agreement.

The principal terms of the Lease Agreement are set out below:

Date: 25 August 2021 (after trading hours of the Stock Exchange)

Parties

Lessor: Dongguan Kario

Lessee: Dongguan Kenford

Terms

Subject matter: Dongguan Kario as the lessor will lease the Leased Properties to Dongguan Kenford as the lessee during the term of the Lease Agreement.

Location, area and usage: The Leased Properties are located at No. 7, Gongye 1st Road, Xiakeng Village Industrial Zone, Changping Town, Dongguan City, Guangdong Province, PRC* (中國廣東省東莞市常平鎮霞坑村工業區工業一路7號) with a total gross floor area of 21,051 sq.m.

The Leased Properties shall be used for industrial purpose and as dormitory.

Term of the Lease: The Lease Agreement shall take effect from 1 September 2021 (or any other date agreed by the parties if the Completion falls on a date after 1 September 2021) to 31 March 2024.

Rent: RMB250,000 per month

Security deposit: RMB500,000, being two months' rent, which is refundable after completion of the term of the Lease.

Conditions precedent: The Lease Agreement is subject to the following conditions precedent:

- (i) Completion of the Disposal pursuant to the Sale and Purchase Agreement;
- (ii) Dongguan Kenford has obtained all necessary internal authorisation and approvals, including the Company obtaining shareholders' approval (if necessary) in relation to the Lease Agreement and the transactions contemplated thereunder; and

(iii) the Stock Exchange having granted all necessary waiver or no objection (if necessary) in relation to the Lease Agreement and the transactions contemplated thereunder.

The terms of the Lease Agreement have been negotiated at arm's length by the parties thereto and the monthly rent of RMB250,000 was determined with reference to the prevailing market rent for similar properties of relevant development in the vicinity of the Leased Properties as provided in the Fair Rent Opinion.

THE PURCHASING AGREEMENT

On 25 August 2021, Kenford Industrial (an indirectly wholly-owned subsidiary of the Company) and Dongguan Kario (an indirectly wholly-owned subsidiary of the Disposed Company and a connected person of the Company at the subsidiary level after Completion) entered into the Purchasing Agreement.

The principal terms of the Purchasing Agreement are set out below:

Date: 25 August 2021 (after trading hours of the Stock Exchange)

Parties

Supplier: Dongguan Kario

Purchaser: Kenford Industrial

Terms

Subject matter: Dongguan Kario, as the supplier, agreed to supply, and Kenford Industrial, as the purchaser, agreed to purchase the electrical haircare products on market price and normal commercial terms on OEM basis during the term of the Purchasing Agreement.

Term: The Purchasing Agreement shall take effect from 1 September 2021 (or any other date agreed by the parties if the Completion falls on a date after 1 September 2021) to 31 March 2024.

Pricing basis: The price of the electrical haircare products shall be determined after arm's length negotiation between Dongguan Kario and Kenford Industrial in accordance with normal commercial terms or no less favourable than the OEM ex-factory market price of similar products supplied by independent third parties to Kenford Industrial.

- Purchase order: Dongguan Kario shall supply and Kenford Industrial shall purchase the electrical haircare products at the price and specifications agreed in the purchase order to be placed by Kenford Industrial pursuant to the Purchasing Agreement. The parties shall re-negotiate in case there is any adjustment to the purchase price caused by factors including change in raw materials or production requirements and specifications, otherwise, the defaulting party shall bear the economic responsibilities of the losses caused.
- Payment terms: The amount payable shall be calculated in accordance with the actual amount purchased and shall be settled by Kenford Industrial within 90 days after receipt of the electrical haircare products. Such amount shall be settled by way of wire transfer settled through bank.
- Conditions precedent: The Purchasing Agreement is subject to the following conditions precedent:
- (i) Completion of the Disposal pursuant to the Sale and Purchase Agreement;
 - (ii) Kenford Industrial has obtained all necessary internal authorisation and approvals, including the Company obtaining shareholders' approval (if necessary) in relation to the Purchasing Agreement and the transactions contemplated thereunder; and
 - (iii) the Stock Exchange having granted all necessary waiver or no objection (if necessary) in relation to the Purchasing Agreement and the transactions contemplated thereunder.

Information on the electrical haircare products to be purchased under the Purchasing Agreement

The electrical haircare products to be purchased by Kenford Industrial from Dongguan Kario under the Purchasing Agreement includes hair dryer and hair straightener. The Remaining Group purchase these products mainly for the purpose of selling to its customers on OEM basis.

