

23 April 2025

To the Shareholders,

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION: DISPOSAL OF THE ENTIRE
EQUITY INTEREST IN A PRC SUBSIDIARY AND
DISPOSAL OF A HONG KONG PROPERTY;
(2) PROPOSED AMENDMENTS TO THE SECOND AMENDED AND
RESTATED ARTICLES OF ASSOCIATION AND THE ADOPTION OF
THE THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 17 December 2024 and 14 April 2025 which are, respectively, relating to (i) the Disposals which in aggregate constitute a very substantial disposal and a connected transaction of the Company under Chapters 19 and 20 of the GEM Listing Rules; and (ii) the proposed adoption of the Third Amended and Restated Articles of Association.

The purpose of this circular is to provide you with (i) further information on the Disposals; (ii) a letter from the Independent Board Committee in respect of the Disposals; (iii) a letter from the Independent Financial Adviser regarding the Disposals; (iv) the property valuation reports of the Properties; (v) the equity valuation report of the Sale Equity Interest; (vi) the financial information of the Disposal Company; (vii) the unaudited pro forma financial information of the Remaining Group; (viii) other information as required under the GEM Listing Rules; (ix) the Proposed Amendments to the Current Articles and the adoption of the Third Amended and Restated Articles of Association; and (x) a notice of the EGM.

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A PRC SUBSIDIARY AND DISPOSAL OF A HONG KONG PROPERTY

BACKGROUND

Disposal A

As at the Latest Practicable Date:

- (i) the Group was indebted to Purchaser A (a connected person of the Company) for the Amount Due to Purchaser A, which amounted to HK\$24.71 million as at 28 February 2025;
- (ii) the Disposal Company was indebted to Shenzhen 3 Wells (an indirect wholly-owned subsidiary of the Company) for the Sale Loan, which amounted to approximately RMB15.33 million (equivalent to approximately HK\$16.56 million) as at 28 February 2025; and
- (iii) the Disposal Company is the sole legal and beneficial owner of Property A, which is its main asset.

On 17 December 2024 (after trading hours), the Company and Vendor A entered into Sale and Purchase Agreement A with Purchaser A, pursuant to which Vendor A conditionally agreed to sell, and Purchaser A conditionally agreed to purchase (i) the Sale Equity Interest (representing the entire equity interest and actual paid-up registered capital of the Disposal Company); and (ii) the Sale Loan, at the Disposal A's Consideration.

In addition, under Sale and Purchase Agreement A, upon Disposal A's Completion, the Company shall (i) enter into a deed of set-off with Purchaser A in relation to the set-off of an amount equivalent to the Disposal A's Consideration against the outstanding principal amount of the Amount Due to Purchaser A as of the date of Disposal A's Completion; and (ii) procure Shenzhen 3 Wells to enter into a deed of assignment with the Disposal Company and Purchaser A in relation to the assignment of the Sale Loan by Shenzhen 3 Wells to Purchaser A free from all encumbrances and together with all rights and benefits attaching thereto (including the right to demand repayment) as of Disposal A's Completion, such that the Disposal Company is released and discharged of all present and future liabilities and obligations owing to Shenzhen 3 wells.

Disposal B

On 17 December 2024 (after trading hours), Vendor B entered into Sale and Purchase Agreement B with Purchaser B, pursuant to which Vendor B conditionally agreed to sell, and Purchaser B conditionally agreed to purchase Property B at the Disposal B's Consideration.

SALE AND PURCHASE AGREEMENT A

Date : 17 December 2024 (after trading hours)

Parties : (1) the Company;
(2) Vendor A; and
(3) Purchaser A.

Assets to be disposed of

Pursuant to Sale and Purchase Agreement A, Vendor A has conditionally agreed to sell and Purchaser A has conditionally agreed to purchase (i) the Sale Equity Interest, representing the entire equity interest and actual paid-up registered capital of the Disposal Company; and (ii) the Sale Loan.

