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Win Hanverky Holdings Limited

永嘉集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3322)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE EQUITY INTEREST
IN THE TARGET COMPANY**

The Board announces that on 9 June 2023, the Transferor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Transferee and the Guarantor, an indirect wholly-owned subsidiary of the Company, pursuant to which the Transferor agrees to transfer its entire equity interest (i.e. 100% of the shares of the Target Company) in the Target Company, a wholly-owned subsidiary of the Transferor, to the Transferee at an aggregate consideration of RMB33,000,000 (equivalent to approximately HK\$36,432,000). The Guarantor agrees to guarantee the Transferor's obligations under the Equity Transfer Agreement.

The Target Company is principally engaged in the manufacturing of fabrics in the PRC. Upon the Completion, the Target Company will cease to be a subsidiary of the Group and its financial results will no longer be consolidated into the financial statements of the Group.

As the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

EQUITY TRANSFER AGREEMENT

Below sets out the major terms of the Equity Transfer Agreement:

Date: 9 June 2023

Transferor: Win Hanverky Textile Limited, an indirect wholly-owned subsidiary of the Company

Transferee: 佛山市光長基企業管理有限公司 (Foshan Guangchangji Enterprise Management Co., Ltd.*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Transferee and its ultimate beneficial owners are Independent Third Parties.

Guarantor: 河源市寶嘉企業管理服務有限公司 (Heyuan Baojia Enterprise Management Co., Ltd*), an indirect wholly-owned subsidiary of the Company

Asset to be disposed of:

The Transferor agrees to dispose of and the Transferee agrees to acquire the entire equity interest (i.e. 100% of the shares of the Target Company) in the Target Company, subject to and in accordance with the terms and conditions of the Equity Transfer Agreement.

The Target Company is principally engaged in the manufacturing of fabrics in the PRC.

Consideration:

The Consideration, in the aggregate amount of RMB33,000,000 (equivalent to approximately HK\$36,432,000), shall be payable by the Transferee to a bank account designated by the Transferor in the following manner:

- (1) RMB9,900,000 (equivalent to approximately HK\$10,929,600) (being 30% of the Consideration) shall be payable on the date of signing the Equity Transfer Agreement, which shall be partially offset by the earnest money in the amount of RMB3,300,000 (equivalent to approximately HK\$3,643,200) (being 10% of the Consideration) paid before signing the Equity Transfer Agreement;

- (2) RMB16,500,000 (equivalent to approximately HK\$18,216,000) (being 50% of the Consideration) shall be payable within 3 business days from the date of completion of the following matters (which shall be within 6 months from the date of entering into the Equity Transfer Agreement or an extended period as mutually agreed by the parties) in accordance with the relevant rules and regulations:
- (i) the completion of asset clearance as confirmed by the Transferor and the Transferee and placement, dismissal and compensation of the employees of the Target Company which the Transferee confirms that it will no longer employ;
 - (ii) the provision of an accountant's report of the Target Company by the Transferor for the ten months ended 31 October 2023 or other month-end date as mutually agreed by the Transferor and the Transferee as prepared by an accredited accounting firm;
 - (iii) the provision of guarantee by the Transferor which confirms that the Target Company and its assets are wholly and beneficially owned by the Transferor at the date of the Completion, and free from any mortgage, lien, encumbrance, or any form of third-party interest, right or claim; and
 - (iv) the factory of the Target Company has reached the conditions for smooth transfer, and is under vacant possession and free from mortgage, lien, encumbrance, or any form of third-party interest, right or claim;
- (3) the balance of the Consideration of RMB6,600,000 (equivalent to approximately HK\$7,286,400) shall be payable within 3 business days after the Transferor having provided all the agreed documents and information as stipulated in the Equity Transfer Agreement to the Transferee.

The Consideration was determined after arm's length negotiation between the parties on normal commercial terms with reference to the market value of the major underlying assets of the Target Company according to a valuation report issued by an independent valuer in the amount of approximately RMB31,000,000 as of 30 January 2023.

Conditions precedent:

The Completion shall be subject to the following conditions being satisfied on or before the date of Completion:

- (i) the Transferor has completed all of the required obligations as stipulated under the Equity Transfer Agreement; and

(ii) the Transferor has received the full payment of Consideration from the Transferee.

Guarantee:

The Guarantor agrees to guarantee the Transferor's obligations under the Equity Transfer Agreement.

Completion:

Subject to the fulfillment of the conditions precedent under the Equity Transfer Agreement as described above, the Completion shall take place on the day when the Target Company obtains the updated business registration license and completes the tax clearance in relation to the transfer of equity interest.

