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EVER HARVEST GROUP HOLDINGS LIMITED

永豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1549)

MAJOR AND CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND ASSIGNMENT OF SHAREHOLDER'S LOAN

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



THE ACQUISITION AND THE ASSIGNMENT

The Board is pleased to announce that after trading hours of the Stock Exchange on 2 November 2020, Mr. Lau Yu Leung and Madam Tong Hung Sum, being the Vendors, and the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which (i) Mr. Lau Yu Leung and Madam Tong Hung Sum conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company; and (ii) Mr. Lau Yu Leung agreed to assign and the Purchaser agreed to take assignment of the entire amount of the Shareholder's Loan, at an aggregate consideration of HK\$74,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid by cheque by the Purchaser.

LISTING RULES IMPLICATIONS

Major transaction

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected transaction

As at the date of this announcement, each of the Vendors (i.e. Mr. Lau Yu Leung and Madam Tong Hung Sum) is a Director and Controlling Shareholder, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which will be subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Pursuant to the articles of association of the Company and the Listing Rules, a Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his/her associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted. Accordingly, all the executive Directors (namely, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry) and the non-executive Director (namely, Madam Tong Hung Sum) are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam, Eddie Shing Cheuk (whose former name is Kam Leung Ming), all being independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and as to voting.

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve, the Agreement and the transactions contemplated thereunder. Given their interests in the Transaction, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates will abstain from voting for the approval of the Agreements and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the transactions under the Agreement, (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders, (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, (iv) the valuation report issued by the independent valuer on the Property; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy, are expected to be despatched by the Company to the Shareholders and in according with the Listing Rules on or before 23 November 2020.

Completion is subject to fulfilment of the Conditions, and the Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that after trading hours of the Stock Exchange on 2 November 2020, Mr. Lau Yu Leung and Madam Tong Hung Sum, being the Vendors, and the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Agreement, pursuant to which (i) Mr. Lau Yu Leung and Madam Tong Hung Sum conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company; and (ii) Mr. Lau Yu Leung agreed to assign and the Purchaser agreed to take assignment of the entire amount of the Shareholder's Loan, at an aggregate consideration of HK\$74,000,000. In accordance with the terms and conditions of the Agreement, the Consideration will be paid by cheque by the Purchaser.

Summarised below are the principal terms of the Agreement:

THE AGREEMENT

Date: 2 November 2020

Parties: Mr. Lau Yu Leung (as one of the Vendors);

Madam Tong Hung Sum (as one of the Vendors); and

Ever Harvest International Holdings Limited (the Purchaser), an indirect wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Agreement, Mr. Lau Yu Leung and Madam Tong Hung Sum, as the Vendors, conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company. For details, please refer to the paragraph headed "Information of the Target Company" in this announcement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

Assignment of Shareholder's Loan

Pursuant to the Agreement, Mr. Lau Yu Leung agreed to assign and the Purchaser agreed to take assignment of the entire amount of the Shareholder's Loan, which amounted to approximately HK\$34.4 million.

Consideration

The total Consideration for the Acquisition and the Assignment is HK\$74,000,000, among which the amount of HK\$39,600,000 is the consideration for the Acquisition and HK\$34,400,000 is the consideration for the Assignment. In accordance with the terms and conditions of the Agreement, the Consideration will be paid by cheque by the Purchaser to the Vendors (or any person(s) appointed by them) in the following manner:

1. the Purchaser shall pay HK\$9,000,000 to Mr. Lau Yu Leung and HK\$9,000,000 to Madam Tong Hung Sum on the Completion Date or such other date as may be agreed by the Vendors and the Purchaser, as part of the consideration for the Acquisition;
2. the Purchaser shall pay HK\$34,400,000 to Mr. Lau Yu Leung on the day falling on the expiry of six months from the Completion Date or such other date as may be agreed by the Vendors and the Purchaser, as the consideration for the Assignment; and
3. the Purchaser shall pay the balance of HK\$10,800,000 to Mr. Lau Yu Leung and HK\$10,800,000 to Madam Tong Hung Sum on the day falling on the first anniversary of the Completion Date or such other date as may be agreed by the Vendors and the Purchaser, as the remaining consideration for the Acquisition.

The Consideration was determined after arm's length negotiations with reference to, among others:

1. the indicative valuation of the main assets of the Target Company issued by the independent valuer at HK\$75,110,000 as at 30 September 2020;
2. the unaudited reassessed net asset value of the Target Company in an amount of approximately HK\$39.7 million which was determined by adding (i) the increase in the unaudited net assets value of the Target Company in an amount of approximately HK\$44.0 million arising from the indicative valuation of the main assets of the Target Company as assessed by the independent valuer as at 30 September 2020; (ii) the unaudited net liabilities of the Target Company as at 30 September 2020 in the amount of approximately HK\$4.3 million;
3. the amount of Shareholder's Loan in the amount of approximately HK\$34.4 million as at 30 September 2020; and
4. the reasons and benefits of entering into the Transaction as stated under the section headed "Reasons for the Transaction" below.