The Disposal Company is the sole legal and beneficial owner of Property A, which is its main asset.

Consideration and payment terms

The Disposal A's Consideration is RMB18.20 million (equivalent to approximately HK\$19.66 million), which shall be settled by way of set-off of an amount equivalent to the Disposal A's Consideration against the outstanding principal amount of the Amount Due to Purchaser A as of the date of Disposal A's Completion. In the event that the outstanding principal amount of the Amount Due to Purchaser A as of the date of Disposal A's Completion is less than the equivalent of the Disposal A's Consideration, Purchaser A shall pay such a shortfall to Vendor A (or its nominee) in cash.

As at the date of the Latest Practicable Date, the Group was indebted to Purchaser A for the Amount Due to Purchaser A, which is unsecured, interest-free and repayable on demand. As at 28 February 2025, the Amount Due to Purchaser A amounted to approximately HK\$24.71 million.

Basis of consideration

The Disposal A's Consideration was arrived at arm's length negotiations between the parties on normal commercial terms with reference to:

- (i) the valuation of the Sale Equity Interest of RMB2.85 million (equivalent to approximately HK\$3.08 million) as at 31 October 2024, which was substantially derived from the value of Property A of RMB18.20 million (equivalent to approximately HK\$19.66 million) as at 31 October 2024 according to the property valuation by the Independent Valuer, net of the Disposal Company's adjusted total outstanding liabilities of approximately RMB15.35 million (equivalent to approximately HK\$16.58 million) as at 31 October 2024 after taking into consideration the subsequent events as set forth below;

	Approximate actual outstanding liabilities of the Disposal Company as at 31 October 2024 RMB million	Approximate figures of borrowing(s) and repayment(s) made by the Disposal Company in early November 2024 RMB million	Approximate adjusted outstanding liabilities of the Disposal Company as at 31 October 2024 which was adopted for the purpose of the valuation of the Sale Equity Interest RMB million
Amount due to Shenzhen 3 Wells	(14.36)	(0.99)	(15.35)
Amount due to a bank in the PRC	(3.46)	3.46	–
	<u>(17.82)</u>	<u>2.47</u>	<u>(15.35)</u>

- (ii) the principal of the Sale Loan in the amount of approximately RMB15.35 million (equivalent to approximately HK\$16.58 million) as at 31 October 2024;
- (iii) the prospect of having the Amount Due from Purchaser A settled in an amiable manner, thereby reducing the Company's indebtedness level and financial reliance on its controlling shareholders, namely Mr. Cheuk and Mrs. Cheuk; and
- (iv) the prevailing market conditions of the PRC real estate industry.

The basis of valuation of the Sale Equity Interest adopted by the Independent Valuer is fair value, which is defined by the Independent Valuer as the price at which a shareholding of a business or a company would be transferred at arm's length terms between a willing buyer and a willing seller, both having reasonable knowledge of the relevant facts and neither being compelled to buy or sell. In terms of valuation methodology, considering the Disposal Company is an asset holding company, the Independent Valuer has selected the asset approach for the

valuation of the Sale Equity Interest, under which fair values of the assets and liabilities held by the Disposal Company are summed up to arrive at the fair value of the Disposal Company.

Conditions precedent

Disposal A is conditional upon the satisfaction (or waiver, as the case may be) of the following:

- (i) the passing of necessary resolution(s) by the Independent Shareholders at the EGM approving Disposal A and the transactions contemplated under Sale and Purchase Agreement A in accordance with Chapters 19 and 20 of the GEM Listing Rules;
- (ii) all consents, approvals and clearances necessary or expedient for the entering into, delivery and performance of the transaction documents of Disposal A having been obtained;
- (iii) the warranties provided by the parties under Sale and Purchase Agreement A remaining true, accurate and not misleading at Disposal A's Completion; and
- (iv) there having been no Material Adverse Change since the date of Sale and Purchase Agreement A.