Pricing policies

The price of the electrical haircare products shall be determined after arm's length negotiation between Dongguan Kario and Kenford Industrial in accordance with normal commercial terms or no less favourable than the OEM ex-factory market price of similar products supplied by independent third parties to Kenford Industrial. Kenford Industrial will compare the OEM ex-factory price of similar electrical haircare products by obtaining quotations from independent third parties, for the purpose of ensuring that the prices and

terms for the electrical haircare products supplied by Dongguan Kario to Kenford Industrial will be based on prevailing market terms and no less favourable than the OEM ex-factory market price of similar products supplied by independent third parties.

The designated personnel of Kenford Industrial authorised to approve such transactions will review and compare the price and terms offered by Dongguan Kario to Kenford Industrial with at least two quotations obtained from other independent third-party suppliers for comparable products of similar qualities, quantities and specifications before entering into purchasing orders pursuant to the Purchasing Agreement.

In the event that the prices or terms offered by Dongguan Kario to Kenford Industrial are less favourable than price quotations obtained from other independent third-party suppliers for comparable products of similar qualities, quantities and specifications, Kenford Industrial will not enter into such transactions. Kenford Industrial will at its best effort negotiate with Dongguan Kario for more favourable terms in order to comply with the pricing principles disclosed above.

The Proposed Annual Caps and basis of determination

Historical amounts

The aggregate historical transaction amounts of the purchases of electrical haircare products by Kenford Industrial from Dongguan Kario for the financial years ended 31 March 2019, 31 March 2020 and 31 March 2021, respectively, are as follows:

| | For the year ended 31 March 2019 <i>approximately</i> (HK\$'000) | For the year ended 31 March 2020 <i>approximately</i> (HK\$'000) | For the year ended 31 March 2021 <i>approximately</i> (HK\$'000) |
|--|---|---|---|
| Aggregate historical transaction amounts of the purchases of electrical haircare products by Kenford Industrial from Dongguan Kario | <u>1,687</u> | <u>26,985</u> | <u>54,399</u> |

The Proposed Annual Caps

The Proposed Annual Caps for the maximum transaction amounts to be paid by Kenford Industrial to Dongguan Kario in respect of the purchase of the electrical haircare products by Kenford Industrial from the Dongguan Kario under the Purchasing Agreement for the period ending 31 March 2022 and the two financial years ending 31 March 2023 and 31 March 2024 are set out as follows:

| | From the commencement date of the Purchasing Agreement to 31 March 2022 (HK\$'000) | For the year ending 31 March 2023 (HK\$'000) | For the year ending 31 March 2024 (HK\$'000) |
|----------------------|---|---|---|
| Proposed Annual Caps | <u>30,500</u> | <u>70,250</u> | <u>63,250</u> |

The Proposed Annual Caps have been determined with reference to, amongst other things:

- (i) the historical transaction amounts in relation to the purchase of electrical haircare products from Dongguan Kario for the three years ended 31 March 2021;
- (ii) the actual transaction amount in relation to the purchase of electrical haircare products from Dongguan Kario for the four months ended 31 July 2021, being approximately HK\$35.5 million;
- (iii) Kenford Industrial's estimated demand for electrical haircare products for the period/years ending 31 March 2022, 2023 and 2024, with reference to Kenford Industrial's expected production capacities, existing and expected orders of products from Kenford Industrial's customers and expected market demands for Kenford Industrial's products;
- (iv) Dongguan Kario's expected production capacities of electrical haircare products for the period/years ending 31 March 2022, 2023 and 2024;
- (v) the expected unit price with reference to the prevailing market prices of the comparable commercial electrical haircare products; and
- (vi) estimated buffer for fluctuation of market prices and change in specifications.

