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HANVEY GROUP HOLDINGS LIMITED

恆偉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8219)

DISCLOSEABLE TRANSACTION – ACQUISITION OF PROPERTIES

THE ACQUISITION

The Board is pleased to announce that the Vendors and Shenzhen Fujing entered into the Purchase Agreement on 24 October 2019 (after trading hours), pursuant to which Shenzhen Fujing agreed to purchase and the Vendors agreed to sell the Properties at the Consideration.

GEM LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements under the GEM Listing Rules.

As Mr. Cheuk and Mrs. Cheuk are Directors and controlling shareholders of the Company, the provision of the Personal Guarantees will constitute a connected transaction in the form of financial assistance in favour of the Group. However, as the Personal Guarantees are not secured by any assets of the Group, and as the Directors consider that the Personal Guarantees are on normal commercial terms or better, the Personal Guarantees are fully-exempted from the Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.88 of the GEM Listing Rules.

As the Acquisition is subject to a number of conditions and procedures, the Acquisition may or may not be completed. Shareholders and potential investors should therefore exercise caution when dealing in Shares.

INTRODUCTION

The Board is pleased to announce that the Vendors and Shenzhen Fujing entered into the Purchase Agreement on 24 October 2019 (after trading hours), pursuant to which Shenzhen Fujing agreed to purchase and the Vendors agreed to sell the Properties at the Consideration.

THE PURCHASE AGREEMENT

The principal terms of the Purchase Agreement are summarised below:

Parties

1. Shenzhen Innovation (as vendor);
2. Shenzhen Jinfeng (as vendor); and
3. Shenzhen Fujing (as purchaser).

Information of the Properties

The Properties to be acquired by the Group comprise three units, namely Unit 801, Unit 802 and Unit 803, which has a gross floor area of approximately 350.45 sq.m., 357.85 sq.m. and 326.09 sq.m., respectively (in aggregate approximately 1,034.39 sq.m.).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Properties have been newly completed in December 2018 and have not been rented out to any party previously. After Completion, the Properties will be self-used by the Group as its production facility.

Consideration

The Vendors agreed to sell and the Purchaser agreed to purchase the Properties at an aggregate consideration of RMB27,928,530.00 (equivalent to approximately HK\$31,838,524.20).

The Consideration was determined after arm's length negotiations between both parties by reference to, among other things, the prevailing market conditions, the location of the Properties and market price of comparable properties in the same area.

According to the property valuation report prepared by the Independent Property Valuer, the aggregate market value of the Properties was approximately RMB28,000,000.00 (equivalent to approximately HK\$31,920,000.00) as at 24 October 2019. Thus, the consideration is slightly lower than the market value of the Properties and considered to be reasonable and acceptable.

It is expected that the Consideration will be financed by a combination of (i) net proceeds of the Share Offer; (ii) bank mortgage loan; and (iii) internal resources of the Group. In particular, it is expected that approximately RMB16.6 million (equivalent to approximately HK\$18.9 million), approximately RMB10.0 million (equivalent to approximately HK\$11.4 million) and approximately RMB1.4 million (equivalent to approximately HK\$1.6 million) of the Consideration shall be satisfied with the net proceeds, bank mortgage loan (the “**Mortgage**”) and internal resources of the Group, respectively.

Subject to further revision and execution of the final mortgage agreement by the relevant parties, the Mortgage will be secured by, among others:

1. the Properties; and
2. the personal guarantee executed by Mr. Cheuk and Mrs. Cheuk, respectively (the “**Personal Guarantees**”).

Mr. Cheuk and Mrs. Cheuk will not be receiving any form of consideration from the Group for the provision of the Personal Guarantees.

Deposit

The Purchaser shall pay a deposit of RMB3,000,000.00 (equivalent to approximately HK\$3,420,000.00) within three days from the date of the Purchase Agreement. This deposit is non-refundable, save for certain situations.

The Vendors and the Purchaser agreed to enter into the Formal Property Acquisition Agreements within 15 days from the date of the Purchase Agreement, or such later date as the parties may agree in writing.

THE FORMAL PROPERTY ACQUISITION AGREEMENTS

The principal terms of the Formal Property Acquisition Agreements are summarised below:

Payment terms

Pursuant to the Formal Property Acquisition Agreements, the consideration for Unit 801, Unit 802 and Unit 803 shall be RMB9,462,150.00, RMB9,661,950.00 and RMB8,804,430.00, respectively (in aggregate RMB27,928,530.00 (equivalent to approximately HK\$31,838,524.20)) (inclusive of value added tax), which shall be paid by the Purchaser in the following manner:

1. 50% of the respective consideration for Unit 801, Unit 802 and Unit 803 shall be payable to the Vendors on or before 15 December 2019; and

- the respective remaining consideration for Unit 801, Unit 802 and Unit 803 shall be payable to the Vendors as and when the relevant bank approves and grants the Mortgage.

Usage

The Properties shall be used for factory purposes only.