Purchaser A may in its absolute discretion waive either in whole or in part at any time by notice in writing to Vendor A any of the conditions precedent, except paragraphs (i) and (ii) above which are not capable of being waived.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived. If any of the conditions is not fulfilled or waived by Purchaser A by the Long Stop Date, Purchaser A shall not be required to proceed with the acquisition of the Sale Equity Interest and the Sale Loan.

Completion

Disposal A's Completion shall take place within ten (10) Business Days from the fulfilment (or waiver, as the case may be) of all the conditions precedent for Disposal A.

Upon Disposal A's Completion:

- (i) the Company, Vendor A and Purchaser A shall enter into a deed of set-off in relation to the set-off of an amount equivalent to the Disposal A's Consideration against the outstanding principal amount of the Amount Due to Purchaser A as of the date of Disposal A's Completion; and
- (ii) the Company shall procure Shenzhen 3 Wells to enter into a deed of assignment with the Disposal Company and Purchaser A in relation to the assignment of the Sale Loan by Shenzhen 3 Wells to Purchaser A free from all encumbrances and together with all rights and benefits attaching thereto (including the right to demand repayment) as of Disposal A's Completion, such that the Disposal Company is released and discharged of all present and future liabilities and obligations owing to Shenzhen 3 wells.

The terms as set out in paragraphs (i) and (ii) above are contractually binding on the parties pursuant to Sale and Purchase Agreement A. Respective parties are obliged to enter into or procure to enter into the abovementioned deeds (as the case may be) upon Disposal A's Completion.

SALE AND PURCHASE AGREEMENT B

Date : 17 December 2024 (after trading hours)

Parties : (1) Vendor B; and
(2) Purchaser B.

Asset to be disposed of

Pursuant to Sale and Purchase Agreement B, Vendor B has conditionally agreed to sell and Purchaser B has conditionally agreed to purchase Property B.

Consideration and payment terms

The Disposal B's Consideration is HK\$16.40 million and shall be paid by Purchaser B to Vendor B (or its nominee) by cash in the following manner:

- (i) the first tranche of the Disposal B's Consideration in the sum of HK\$1.64 million upon passing of necessary resolution(s) by the Independent Shareholders at the EGM approving Sale and Purchase Agreement B and the transactions contemplated thereunder; and
- (ii) the remaining balance in the sum of HK\$14.76 million upon Disposal B's Completion.

Basis of consideration

The Disposal B's Consideration was arrived at arm's length negotiations between the parties on normal commercial terms with reference to (i) the valuation of Property B of HK\$16.40 million as at 31 October 2024 according to the valuation by the Independent Valuer; and (ii) the prevailing market conditions of the Hong Kong real estate industry.

Conditions precedent

Disposal B's Completion is subject to the fulfilment of the following conditions precedent under Sale and Purchase Agreement B:

- (i) Vendor B having proved the good title to Property B in accordance with Section 13 of the CPO and delivered to Purchaser B title deeds and documents in accordance with Section 13A of the CPO and the terms of Sale and Purchase Agreement B;
- (ii) the passing of necessary resolution(s) by the Independent Shareholders at the EGM approving Disposal B and the transactions contemplated under Sale and Purchase Agreement B in accordance with Chapters 19 and 20 of the GEM Listing Rules;
- (iii) all consents, approvals and clearances necessary or expedient for the entering into, delivery and performance of the transaction documents of Disposal B having been obtained; and
- (iv) the warranties provided by the parties under Sale and Purchase Agreement B remaining true, accurate and not misleading at Disposal B's Completion.

Purchaser B may in its absolute discretion waive either in whole or in part at any time by notice in writing to Vendor B any of the conditions precedent, except paragraphs (i) and (ii) above which are not capable of being waived. As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

If any of the conditions is not fulfilled or waived by Purchaser B by the Long Stop Date, Purchaser B shall not be required to proceed with the acquisition of Property B and shall be entitled to demand the return of any considerations paid.