Internal control measures for the continuing connected transactions

In order to ensure that the pricing policies as contained in the Purchasing Agreement and the Proposed Annual Caps are complied with, the Company has adopted the following internal control measures:

- (i) Kenford Industrial will keep track of the OEM ex-factory price of similar electrical haircare products by regularly obtaining quotations from independent third parties, for the purpose of ensuring that the prices and terms for the electrical haircare products supplied by Dongguan Kario to Kenford Industrial will be based on prevailing market terms and no less favourable than the OEM ex-factory market price of similar products supplied by independent third parties; and
- (ii) Kenford Industrial will maintain price lists containing purchase prices of electrical haircare products and relevant terms and conditions of such transactions. The information in the price lists is obtained in the course of Kenford Industrial's operations, including information in respect of transactions entered into with Dongguan Kario. Kenford Industrial will also keep developing and maintaining the price lists so as to include up-to-date pricing information in relation to similar products purchased by Kenford Industrial (if any) in the future. Designated personnel of Kenford Industrial will be responsible for the maintenance of the price lists, and the price lists are generally updated as soon as practicable after the materialisation of a purchase transaction. A management personnel of Kenford Industrial will be designated to monitor and supervise the maintenance of the price lists to ensure that up-to-date records are properly kept. The Company will also conduct random checks on the price lists so as to ensure that effective and sound internal control measures are in place so that continuing connected transactions in respect of the Purchase are conducted on a fair and reasonable basis.

The relevant personnel of Kenford Industrial will regularly monitor and review the prices of and terms under which the electrical haircare products purchased from Dongguan Kario in order to ensure that the continuing connected transactions are conducted on normal commercial terms, in accordance with the Proposed Annual Caps set by Kenford Industrial, and the terms are no less favourable to Kenford Industrial than those available to independent third parties. The Company will designate specific personnel from the internal control department to monitor the continuing connected transactions under the Purchasing Agreement and any irregularities in respect of the continuing connected transactions will be reported to the senior management of the Group in a timely manner. The Group will also conduct regular internal checks on a quarterly basis to ensure that the internal control measures in respect of the continuing connected transactions under the Purchasing Agreement remain intact and effective.

The Company's external auditors will review the continuing connected transactions under the Purchasing Agreement annually to check and confirm (among others) whether the pricing policies have been adhered to, whether the continuing connected transactions were conducted in accordance with the Purchasing Agreement and whether the relevant proposed annual caps have been exceeded.

The independent non-executive Directors will review the continuing connected transactions under the Purchasing Agreement annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Company, on normal commercial terms, in accordance with the Purchasing Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in the Purchasing Agreement.

REASONS FOR AND BENEFITS FOR THE DISPOSAL, THE LEASE AND THE PURCHASE

For the years ended 31 March 2020 and 2021, the Group recorded net losses of approximately HK\$40.1 million and HK\$24.4 million, respectively, such losses were partly attributable to the financial results of the Disposal Group, which recorded a net loss of approximately HK\$15.0 million and HK\$15.6 million, during the respective years. Our Directors believe that such losses were attributable to, among others, declining sales, impairment losses and depreciation charges of the Disposed Group. Based on the financial information of the Disposed Group, the Disposed Group's sales (excluding intra-group transactions) dropped from approximately HK\$39.8 million for the financial year ended 31 March 2020 to approximately HK\$18.1 million for the financial year ended 31 March 2021; and the Disposal Group recognised impairment losses of approximately HK\$4.2 million and HK\$1.4 million for the years ended 31 March 2020 and 2021, respectively and depreciation charges of approximately HK\$3.0 million and HK\$3.3 million on property, plant and equipment for the years ended 31 March 2020 and 2021, respectively. The Disposal represents a continuity of the Group's cost-cutting strategy to strip its loss-making business, focus on its current business and hence enhance its overall performance and prospect. The Directors are therefore of the view that the Disposal will help to improve the financial performance of the Group in long term. In addition, as the major asset of the Disposed Group are the properties located in the PRC, the Directors considered that the Disposal enables the Company to realise the value in the properties at a fair market value.

Pursuant to the Loan Agreements, the Group is obliged to repay the Loan, which is in the sum of HK\$40 million owed by the Vendor to the Purchaser and repayable on or before 28 February 2022. In addition, as at 31 July 2021, the Group had outstanding bank borrowings in the sum of approximately HK\$19.2 million, which is repayable within one year. The Consideration is partially settled by setting off against the Loan and the remaining portion of the Consideration of HK\$32.4 million, which is settled by way of cash, shall be partially used to repay the aforementioned bank borrowings. The Board considers that it is in the interest of the Company to set-off against the Loan and repay the bank borrowings by the proceeds of the Disposal than obtaining external debt financing, which will not only incur additional interest costs but also increase the Company's gearing ratio.