FINANCIAL EFFECT OF THE TRANSFER

Upon the Completion, the Target Company will cease to be a subsidiary of the Group and its financial results will no longer be consolidated into the financial statements of the Group.

INFORMATION OF THE GROUP AND THE TRANSFEROR

The Group is an integrated manufacturer and retailer for international sports, fashion and outdoor brands.

The Transferor is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in the trading of fabrics and investment holding.

INFORMATION OF THE TRANSFEE

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Transferee is an enterprise established under the laws of the PRC with limited liability and is principally engaged in investment holding; (ii) the Transferee is ultimately owned as to 99.0% by 佛山市順德區光榮基塗料有限公司 (Foshan Shunde Guangrongji Coating Co., Ltd.*), which is in turn owned as to 51.0% by 梁光平 (Liang Guang Ping*), 24.5% by 梁祝平 (Liang Zhu Ping*) and 24.5% by 梁偉平 (Liang Wei Ping*); and (iii) each of the Transferee and its ultimate beneficial owners is Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a wholly-foreign owned enterprise established under the laws of the PRC on 5 April 2007 with registered capital of USD6,500,000 as at the date of this announcement. It is principally engaged in the manufacturing of fabrics in the PRC.

As at 30 April 2023, the unaudited net asset value of the Target Company amounted to approximately HK\$19,200,000. Set out below is its unaudited financial results for the two years ended 31 December 2021 and 2022:

	For the year ended	
	31 December	
	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss before taxation	(74)	(1,482)
Loss after taxation	(65)	(1,482)

REASONS FOR, AND BENEFITS OF, THE EQUITY TRANSFER AGREEMENT

As the Target Company is principally engaged in the manufacturing of fabrics, which is not the core business of the Group, and was loss-making in the past few years, the Board considers that the Transfer represents a good opportunity for the Group to streamline its business and enhance its financial performance. Furthermore, the Board is of the view that the net proceeds from the Transfer will provide the Group with cash inflow which will improve and strengthen the financial position of the Group.

Upon the Completion, it is expected that the Group will recognise a gain (before taxation) in the consolidated income statement of approximately HK\$18,300,000 arising from the Transfer, which is calculated as the difference between the Consideration and the estimated net asset value of the Target Company upon the Completion. The expected gain has not yet been audited or reviewed by the auditor of the Company.

The net proceeds from the Transfer (after deducting the expenses directly attributable thereto) are estimated to be approximately HK\$36,000,000. The Group intends to use the net proceeds from the Transfer for general working capital of the Group.

The Directors believe that entering into the Equity Transfer Agreement and the transactions contemplated thereunder is beneficial to the Group and the terms under the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Win Hanverky Holdings Limited (Stock Code: 3322), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the disposal of the entire equity interest in the Target Company as contemplated under the Equity Transfer Agreement where having obtained by the Target Company of the updated business registration license is to be treated as the date of completion
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate amount of RMB33,000,000 payable by the Transferee to the Transferor for the acquisition of the entire equity interest in the Target Company under the Equity Transfer Agreement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 9 June 2023 entered into between the Transferor and the Transferee for the transfer of the entire equity interest (i.e. 100% of the shares of the Target Company) in the Target Company at the Consideration

“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 Third Parties”	parties independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	開平永嘉紡織有限公司 (Kaiping Win Hanverky Textile Co., Ltd.*), a wholly-foreign owned enterprise established under the laws of the PRC which is wholly-owned by the Transferor as at the date of this announcement
“Transfer”	the transfer of the entire equity interest (i.e. 100% of the shares of the Target Company) in the Target Company contemplated under the Equity Transfer Agreement
“Transferee”	佛山市光長基企業管理有限公司 (Foshan Guangchangji Enterprise Management Co., Ltd.*), an enterprise established under the laws of the PRC with limited liability
“Transferor”	Win Hanverky Textile Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“USD” United States dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board
Win Hanverky Holdings Limited
Li Kwok Tung Roy
Chairman

Hong Kong, 9 June 2023

As at the date of this announcement, the Board comprises Mr. Li Kwok Tung Roy, Mr. Lai Ching Ping, Mr. Lee Kwok Leung and Mr. Wong Chi Keung being the executive Directors, and Mr. Kwan Kai Cheong, Mr. Ma Ka Chun and Ms. Chan Kit Fun Fanny being the independent non-executive Directors.

** The relevant English name is only a transliteration of the Chinese name for reference only.*

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.104 has been used for currency translation. Such exchange rate is for illustration purpose only and does not constitute a representation that any amount in RMB has been, could have been or may be converted at such rate or any other rate.