Mortgage and charges

Property B is currently subject to a mortgage in favour of a Hong Kong licensed bank as security for certain term loans and revolving loans granted to the Group. Pursuant to Sale and Purchase Agreement B, Vendor B shall at its own costs and expenses prepare and procure the execution of the release and/or discharge of the existing mortgage over Property B on or before Disposal B's Completion.

Completion

Disposal B's Completion shall take place within ten (10) Business Days from the fulfilment (or waiver, as the case may be) of all the conditions precedent for Disposal B.

INFORMATION ON THE GROUP AND THE PARTIES

The Group

The Company is an investment holding company and the Group is principally engaged in the 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.

Vendor A and Vendor B

Vendor A, Creative Profit Investment Limited (意利投資有限公司), is a limited liability company incorporated in Hong Kong on 22 May 2008 and an indirect wholly-owned subsidiary of the Company with principal business of investment holding.

Vendor B, Cheer China Group Holdings Limited (致華集團控股有限公司), is a limited liability company incorporated in Hong Kong on 3 August 2011 and an indirect wholly-owned subsidiary of the Company with principal business of investment holding.

Purchaser A and Purchaser B

Purchaser A, Billion Riches Limited (品億有限公司), is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. Purchaser A is wholly-owned by Propulsive Future Group Limited, a company incorporated in the British Virgin Islands, which is in turn owned by Mr. Cheuk and Mrs. Cheuk in equal shares.

Purchaser B, Multiple Yield Limited (萬茂有限公司), is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. Purchaser B is wholly-owned by Mr. Cheuk and Mrs. Cheuk in equal shares.

Mr. Cheuk is the chairman of the Board, the chief executive officer of the Company and an executive Director. Mrs. Cheuk is an executive Director and the spouse of Mr. Cheuk.

INFORMATION ON THE DISPOSAL COMPANY AND THE PROPERTIES

The Disposal Company

The Disposal Company is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company immediately prior to Disposal A's Completion. The Disposal Company is principally engaged in the business of property investment and is the sole legal and beneficial owner of Property A, which is its main asset.

For the three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024, the audited financial information of the Disposal Company is as follows:

	For the year ended 31 December		
	2024	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue ^(Note)	1,225	1,262	2,542
Loss before taxation	(9,892)	(1,622)	(649)
Loss for the year	(9,892)	(1,622)	(649)

Note: The revenue generated for the two financial years ended 31 December 2022 and 31 December 2023 represents the rental income from Property A, which has been leased to the Remaining Group for its office and warehouse use.

The significant increase in rental income from Property A in 2022 was substantially attributable to the Group's decision in 2021 to defer the entire year's rent payable to the Disposal Company, due to the impact of the pandemic on market conditions and the business environment. As a result, Property A's rental income for 2021 was not received by the Disposal Company until 2022. This deferred rental income from 2021 contributed to the 2022 figures instead, causing the revenue for 2022 to be about twice that of 2023.

The unaudited net assets of the Disposal Company valued at approximately RMB2.85 million (equivalent to approximately HK\$3.08 million) as at 31 October 2024.

Property A

Property A comprises Units 801, 802 and 803 on 8th Floor situated at Block 1, Innovation Wisdom Port, Huangpu Nandong Ziran Village, Shajing Town, Baoan District, Shenzhen City, the PRC (中國深圳市寶安區沙井鎮黃埔南洞自然村創新智慧港產業院1棟8層801, 802及803室), with total gross area of approximately 1,034 sq. m..

Property A is currently used by the Group as its office and warehouse.

According to the property valuation reports prepared by the Independent Valuer, the market value of Property A amounted to RMB18.20 million (equivalent to approximately HK\$19.66 million) as at 31 October 2024 and 28 February 2025.