Furthermore, part of the net proceeds arising from the Disposal will be used by the Remaining Group as general working capital. The Directors are of the view that the Disposal will help to improve the cash position of the Remaining Group and to ensure the Remaining Group to have sufficient working capital for its operation in the future.

Subject to the Completion of the Disposal, Dongguan Kario agreed to lease the Leased Properties to the Remaining Group for its production of electrical haircare products. The Lease arrangement will save the Remaining Group from the hassle, time and expenditure of relocation and setting up new production facilities and ensure that there is no disruption to the current production of the products of the Remaining Group as it has leased part of the plant areas of the Leased Properties from the Disposed Group since 2013. The Directors are of the view that it is in the interest of the Remaining Group to maintain its production capacities as it would provide flexibility for the Remaining Group to manufacture inhouse or purchase from external suppliers depending on the needs of the Remaining Group and market conditions.

Kenford Industrial is the trading arm of the Group and it sourced electrical haircare products from various PRC suppliers, including the Disposed Group, for the supplies to its customers. During the three years ended 31 March 2021, the aggregate transaction amounts of the purchase of electrical haircare products by the Kenford Industrial from the Disposed Group were approximately HK\$1.7 million, HK\$27.0 million, and HK\$54.4 million, respectively. In light of the past relationship between Kenford Industrial and the Disposed Group, the Directors are of the view that the Purchasing Agreement will ensure that Kenford Industrial to have continuous and stable supply of the electrical haircare products from a reliable partner if and when needed without committing to any minimum purchasing requirement.

Having considered the reasons for and the benefits of the Disposal, the Lease and the Purchase set out above, the Directors (including independent non-executive Directors) are of the view that (i) the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Lease Agreement and the Purchasing Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder have been entered into on normal commercial terms and in the ordinary course of the business of the Group, and are therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors had a material interest in the Sale and Purchase Agreement, the Lease Agreement and the Purchasing Agreement and the transactions contemplated thereunder and hence no Directors are required to abstain from voting on the Board resolutions approving the Disposal, the Lease and the Purchase.

INFORMATION OF THE PARTIES

The Company

The Company is a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00464). The principal activity of the Company is investment holding.

The Group and the Remaining Group

The Group is principally engaged in the design, manufacture and sale of electrical haircare appliances. Whilst the headquarters of the Group is in Hong Kong, it operates a manufacturing base in Dongguan, the PRC. After the Disposal, the Remaining Group will continue to mainly focus on supplying products to overseas customers either through self-production or purchase from suppliers, including the Disposed Group.

The Vendor

The Vendor is an indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and principally engaged in the design, manufacture and sale of electrical haircare appliances.

The Purchaser

The Purchaser is a director of certain subsidiaries of the Company, accordingly, the Purchaser is a connected person of the Company at the subsidiary level.

The Disposed Group

The Disposed Group includes the Disposed Company, Talent Star (China) Limited, Kario Company Limited, Fame Motor Limited and Dongguan Kario. The Disposed Group is mainly engaged in the design, manufacture and sale of electrical haircare products to customers in the PRC and manufacturers, including the Remaining Group.

The Disposed Company is a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of the Company. The Disposed Company will be wholly-owned by the Purchaser, a connected person of the Company at the subsidiary level after the Completion. The Disposed Company is an investment holding company.

Talent Star (China) Limited is a directly wholly-owned subsidiary of the Disposed Company and incorporated in Hong Kong with limited liability. It is principally engaged in managerial services.