Completion

Pursuant to the Formal Property Acquisition Agreements, the Vendors shall handover the respective Property, together with certain documents as specified in the respective Formal Property Acquisition Agreement, to the Purchaser on the respective Completion Date, which shall be on or before 31 December 2019. Prior to the handover of the Properties, the Vendors shall obtain all the relevant/necessary documents according to the relevant PRC regulations and laws.

Obtaining property ownership certificate

Pursuant to the Formal Property Acquisition Agreements, the Vendors shall help the Purchaser to apply and obtain the property ownership certificate* (房地產證) of the respective Property within certain timeframe. Where the Vendors fail to help the Purchaser to obtain the respective property ownership certificate within the agreed timeframe, the Vendors will be liable to pay the Purchaser certain liquidated damages, and the Purchaser may also elect to terminate the relevant Formal Property Acquisition Agreement if certain deadline has passed while the Vendors have yet to help the Purchaser to obtain the relevant property ownership certificate.

INFORMATION ON THE GROUP

The Group principally engages in design and development, manufacturing and distribution of watch products on original design manufacturing basis for watch manufacturers, brand owners and watch importers across the globe.

INFORMATION ON THE VENDORS

The Properties were owned as to 50% each by Shenzhen Innovation and Shenzhen Jinfeng, respectively.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Shenzhen Innovation is a company incorporated in the PRC with limited liability and its scope of business includes, development and sales of intelligent software, intelligent control systems, intelligent power supplies and electrical equipment technology; research and development, production, sales and operation of new energy vehicle charging facilities; and investment in high-tech enterprise incubation services and technology business incubator projects.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Shenzhen Jinfeng is a company incorporated in the PRC with limited liability and its scope of business includes, research and development and sales of artificial intelligence and intelligent robot software and hardware; development of information technology; research and development and sales of emerging electronic products; research and development, operation and sales of new energy vehicle charging facilities; and investment in high-tech enterprise incubation projects.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Vendors and their ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company was listed on GEM of the Stock Exchange on 12 July 2018. As stated in the Prospectus, the Company intended to apply certain net proceeds of the Share Offer to acquire a new production facility within the Shenzhen City as part of its business strategy (the “**Business Strategy**”) (i) to minimise possible disruption to the Group’s operation caused by potential failure to renew the current lease of the Group’s operation facility (the “**Existing Lease**”); (ii) to reduce the exposure to expected increase of rental of the Existing Lease; and (iii) to expand the Group’s fixed asset base for further development.

The Existing Lease will expire on 31 August 2020. Pursuant to the Existing Lease, the lessor and the Group both have the right to terminate the Existing Lease by serving a 3 months written notice on the other party (meaning that an early termination of the Existing Lease is possible).

As stated in the Prospectus, the Company intended to implement the Business Strategy in the second half year of 2019. For further details of the Business Strategy, please refer to pages 105 to 108 and 212 of the Prospectus.

The Acquisition will constitute the Group’s implementation of the Business Strategy and the Property will be self-used by the Group as its production facility.

The consideration per sq.m. for the Acquisition (i.e. approximately HK\$30,780.00 per sq.m.) is significantly higher than the estimated acquisition cost per sq.m. (i.e. approximately HK\$7,866.67 per sq.m.) as stated in the Prospectus. The Directors believed that such significant difference is primarily due to the rising property market in Shenzhen as a result of the PRC government’s promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in early 2019.

Despite the difference between the estimated acquisition cost and the Consideration, the Directors believed that the Acquisition is more cost saving in the long run. Set out below is a comparison between the estimated annual rental expenses for leasing a similar premise and the estimated annual depreciation expenses for the Acquisition. Please note that estimated annual depreciation is based on straight line method taking into account of the remaining useful life of approximately 24 years of the Properties and the Consideration of approximately HK\$31.8 million.

Assumptions:

Monthly rental under the Existing Lease	RMB59,499
Expected annual growth rate of rental from the year 2020 onward (referenced to the historical CAGR of the price index of factory rental cost in Shenzhen City according to the industry report disclosed in the Prospectus)	9.20%
HKD/RMB	1.14
The Consideration for the Acquisition ('000)	HK\$31,839
Rate of depreciation of the Properties	4.17%

Year	Estimated monthly rental expenses RMB'000	Estimated annual rental expenses HK\$'000	Estimated annual depreciation HK\$'000
2020	59	814	1,327
2021	65	889	1,327
2022	71	971	1,327
2023	77	1,060	1,327
2024	85	1,157	1,327
2025	92	1,264	1,327
2026	101	1,380	1,327
2027	110	1,507	1,327
2028	120	1,646	1,327
2029	131	1,797	1,327
2030	143	1,963	1,327
2031	157	2,143	1,327
2032	171	2,340	1,327
2033	187	2,556	1,327
2034	204	2,791	1,327
2035	223	3,047	1,327
2036	243	3,328	1,327
2037	266	3,634	1,327
2038	290	3,968	1,327
2039	317	4,333	1,327
2040	346	4,732	1,327
2041	378	5,167	1,327
2042	412	5,643	1,327
2043	450	6,162	1,327
Total		64,292	31,839

Note: The figures above may not add up to the total due to rounding.