After selling the Disposal Company together with Property A to Purchaser A, the Remaining Group will consider the then market conditions and its own operational needs to decide whether to lease back Property A or relocate to another premises for office and warehouse purposes. The Company will closely monitor its position and will publish announcement(s) as and when necessary to disclose any matters that need to be brought to the attention of the Shareholders and the Stock Exchange in accordance with Chapters 19 and 20 of the GEM Listing Rules.

Property B

Property B is a residential house unit situated at House No. 20, Greenery Gardens, No. 3 Fairview Park Boulevard, Yuen Long, New Territories, Hong Kong, with a gross floor area of approximately 2,568 sq. ft..

According to the property valuation reports prepared by the Independent Valuer, the market value of Property B amounted to HK\$16.40 million and HK\$15.90 million as at 31 October 2024 and 28 February 2025, respectively.

Property B has been held by the Group since 2012 for investment purpose and currently rented out for rental income. Property B will be sold to Purchaser B with the existing tenancy. The unaudited profit or loss generated from the rental income of Property B for each of the three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 is as follows:

	For the year ended 31 December		
	2024	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	419	360	360
Loss before taxation	(415)	(684)	(459)
Loss for the year	(415)	(684)	(459)

Property B is currently subject to a mortgage in favour of a Hong Kong licensed bank as security for certain term loans and revolving loans granted to the Group. The mortgage over Property B will be discharged through repayment of the aforesaid loans by Vendor B upon receipt of the consideration from Purchaser B at Disposal B's Completion.

Valuation of the Properties

Based on the valuation reports prepared by the Independent Valuer for the Properties as of 31 October 2024, being the latest valuation reports available to the parties to each of Sale and Purchase Agreement A and Sale and Purchase Agreement B at the time of signing, the valuations of Property A and Property B amounted to RMB18.20 million (equivalent to approximately HK\$19.66 million) and HK\$16.40 million, respectively.

When assessing the fairness and reasonableness of the fair value of the Properties, the Directors have reviewed the valuation reports of the Properties and discussed with the Independent Valuer regarding the methodologies adopted for and the basis and assumptions used in arriving at the fair value of the Properties. During the discussion, the Directors understood that, when performing the valuations of the Properties, the Independent Valuer adopted the market approach which provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. They applied the direct comparison method of valuation and made comparisons based on actual sales transactions and/or offering of comparable properties. The Directors have also reviewed the assumptions adopted in the valuations of the Properties and have been advised that the valuation assumptions adopted are usual assumptions adopted by a professional valuer for such assets or entity. For further details of the methodology and assumptions adopted by the Independent Valuer, please refer to the full text of the respective valuation reports of the Properties as set out in Appendices V, VI, VIII and IX to this circular.

After reviewing the valuation reports of the Properties and discussing with the Independent Valuer, the Directors (save for Mr. Cheuk and Mrs. Cheuk) concluded that no material factors have been identified which cause the Board to doubt the fairness and reasonableness of the principal bases and assumptions adopted for or information used in the valuation of fair value of the Properties.

In view of the aforesaid, the Directors (save for Mr. Cheuk and Mrs. Cheuk) were satisfied that the valuation reports of the Properties, including the valuation approach and assumptions adopted, are fair and reasonable.

FINANCIAL EFFECT OF THE DISPOSALS

Disposal A

Upon Disposal A's Completion, the Disposal Company will cease to be a subsidiary of the Company and the financial results of the Disposal Company will no longer be consolidated into the financial statements of the Group.