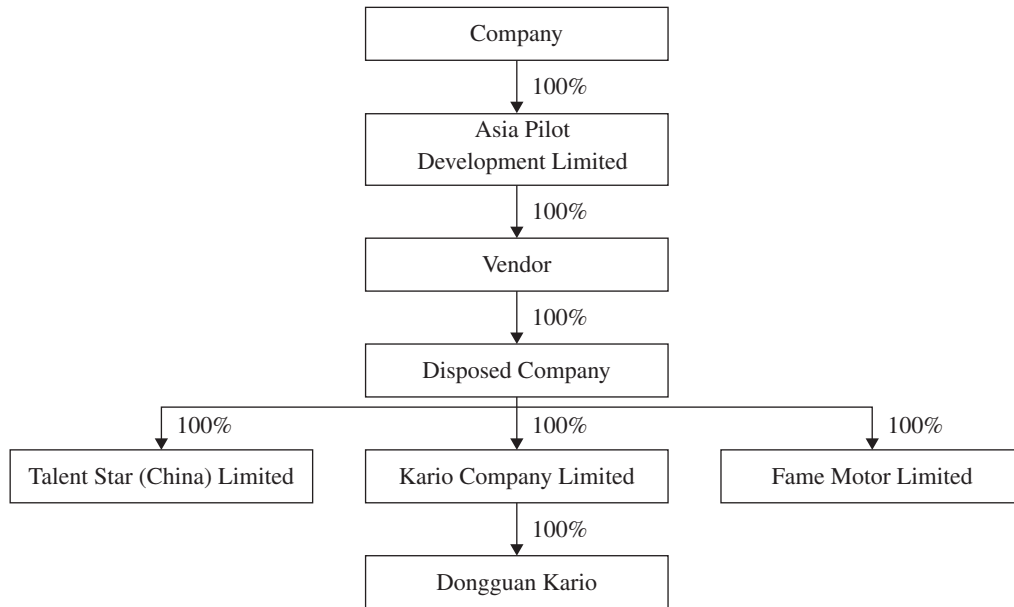
Kario Company Limited is a directly wholly-owned subsidiary of the Disposed Company and incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and trading.

Fame Motor Limited is a directly wholly-owned subsidiary of the Disposed Company and incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and trading.

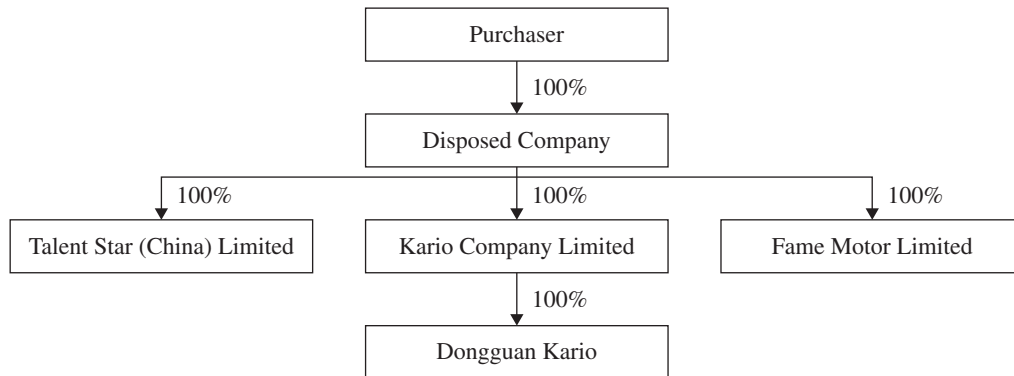
Dongguan Kario is an indirectly wholly-owned subsidiary of the Disposed Company, accordingly a member of the Disposed Group and a connected person of the Company at the subsidiary level after Completion. Dongguan Kario is incorporated in the PRC with limited liability. It is principally engaged in the design, manufacture and sale of electrical haircare products. Dongguan Kario holds and will continue to hold the Leased Properties after the Completion.

The below tables set forth the shareholding structure of the Disposed Group before and after the Completion:

(1) Shareholding structure of the Disposed Group before Completion



(2) Shareholding structure of the Disposed Group after Completion



Dongguan Kenford

Dongguan Kenford is an indirectly wholly-owned subsidiary of the Company incorporated in the PRC with limited liability. Dongguan Kenford is principally engaged in the provision of processing services.

IMPLICATIONS OF THE DISPOSAL, THE LEASE AND THE PURCHASE UNDER THE LISTING RULES

Major and connected transaction in respect of the Disposal

The transaction contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company as one or more of the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 25% but are less than 75%. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The Purchaser is a director of certain subsidiaries of the Company. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level and the transaction contemplated under the Sale and Purchase Agreement will constitute a connected transaction of the Company. As (i) the Purchaser is a connected person at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Disposal and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

Connected transaction in respect of the Lease

Dongguan Kario is an indirectly wholly-owned subsidiary of the Disposed Company. Since the Disposed Company will be wholly-owned by the Purchaser after Completion and that the Purchaser is a connected person of the Company at the subsidiary level, Dongguan Kario will be an associate of the Purchaser. Pursuant to HKFRS 16, the Leased Properties will be treated as right-of-use assets with the aggregate consideration of approximately HK\$8.8 million and the transaction contemplated under the Lease Agreement will be recognised as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules. As the Lease Agreement will constitute a connected transaction of the Company at the subsidiary level and the Board has approved the Lease Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Lease Agreement are fair and reasonable and the Lease is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Lease Agreement is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Lease and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Lease Agreement and the transactions contemplated thereunder.