The Consideration will be financed by internal resources and/or external financing of the Group.

Conditions

Completion is subject to and conditional upon, among others, the fulfilment of the following Conditions:

- (a) the passing of all resolutions by the Independent Shareholders (who are entitled to vote and not required to be abstained from voting under the Listing Rules) at a general meeting of the Company approving the entering into the Agreement by the Group and the performance of the transactions contemplated thereunder in accordance with the relevant provisions in the Listing Rules, the articles of the association of the Company and the applicable laws and regulations in Hong Kong;
- (b) the due execution of all transaction documents in respect of the transactions contemplated under the Agreement;
- (c) the Purchaser having obtained a valuation report on the main assets of the Target Company as assessed by a qualified independent valuer engaged by the Purchaser confirming the value of the main assets of the Target Company is not less than HK\$75,000,000;
- (d) the warranties provided by the Vendors under the Agreement as at the date of the Agreement remaining true, accurate and not misleading as at the Completion Date;
- (e) any necessary consent or approval from any third party (including but not limited to any bank(s)) and any notice required to be given to any third party in respect of the change of control of the Target Company under the Acquisition having been obtained and/or given (if applicable);
- (f) the Target Company not having any event which causes material adverse effect to it;
- (g) the Vendors having provided the Purchaser with the title deeds in respect of the Property and the title documents in respect of the Vehicle as requested by the Purchaser for the Purchaser's due diligence purpose; and
- (h) all necessary approvals, filings, authorisations and consents from any authorities or third parties in respect of the transactions contemplated under the Agreement having been obtained (if applicable).

The Long Stop Date for the fulfillment of the Conditions is 31 December 2020 (or such other date as may be agreed by the Vendors and the Purchaser in writing). If any of the Conditions are not fulfilled on or before the Long Stop Date, the Purchaser is not obliged to complete the Acquisition and the Assignment, and the Agreement may be terminated by written notice by the Purchaser to the Vendors. If Condition (a) is not fulfilled on or before the Long Stop Date, the Agreement may be terminated by the Vendors by written notice to the Purchaser.

Completion

Subject to satisfaction of all the conditions precedent as stated above, Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

Termination

The Purchaser and the Vendors may, at any time prior to the Completion Date, agree in writing to terminate the Agreement before Completion.

If the Purchaser fails to settle the Consideration in full in accordance with the Agreement, the Vendors shall have the right to request the Purchaser to return the Sale Shares and/or assign the Shareholder's Loan back to the Vendors within 60 days or such other time period as may be agreed by the Vendors, and the Vendors shall refund to the Purchaser all amounts of Consideration which have already been received from the Purchaser.

Indemnity

Pursuant to the Agreement, after the Completion Date, the Vendors agree to full indemnify, protect, defend, assume any liability, save and hold harmless the Purchaser from and against any claim, demand, suit, liabilities, penalties, losses, damages, or charges which at any time may be suffered by the Purchaser and/or the Target Company due to:

- (a) any of the representations, warranties and/or covenants set forth in the Agreement being untrue, inaccurate or misleading on or before the Completion Date; or
- (b) any breach of obligations on the part of the Vendors under the Agreement or any of the transaction documents in respect of the Transaction.

INFORMATION OF THE GROUP

The Group is principally engaged in rendering sea freight transportation and freight forwarding services in Hong Kong and in the PRC.

The Purchaser is a company established in Hong Kong, an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability on 24 May 2011. It is principally engaged in the business of property holding.

As at the date hereof, the entire issued share capital of the Target Company is owned as to 50% by Mr. Lau Yu Leung and 50% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

Main assets held by the Target Company

As at the date of this announcement and upon Completion, the Target Company owns and shall own (i) the Property, which comprises the office located at 28th Floor, the car parking spaces Nos. P53 & P55 on the 9th Floor and No. P2 on the 3rd Floor, of Excel Centre, No. 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong; and (ii) the Vehicle.

The original investment cost of the Property and the Vehicle by the Target Company was approximately HK\$44.2 million.

Financial information of the Target Company

Set out below is the financial information of the Target Company for each of the two financial years ended 31 December 2018 and 31 December 2019 according to the audited financial statements of the Target Company:

	For the financial years ended	
	31 December 2018	31 December 2019
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	1,816	1,986
Loss after taxation	1,816	1,986

Set out below is the financial position of the Target Company as at 31 December 2018 and 31 December 2019 according to the audited financial statements of the Target Company:

	As at	
	31 December 2018	31 December 2019
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	34,101	32,627
Net liabilities	(1,155)	(3,141)

All information relating to the Target Company, including information relating its business and its financial information, as disclosed in this announcement are provided by the Vendors and is subject to the audited financial information of the Target Company.