Assuming the outstanding principal amount of the Amount Due to Purchaser A as at the date of Disposal A's Completion equals to or is greater than the equivalent of the Disposal A's Consideration, Disposal A will not generate any new cash funding for the Company. For illustrative purposes, taking into account (i) the Disposal A's Consideration of RMB18.20

million (equivalent to approximately HK\$19.66 million) and net of the estimated expenses and tax expenses in relation to Disposal A of approximately HK\$0.39 million; (ii) the Sale Loan in the amount of approximately RMB15.33 million (equivalent to approximately HK\$16.56 million) as at 28 February 2025; and (iii) the unaudited net asset value of the Disposal Company as stated in the unaudited management accounts of the Disposal Company as at 31 October 2024 in the amount of approximately RMB2.85 million (equivalent to approximately HK\$3.08 million), the Group is expected to recognize a loss on Disposal A of approximately HK\$0.37 million. The actual figures will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount.

Disposal B

For illustrative purposes, taking into account (i) the consideration for Disposal B of HK\$16.40 million and net of the estimated expenses and tax expenses in relation to Disposal B of approximately HK\$0.39 million; and (ii) the carrying value of Property B as stated in the unaudited management accounts of Vendor B as at 28 February 2025 the amount of approximately HK\$15.90 million, the Group is expected to recognize a gain on Disposal B of approximately HK\$0.11 million. The actual figures will be subject to audit by the auditors of the Company and therefore may be different from the aforementioned amount.

The net proceeds from Disposal B (after expenses of approximately HK\$0.39 million) is estimated to be approximately HK\$16.01 million. The remaining of the net proceeds, after the release and discharge of the existing charge over Property B of approximately HK\$9.60 million, is estimated to be approximately HK\$6.41 million, which will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group is principally engaged in the 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.

Financial position of the Group

As disclosed in the Company's announcement dated 31 March 2025 of its annual results for the year ended 31 December 2024, as at 31 December 2024, the Group had outstanding borrowings (including bank overdrafts, bank borrowings and loan from a related company (under liabilities classified as held for sale)) with an aggregate amount of approximately HK\$82.2 million. As at 31 December 2024, the gearing ratio of the Group calculated by total borrowings (including bills payables, bank overdrafts, bank borrowings, loan from a related company (under liabilities classified as held for sale) and lease liabilities) less cash and bank balances as a percentage of total equity was approximately 817.34%.

Upon completion of the Disposals, it is estimated that the Group would recognize a gain on disposal of a subsidiary and gain on disposal of a property amounting to approximately HK\$5.91 million and HK\$0.3 million, respectively, for the year ended 31 December 2024 as if Disposal A and Disposal B had been completed on 31 December 2024. The relative net cash inflows (after deducting direct transaction costs and repayment of loans) from the Disposals are in total of approximately HK\$16.32 million for the year ended 31 December 2024. The net proceeds from the Disposals will be utilized to repay part of bank borrowings and the remaining will be used for Group's working capital. As a result, the Group's liquidity position will be improved and the gearing ratio will reduce to about 142.63%.

Conditions of the PRC and Hong Kong real estate markets

During the past few years, the business environment in the PRC real estate industry has been challenging. Under the macro policy of "housing is for living rather than speculation" and "Three Red Lines", in late 2020 and early 2021, the PRC government successively introduced regulatory policies such as "Management of Concentration of Real Estate Loan" and "Two Concentrations of Land Supply" to limit the over-expansion of the real estate industry in the PRC. Being affected by the regulatory policies, the risks of high-leverage operations of some real estate companies had gradually surfaced, and the industry's financing channels were experiencing overall shrinkages. At the same time, the continued simmering of the liquidity crisis has aggravated the wait-and-see attitude of property buyers, capital market participants and other market participants, and the lack of willingness to buy property has deteriorated the real estate sales. By mid-2024, both the new and second-hand property markets remained under cold sentiment, resulting in the intensified downward pressure on property prices. While the PRC government has launched a series of measures to support the real estate industry, including speeding up of bank lending for unfinished developments and loosening of lending conditions, in September and October 2024, the actual effect of these measures will remain to be observed.