Continuing connected transactions in respect of the Purchase

Dongguan Kario is an indirectly wholly-owned subsidiary of the Disposed Company. Since the Disposed Company will be wholly-owned by the Purchaser after Completion and that the Purchaser is a connected person of the Company at the subsidiary level, Dongguan Kario will be an associate of the Purchaser and the transactions contemplated under the Purchasing Agreement will constitute continuing connected transactions of the Company. As the Purchasing Agreement will constitute a connected transaction of the Company at the subsidiary level and the Board has approved the Purchasing Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Purchasing Agreement are fair and reasonable and the Purchasing Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Purchasing Agreement is only subject to the reporting, annual review and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

None of the Directors has material interest in the Purchase and hence no Director is required to abstain from voting on the relevant resolution(s) of the Board approving the Purchasing Agreement and the transactions contemplated thereunder.

GENERAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder on the conditions that (i) no Shareholder is required to abstain from voting if a general meeting of the Company is held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) approval has been given by a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the Shares in issue giving the right to vote at general meetings to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders is materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, China Yuen Capital Limited, who directly holds 253,132,500 Shares (representing approximately 56.80% of the total issued Shares), has given its written approval to the Sale and Purchase Agreement and the transactions contemplated thereunder and such written approval is accepted in lieu of holding a general meeting. Therefore, no extraordinary general meeting of the Company will be convened for the purpose of approving the entering into of the Sale and Purchase Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, amongst other things, further details of the Sale and Purchase Agreements and the transactions contemplated thereunder shall be despatched to the Shareholders within 15 business days after publication of this announcement, i.e. on or before 15 September 2021.

Warning: Shareholders and/or potential investors of the Company should note that Completion is subject to the fulfilment of the Disposal Conditions and therefore may or may not occur. As the Disposal may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares and any other securities of the Company.

DEFINITIONS

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

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| “Agreements” | collectively, the Sale and Purchase Agreement, the Lease Agreement and the Purchasing Agreement |
| “associates” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “Company” | China Overseas Nuoxin International Holdings Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 00464) |
| “Completion” | completion of the Disposal |
| “Completion Date” | the date of Completion, being the seventh (7th) Business Day after the date of fulfilment or waiver as the case may be of all the Disposal Condition(s), or such other time and/or date as may be agreed in writing by the Vendor and the Purchaser |

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| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Consideration” | the consideration payable by the Purchaser for the Disposal Share pursuant to the Sale and Purchase Agreement, being HK\$72.4 million |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the proposed disposal of the Disposal Share by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement |
| “Disposal Condition(s)” | the condition(s) precedent to the Completion, further details of which are set out in the paragraph headed “Disposal Conditions” under the section headed “THE SALE AND PURCHASE AGREEMENT” |
| “Disposal Share” | the entire issued share capital of US\$1 and total issued share of 1 ordinary share of the Disposed Company |
| “Disposed Company” | Sky Ocean Group Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Company |
| “Disposed Group” | Disposed Company and its subsidiaries, which includes Talent Star (China) Limited, Kario Company Limited, Fame Motor Limited and Dongguan Kario |
| “Dongguan Kario” | Dongguan Kario Electrical Appliance Co., Ltd.* (東莞家利來電器有限公司), an indirectly wholly-owned subsidiary of the Disposed Company and incorporated in the PRC with limited liability |
| “Dongguan Kenford” | Dongguan Kenford Electrical Appliance Co., Ltd.* (東莞建福電器有限公司), an indirectly wholly-owned subsidiary of the Company and incorporated in the PRC with limited liability |
| “Encumbrance(s)” | any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-lease arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same |
| “Fair Rent Opinion” | the draft fair rent opinion letter prepared by Ravia Global Appraisal Advisory Limited, an independent valuer |
| “Group” | the Company and its subsidiaries |