REASONS FOR THE TRANSACTION

The Group intends to explore future prospects in property investments, with a view to realise the Company's development potential and to magnify the Shareholders' return. The Group considered that the recent retreating property market in Hong Kong offers an opportunity for property acquisition by the Group. In view of the fact that the Target Company owns the Property consisting of one office premises and three car parking spaces, the Group believes the Acquisition could enhance its assets portfolio and in turn (i) generate stable and constant stream of rental income for the Group; and (ii) provide capital appreciation potential, which will ultimately benefit the Company and its Shareholders as a whole in the long run. In addition, acquiring the Property can strengthen the Group's asset base available for mortgage or as loan collateral, which can enable the Group to obtain more preferential terms from banks for the Group's financing arrangements for its operation where necessary. Moreover, the Group considers that the Vehicle could be used for the daily travelling usage of the Group's directors, staff and guests.

Having considered above, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the Independent Financial Adviser) are of the view that the Transaction is in the interests of the Group, and the terms of the Agreement (including but not limited to the Consideration) are on normal commercial terms, which are fair and reasonable and in the interests of the Independent Shareholders as a whole.

LISTING RULES IMPLICATIONS

Major transaction

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected transaction

As at the date of this announcement, each of the Vendors (i.e. Mr. Lau Yu Leung and Madam Tong Hung Sum) is a Director and Controlling Shareholder, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which will be subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Pursuant to the articles of association of the Company and the Listing Rules, a Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his/her associate(s) has/have a material interest, and if he/she shall do so he/she vote shall not be counted. Accordingly, all the executive Directors (namely, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry) and the non-executive Director (namely, Madam Tong Hung Sum) are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Agreement and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam, Eddie Shing Cheuk (whose former name is Kam Leung Ming), all being independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Agreement. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder and as to voting.

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve, the Agreement and the transactions contemplated thereunder. Given their interests in the Transaction, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates will abstain from voting for the approval of the Agreements and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the transactions under the Agreement, (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders, (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, (iv) the valuation report issued by an independent valuer on the Property; (v) other information as required to be disclosed under the Listing Rules; and (vi) a notice of the EGM and a form of proxy, are expected to be despatched by the Company to the Shareholders and in according with the Listing Rules on or before 23 November 2020.

Completion is subject to fulfilment of the Conditions, and the Transaction may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of Sale Shares under the Agreement
“Agreement”	the agreement entered into between the Vendors and the Purchaser on 2 November 2020 (after trading hours) in relation to the Acquisition and the Assignment
“Assignment”	the assignment of the Shareholder’s Loan under the Agreement
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in Hong Kong
“Company”	Ever Harvest Group Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Transaction pursuant to the terms and conditions of the Agreement
“Completion Date”	the fifth Business Day after the fulfilment of all the Conditions or on such other date as the Parties may agree in writing pursuant to the Agreement
“Conditions”	the condition(s) precedent to Completion set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendors for the Acquisition and the Assignment
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries from time to time
“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
“Independent Board Committee”	an independent committee of the Board established which comprises all the independent non-executive Directors to advise the Independent Shareholders on Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	all Shareholders other than Mr. Lau Yu Leung, Madam Tong Hung Sum, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry, and those who have a material interest in the Agreements and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2020 (or such other date as may be agreed by the Vendors and the Purchaser in writing)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the property held by the Target Company, details of which are set out in the paragraph headed “Information of the Target Company – Main assets held by the Target Company” in this announcement
“Purchaser”	Ever Harvest International Holdings Limited (永豐國際控股集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Sale Shares”	2 ordinary shares, representing the entire issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder’s Loan”	the entire amount of shareholder’s loan advanced by Mr. Lau Yu Leung to the Target Company in the sum of approximately HK\$34.4 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Eternity Hong Kong Investment Limited (恒和香港投資有限公司), a limited liability company established under the laws of Hong Kong
“Transaction”	collectively, the Acquisition and the Assignment as contemplated under the Agreement
“Vehicle”	a “Bentley” brand private car manufactured in 2015
“Vendor(s)”	Mr. Lau Yu Leung and Madam Tong Hung Sum, each being a Director and Controlling Shareholder
“%”	per cent

By Order of the Board
Ever Harvest Group Holdings Limited
Lau Yu Leung
Chairman

Hong Kong, 2 November 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry as executive Directors; Madam Tong Hung Sum as non-executive Director; Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam, Eddie Shing Cheuk (whose former name is Kam Leung Ming) as independent non-executive Directors.