Similarly, the Hong Kong property market continues to face significant downward pressure from first-hand price reductions, high interest rates and economic uncertainty, with preowned residential property prices falling to their lowest level in eight years as of mid-2024. According to a research conducted by Knight Frank Hong Kong published in August 2024, home prices decreased by 13.1% year-on-year in June, based on data from the Rating and Valuation Department of Hong Kong. While the market briefly showed signs of recovery following the relaxation of property market controls earlier in the year, this resurgence was short-lived. The ongoing decline in transaction volumes further highlights the subdued market conditions, with significant reductions in both sales value and activity in the secondary market.

After a regular review of the Group's business operation and its investment portfolio and considering the prevailing conditions in the PRC and Hong Kong real estate markets, the Company is of the view that Property A (being use as office and warehouse) and Property B (being leased out for rental income) are non-core investments, which are expected to have limited chances of substantial value appreciation having regard to the prevailing market conditions.

Taking into consideration (i) the Amount Due to Purchaser A which stood at approximately HK\$24.71 million as at 28 February 2025; (ii) the prevailing conditions and unstable future outlook in the property markets in the PRC and Hong Kong; and (iii) the current financial, indebtedness and liquidity position of the Group, the Board is of the opinion that the Disposals represent a good opportunity for the Group to realise the value of the Properties at a reasonable price to allow the Group to reduce its indebtedness and finance costs and mitigating its liquidity pressure. In addition, the net proceeds from the Disposals could increase the reserve of working capital in supporting the Group's operations and expansions. While the Company currently has no specific plans for the Group's expansion, it remains open to potential opportunities that may arise in the future. Should the Company decide to pursue expansion, it will carefully utilise the proceeds to ensure the alignment with the Group's long-term objectives and the overall interests of the Company and the Shareholders.

In view of the above, the Directors believe that the terms of the Disposals are fair and reasonable and in the interests of the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Since the Sale and Purchase Agreements were entered into within a 12-month period (or are otherwise related) by the Group with the same parties, Disposal A and Disposal B are required to be aggregated as a series of transactions pursuant to Rules 19.22, 19.23, 20.79 and 20.80 of the GEM Listing Rules. As one or more of the applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Disposals, on an aggregated basis, exceeds 75%, the Disposals constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules.

In addition, each of Purchaser A and Purchaser B is owned by Mr. Cheuk and Mrs. Cheuk in equal shares. Mr. Cheuk is the chairman of the Board, the chief executive officer of the Company and an executive Director. Mrs. Cheuk is an executive Director and the spouse of Mr. Cheuk. Each of Mr. Cheuk and Mrs. Cheuk owns 50% of Million Easy, which in turn holds 51.0% of the issued share capital of the Company. Accordingly, each of Mr. Cheuk and Mrs. Cheuk is a substantial shareholder and controlling shareholder (as defined under the GEM Listing Rules) of the Company. As such, under Chapter 20 of the GEM Listing Rules, each of Purchaser A and Purchaser B is a connected person of the Company. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposals, on an aggregated basis, are greater than 5%, the Disposals constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Disposals are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under the GEM Listing Rules.

Each of Mr. Cheuk and Mrs. Cheuk has abstained from voting on the relevant board resolution(s) of the Company in view of their interests in the Disposals by virtue of their respective interests and/or relationships with Purchaser A and Purchaser B. Save for the aforesaid, as at the Latest Practicable Date, no other Director had a material interest or conflict of role in the Disposals or has abstained from voting on the relevant board resolution(s).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all independent non-executive Directors, namely, Mr. Yu Sau Ning Homer, M.H., Ms. Yee Wai Fong Wendy and Mr. Yip Yat Lam) has been established to advise the Independent Shareholders in respect of the Disposals and how to vote at the EGM. Merdeka Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. The text of the letter from the Independent Board Committee and the text of the letter from the Independent Financial Adviser are set out on pages 24 to 25, and pages 26 to 52 of this circular, respectively.