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| “HKFRS 16” | Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Lease” | the lease of the Leased Properties by Dongguan Kenford from Dongguan Kario pursuant to the Lease Agreement |
| “Lease Agreement” | the lease agreement entered into between Dongguan Kario and Dongguan Kenford on 25 August 2021 (after trading hours of the Stock Exchange) as may be amended or varied from time to time by an agreement in writing duly executed by the parties thereto |
| “Leased Properties” | the properties located at No. 7, Gongye 1st Road, Xiakeng Village Industrial Zone, Changping Town, Dongguan City, Guangdong Province, PRC* (中國廣東省東莞市常平鎮霞坑村工業區工業一路7號) with a total gross floor area of 21,051 sq.m., which are owned by Dongguan Kario |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | the loan in the sum of HK\$40.0 million owed by the Vendor to the Purchaser and repayable on or before 28 February 2022 pursuant to the Loan Agreements |
| “Loan Agreements” | the loan agreement dated 1 March 2019 entered into between, among others, the Purchaser and the Vendor in relation to the loan provided by, among others, the Purchaser to the Vendor in the sum of HK\$40.0 million, for a period from 1 March 2019 to 29 February 2020, and which was subsequently amended and supplemented by the extension agreements dated 24 February 2020 and 24 February 2021 and the assignment entered into between the Purchaser and another lender on 12 January 2021 |
| “Long Stop Date” | 31 December 2021 or such later date as may be agreed in writing by the parties to the Sale and Purchase Agreement |
| “OEM” | original equipment manufacturing |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

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| “Proposed Annual Caps” | the proposed annual aggregate maximum amounts payable by Dongguan Kenford to Dongguan Kario pursuant to the Purchasing Agreement as set out in the paragraph headed “Proposed Annual Caps” under the section headed “THE PURCHASING AGREEMENT” |
| “Purchase” | the purchase of the electrical haircare products by Kenford Industrial from Dongguan Kario pursuant to the Purchasing Agreement |
| “Purchaser” | Mr. Lam Wai Ming, a director of certain subsidiaries of the Company, accordingly a connected person of the Company at the subsidiary level |
| “Purchaser Warranties” | the representations and warranties given by the Purchaser under the Sale and Purchase Agreement |
| “Purchasing Agreement” | the purchasing agreement entered into between Dongguan Kario and Kenford Industrial on 25 August 2021 (after trading hours of the Stock Exchange) as may be amended or varied from time to time by an agreement in writing duly executed by the parties to the Purchasing Agreement |
| “Remaining Group” | the Group excluding the Disposed Group |
| “Sale and Purchase Agreement” | the sale and purchase agreement in respect of the Disposal entered into between the Vendor and the Purchaser on 25 August 2021 (after trading hours of the Stock Exchange) as may be amended or varied from time to time by an agreement in writing duly executed by the parties to the Sale and Purchase Agreement |
| “Share(s)” | the share(s) having a par value of HK\$0.001 each in the share capital of the Company as at the date of this announcement |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “Tax(es)” | any tax (including but not limited to income tax, capital gains tax, value-added tax, electrical haircare products and services tax, sales tax, turnover tax, property tax, gift tax, payroll tax, social security or estate tax), levy, assessment, tariff, duty (including any customs duty and stamp duty), charge, withholding, deficiency, or other fee, charge, impost or amount in the nature of a tax (including any related fine, penalty, interest, expense, surcharge or addition tax), imposed, assessed, or collected by or under the authority of any tax authority or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, charge, withholding, deficiency, or fee |
| “Valuation Report” | the draft report on the market value of the Disposed Group prepared by Ravia Global Appraisal Advisory Limited, an independent valuer |
| “Vendor” or “Kenford Industrial” | Kenford Industrial Company Limited (建福實業有限公司), an indirectly wholly-owned subsidiary of the Company and incorporated in Hong Kong with limited liability |
| “Vendor Warranties” | the representations and warranties given by the Vendor under the Sale and Purchase Agreement |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “RMB” | renminbi, the lawful currency of the PRC |
| “sq.m.” | square metre(s) |
| “US\$” | United States dollar(s), the lawful currency of the United States of America |
| “%” | per cent. |

By order of the Board
China Overseas Nuoxin International Holdings Limited
Zhang Huijun
Executive Director

Hong Kong, 25 August 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Gao Jianbo, Ms. Cai Dongyan, Mr. Zhang Huijun, Ms. Pauline Lam, and Mr. Lin Liangyong, and three independent non-executive Directors, namely Mr. Lam Yick Man, Mr. Hu Zhigang and Mr. Zhang Jiayou.

website: www.co-nuoxin.com

** For reference purposes only, the Chinese names of the PRC entities, addresses or terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these PRC entities, addresses or terms and their respective English translations, the Chinese version shall prevail.*