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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)**

### **MAJOR TRANSACTION IN RELATION TO DISPOSAL OF ASSETS**

#### **DISPOSAL AGREEMENT**

The Board announces that on 10 October 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to dispose of, and the Purchaser conditionally agreed to purchase the Target Assets at a total consideration of approximately RMB104,000,000 (equivalent to approximately HK\$111,280,000) (exclusive of value-added tax and subject to a downward adjustment).

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25%, but are all less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. The Company has received a written approval of the Disposal by the Controlling Shareholder, which holds 743,769,967 Shares, representing approximately 57.91% of the total issued Shares as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 1 November 2023.

## DISPOSAL AGREEMENT

A summary of the principal terms and conditions of the Disposal Agreement is set out below:

- Date: 10 October 2023
- Vendor: 皆柏貿易(杭州)有限公司 (Kepac Trading (Hangzhou) Limited\*), an indirect wholly-owned subsidiary of the Company
- Purchaser: 凡尚服飾(上海)有限公司 (Fanshang Apparel (Shanghai) Company Limited\*)
- Subject matter: The Vendor conditionally agreed to sell, assign and novate, and the Purchaser conditionally agreed to acquire and accept the following Target Assets:
- (1) **Inventories:** the apparel products for the fashion brand “*Champion*” procured by the Vendor or its associated companies which have not been sold to or reserved by the customers as at the Completion Date; and
  - (2) **Licensed Stores Assets:** the tenancies of 69 licensed stores for “*Champion*” operated by the Vendor or its associated companies together with the interior renovations, decorations, furniture and equipment therein (not including the staff and inventories of the stores).
- Consideration: The total consideration is approximately RMB104,000,000 (equivalent to approximately HK\$111,280,000) (exclusive of value-added tax and subject to a downward adjustment) which comprises:
- (1) the consideration for the Inventories of approximately RMB89,000,000 (equivalent to approximately HK\$95,230,000) (inclusive of handling fees and tariff); and
  - (2) the consideration for the Licensed Stores Assets of approximately RMB8,000,000 (equivalent to approximately HK\$8,560,000), plus a mark-up of approximately RMB7,000,000 (equivalent to approximately HK\$7,490,000).

The total consideration was determined after arm's length negotiation between the parties on normal commercial terms with reference to the net book amount of the Target Assets of approximately RMB133,000,000 (equivalent to approximately HK\$142,310,000) as at the Latest Book Close Date.

The final amount of the total consideration will be adjusted downward based on (i) the amount of Inventories after stock-taking of the Inventories (taking into account the amount of Inventories to be sold during the period from the Latest Book Close Date until Completion); and (ii) the amount of Licensed Stores Assets (transfers of which could be completed). If the transfers of certain licensed stores could not be completed, the amount of Licensed Stores Assets of such licensed stores together with the proportionate mark-up shall be deducted from the total consideration accordingly.

Payment schedule: The total consideration shall be payable by the Purchaser to a bank account designated by the Vendor in the following manner:

- (1) RMB10,000,000 (equivalent to approximately HK\$10,700,000) shall be payable within 5 business days after signing the Disposal Agreement, which shall be applied as partial payment of the consideration at Completion; and
- (2) the balance of the total consideration shall be paid in the following manner:
  - (a) in respect of the Inventories,
    - (i) 30% of the consideration for the Inventories shall be paid within 7 days after Completion;
    - (ii) 50% of the consideration for the Inventories (after deducting the prepayment of RMB10,000,000 as set out in (1) above) shall be paid on the last day of the month which Completion takes place;

- (iii) if there are any licensed stores that could not be transferred by 31 December 2023, an amount equivalent to 20% of the consideration for the Inventories times the proportionate number of licensed stores that could not be transferred by 31 December 2023 will be withheld and deducted from the 20% of the consideration for the Inventories, and the remaining balance of the 20% of the consideration for the Inventories shall be paid by 31 December 2023;
  - (iv) on the last day of the months which the transfers of any remaining licensed stores have been completed, the Purchaser shall pay the vendor the corresponding withheld amount for such licensed stores; and
- (b) in respect of the Licensed Stores Assets, on the last day of the months which the transfers of any licensed stores have been completed, including completing the changes of relevant business registration (if required), the novation of existing tenancies or entering into new tenancies and other relevant completion logistics and completion of renovation (if required), the amount of Licensed Stores Assets of such licensed stores being transferred and the corresponding mark-up shall be paid by the Purchaser to the Vendor.

Conditions precedent:

The Disposal is conditional upon the fulfilment or waiver of the following conditions precedent:

- (1) the Company having obtained the shareholders' approval for the Disposal in accordance with the Listing Rules;
- (2) the Vendor and the Purchaser having obtained all necessary third-party approvals for the Disposal, including but not limited to, the written approval from the brand owner for the Disposal and the transfer of rights and obligations under the distributorship agreement entered into with the brand owner, and such approvals and the conditions of such approvals (if any) having been fulfilled or waived and remaining in full force and effect at the time of Completion.

The parties may negotiate in good faith to waive condition precedent (2) above in part or in full.

As at the date of this announcement, condition precedent (1) above has been satisfied.

Completion: Subject to the conditions precedent having been fulfilled or waived, the Vendor having obtained written confirmations from the landlords on the novation of the tenancies of 60 licensed stores on the same terms or such other terms as agreed by the Purchaser (which could be waived by the parties in whole or in part), Completion shall take place on 1 November 2023. The parties may at any time negotiate in good faith to extend the Completion Date, but in any event no later than 31 December 2023.