(2) PROPOSED AMENDMENTS TO THE SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION AND THE ADOPTION OF THE THIRD AMENDED AND RESTATED ARTICLES OF ASSOCIATION

As disclosed in the Company's announcement dated 14 April 2025, the Board proposed that the Company adopts the Third Amended and Restated Articles of Association in substitution for, and to the exclusion of, the Current Articles in order to (i) bring the Current Articles in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the relevant amendments made to the GEM Listing Rules; (ii) provide the Company with more flexibility in the manner of holding general meeting by allowing general meetings to be convened and held by way of physical meetings, hybrid meetings or solely by electronic means; (iii) allow the Company to hold repurchased shares in treasury for future resale; and (iv) make some housekeeping amendments. Full particulars of the Proposed Amendments are set out in Appendix IX to this circular. The Proposed Amendments are prepared in the English language and the Chinese translation is for reference only. In case of any discrepancy or inconsistency between the English version and its Chinese translation of the Proposed Amendments, the English version shall prevail.

The legal advisers to the Company as to Hong Kong laws have confirmed that the Proposed Amendments conform with the applicable requirements under the GEM Listing Rules. The legal advisers to the Company as to the laws of the Cayman Islands have confirmed that the Proposed Amendments do not violate the applicable laws of the Cayman Islands. In addition, the Company has confirmed that there is nothing unusual in the Proposed Amendments from the perspective of a company listed on the Stock Exchange.

The proposed adoption of the Third Amended and Restated Articles of Association is subject to the approval of the Shareholders by way of special resolutions at the EGM and will become effective upon the approval by the Shareholders at EGM.

(3) EGM

The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. The EGM will be held at Units 3, 5 and 6, 15/F, Tower One, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong at 11:00 a.m. on Thursday, 15 May 2025,

during which (i) ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Disposals and the transactions contemplated under the Sale and Purchase Agreements; and (ii) special resolutions will be proposed to the Shareholders to approve the Proposed Amendments and the proposed adoption of the Third Amended and Restated Articles of Association.

Pursuant to the Company's articles of association and Rule 17.47(4) of the GEM Listing Rules, all the resolutions to be proposed at the EGM will be voted by way of poll. After the conclusion of the EGM, the results of the poll will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hanveygroup.com.hk.

Shareholder with a material interest in the Disposals and the transactions contemplated under the Sale and Purchase Agreements shall not vote on the relevant resolutions at the EGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for Million Easy (holding 126,225,000 Shares (representing 51.0% of the total issued Shares) as at the Latest Practicable Date) and its associates who shall abstain from voting on the relevant resolutions to approve each of the Disposals and the respective transactions contemplated under each of the Sale and Purchase Agreements, no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A form of proxy for use at the EGM is enclosed. To be valid, the proxy form must be completed and deposited in accordance with the instructions thereon to Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). Completion and delivery of the proxy form shall not preclude you from attending and voting in person at the EGM, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed during the period from Monday, 12 May 2025 to Thursday, 15 May 2025 (both dates inclusive), during which period no transfer of share(s) will be effected. In order to qualify for attending and voting at the EGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 May 2025.

(4) RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms of each of the Sale and Purchase Agreements are on normal commercial terms or better, and are fair and reasonable, and that the Disposals, the Proposed Amendments and the adoption of the Third Amended and Restated Articles of Association are in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Disposals and the

transactions contemplated under each of the Sale and Purchase Agreements, and recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Proposed Amendments and the adoption of the Third Amended and Restated Articles of Association.

(5) ADDITIONAL INFORMATION

Disposal A's Completion and Disposal B's Completion are conditional upon satisfaction of the conditions precedent under Sale and Purchase Agreement A and Sale and Purchase Agreement B, respectively. As such, the Disposals may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the securities of the Company.

Your attention is also drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, respectively, and the appendices to this circular.

By order of the Board

HANVEY GROUP HOLDINGS LIMITED



Cheuk Sin Cheong Clement

Chairman, Chief Executive Officer and Executive Director