As illustrated above, the cumulative estimated annual rental expenses is higher than the cumulative estimated annual depreciation for the Properties up to the year 2043. The Directors believed that the Acquisition will bring financial benefit to the Group in long run.

Given the above reasons, the Directors, including the independent non-executive Directors, are of the view that the terms of the Purchase Agreement and the Formal Property Acquisition Agreements are on normal commercial terms, are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

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As Mr. Cheuk and Mrs. Cheuk are Directors and controlling shareholders of the Company, the provision of the Personal Guarantees will constitute a connected transaction in the form of financial assistance in favour of the Group. However, as the Personal Guarantees are not secured by any assets of the Group, and as the Directors consider that the Personal Guarantees are on normal commercial terms or better, the Personal Guarantees are fully-exempted from the Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.88 of the GEM Listing Rules.

As the Acquisition is subject to a number of conditions and procedures, the Acquisition may or may not be completed. Shareholders and potential investors should therefore exercise caution when dealing in Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Acquisition”	the acquisition of the Properties by the Group from the Vendors pursuant to the Purchase Agreement and the Formal Property Acquisition Agreements
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday and Sunday, public holiday in Hong Kong and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. or on which a “black” rainstorm warning is issued or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general business
“CAGR”	compound annual growth rate
“Completion”	Completion of the sale and purchase of each of the Properties in accordance with the terms and conditions of the respective Formal Property Acquisition Agreement, as further described under the section headed “The Formal Property Acquisition Agreements – Completion”
“Completion Date”	the date on which Completion occurs
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	RMB27,928,530.00 (equivalent to approximately HK\$31,838,524.20), being the aggregate purchase price of the Properties (inclusive of value added tax) pursuant to the Purchase Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Formal Property Acquisition Agreement(s)”	the three formal sale and purchase agreements* (買賣合同) and the three supplemental agreements* (買賣合同補充約定) for the acquisition of Unit 801, Unit 802 and Unit 803, each to be entered into between the Vendors and Shenzhen Fujing pursuant to the Purchase Agreement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Property Valuer”	Asset Appraisal Limited, an independent professional valuer appointed by the Company for the valuation of the Properties
“Independent Third Party(ies)”	individual(s) or company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is (are) independent of the Company and its connected persons
“Mr. Cheuk”	Mr. Cheuk Sin Cheong Clement (卓善章), the chairman of the Board, the chief executive officer, an executive Director, the spouse of Mrs. Cheuk and one of the controlling shareholders of the Company
“Mrs. Cheuk”	Ms. Au Corona Ching Mei M.H. (歐靜美), an executive Director, the spouse of Mr. Cheuk and one of the controlling shareholders of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Property(ies)”	Unit 801, Unit 802 and Unit 803
“Prospectus”	the prospectus of the Company dated 28 June 2018
“Purchase Agreement”	the purchase agreement* (認購書) for the acquisition of the Properties, entered into between the vendors and Shenzhen Fujing dated 24 October 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company, holder(s) of the Share(s)

“Share Offer”	the share offer of the Company on GEM of the Stock Exchange on 12 July 2018
“Shenzhen Fujing” or “Purchaser”	Shenzhen Fujing Precision Technology Company Limited* (深圳福井精密科技有限公司), a limited company incorporated in accordance with the laws of the PRC on 24 September 2019 and an indirect wholly-owned subsidiary of the Company
“Shenzhen Innovation”	Shenzhen Innovation Wisdom Port Company Limited* (深圳市創新智慧港有限公司), a limited company incorporated in accordance with the laws of the PRC on 12 February 2014 and an Independent Third Party
“Shenzhen Jinfeng”	Shenzhen Jinfeng Valley Technology Company Limited* (深圳市金鳳谷科技有限公司), a limited company incorporated in accordance with the laws of the PRC on 12 February 2014 and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unit 801”	Unit 801, 8 th Floor, Block 1, Innovation Wisdom Port, Huangpu Nandong Ziran Village, Shajing Town, Baoan District, Shenzhen City, the PRC
“Unit 802”	Unit 802, 8 th Floor, Block 1, Innovation Wisdom Port, Huangpu Nandong Ziran Village, Shajing Town, Baoan District, Shenzhen City, the PRC
“Unit 803”	Unit 803, 8 th Floor, Block 1, Innovation Wisdom Port, Huangpu Nandong Ziran Village, Shajing Town, Baoan District, Shenzhen City, the PRC
“Vendors”	Shenzhen Innovation and Shenzhen Jinfeng
“sq.m.”	square meter(s)
“%”	per cent.

By order of the Board
HANVEY GROUP HOLDINGS LIMITED
Cheuk Sin Cheong Clement
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 24 October 2019

As at the date of this announcement, the executive Directors are Mr. Cheuk Sin Cheong Clement, Ms. Au Corona Ching Mei M.H. and Ms. Cheuk Heide Oil-gei and the independent non-executive Directors are Mr. Yu Sau Ning Homer M.H., Mr. Zhao Zhipeng, Ms. Yee Wai Fong Wendy and Dr. Liu Ngai Wing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.hanveygroup.com.hk.

** For identification purpose only.*