## **INFORMATION ON THE PARTIES**

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

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is an authorised distributor of the fashion brand “*Champion*” in the PRC and is principally engaged in the retailing of fashion products.

The Purchaser is a company established in the PRC with limited liability. It is an authorised distributor of “*Champion*” in the PRC and is principally engaged in the trading of apparel and accessories products.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, (i) the Purchaser is a wholly-owned subsidiary of Belle Fashion Group which is principally engaged in the sale of fashion footwear and apparel in the PRC; (ii) Belle Fashion Group is ultimately owned and/or controlled as to 46.36% by Wisdom Man Ventures Limited (a limited liability company incorporated in the British Virgin Islands and indirectly owned by certain directors and senior management of Belle Fashion Group), 44.48% by Hillhouse Fund III, L.P., and 9.16% by CDH Fund V, L.P.; and (iii) the Purchaser and its ultimate beneficial owners are third parties independent of the Group and its connected persons.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Both the Vendor and the Purchaser are the authorised distributors of the fashion brand “*Champion*” in the PRC. As the distributorship of “*Champion*” in the PRC is non-exclusive and the Vendor is not the operator of the online stores of such brand in the PRC, it is particularly unfavourable to the Vendor during the head-to-head competition with other distributor. In addition, the recovery of customer demand was not as strong as expected despite the cessation of all COVID-19 related control measures in the PRC market in the first half of 2023. As a result, the performance of the licensed stores of “*Champion*” in the PRC was not satisfactory and significantly lower than other brands operated by the Vendor. The Group suffered huge operating losses from the operation of “*Champion*” in the PRC of approximately HK\$52,000,000 for the year ended 31 December 2022 and approximately HK\$34,000,000 for the six months ended 30 June 2023. Pursuant to the Disposal Agreement, the Vendor shall transfer the Target Assets to the Purchaser. The Vendor will cease to operate licensed stores of “*Champion*” after the Completion.

The Board considers that the Disposal would represent an opportunity for the Group to cut losses of its operation of “*Champion*” in the PRC and to clear aged inventories. Furthermore, the net proceeds from the Disposal will provide the Group with cash inflow which will improve and strengthen the financial position of the Group.

The terms of the Disposal Agreement were determined after arm’s length negotiations between the Vendor and the Purchaser and the Board is of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

The Group is expected to recognise a loss of approximately HK\$16,000,000 as a result of the Disposal, mainly being the difference between the estimated amount of the consideration (after downward adjustment taking into account the estimated amount of Inventories to be sold during the period from the Latest Book Close Date until Completion) of approximately HK\$100,000,000 and the estimated amount of net book value of the Target Assets of approximately HK\$116,000,000 upon Completion. The Group is also expected to recognise a loss of approximately HK\$14,000,000 being the goodwill associated with the ceasing operation. As a result, it is expected that an overall loss (before taxation) of approximately HK\$30,000,000 will be recognised in the Group’s consolidated income statement for the Disposal. The expected losses have not yet been audited or reviewed by the auditor of the Company and the expected losses to be recognised in the consolidated

income statement of the Company may be different subject to the amount of Inventories to be transferred at Completion and the amount of Licensed Stores Assets which could be transferred. Although the Group is expected to recognise an overall loss from the Disposal, the Board is of the view that the Disposal is in the interest of the Company and the Shareholders as a whole for the reasons and benefits mentioned in the section headed “REASONS AND BENEFITS OF THE DISPOSAL” above.

It is estimated that the net proceeds from the Disposal (after deducting the expenses directly attributable thereto) would be approximately HK\$99,000,000. The Group intends to use the net proceeds from the Disposal as general working capital.

### **LISTING RULES IMPLICATIONS**

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To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. The Company has received a written approval of the Disposal by the Controlling Shareholder, which holds 743,769,967 Shares, representing approximately 57.91% of the total issued Shares as at the date of this announcement. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, that is, on or before 1 November 2023.

### **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 under the laws of Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange



“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date of Completion
“Controlling Shareholder”	Quinta Asia Limited, a limited liability company incorporated in the British Virgin Islands and the controlling shareholder of the Company as defined under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the transactions contemplated under the Disposal Agreement for the disposal of the Target Assets from the Vendor to the Purchaser
“Disposal Agreement”	the agreement dated 10 October 2023 entered into between the Vendor and the Purchaser relating to the sale and purchase of the Target Assets
“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 People’s Republic of China
“Inventories”	has the meaning ascribed to it in the paragraph headed “Subject matter” under the section “DISPOSAL AGREEMENT” in this announcement
“Latest Book Close Date”	31 August 2023
“Licensed Stores Assets”	has the meaning ascribed to it in the paragraph headed “Subject matter” under the section “DISPOSAL AGREEMENT” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China



“Purchaser”	凡尚服飾(上海)有限公司 (Fanshang Apparel (Shanghai) Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Belle Fashion Group
“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 Assets”	has the meaning ascribed to it in the paragraph headed “Subject matter” under the section “DISPOSAL AGREEMENT” in this announcement
“Vendor”	皆柏貿易(杭州)有限公司 (Kepac Trading (Hangzhou) Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 10 October 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\$1.07 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.*