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VISIONS AHEAD

HANNY HOLDINGS LIMITED

錦興集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 275)

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF SMARTMEDIA LTD.;
AND
(2) RESUMPTION OF TRADING**

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 29 May 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company) and Dr. Yap entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and Dr. Yap has conditionally agreed to sell, the Sale Share and the Sale Loan at a maximum consideration of HK\$184,400,008.

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its accounts will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As an applicable percentage ratio for the Acquisition exceeds 25% but is below 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As Dr. Yap is a connected person of the Company and a party to the Acquisition Agreement, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

* *for identification purpose only*

The Independent Board Committee, comprising Mr. Kwok Ka Lap, Alva, Mr. Poon Kwok Hing, Albert and Mr. Sin Chi Fai, being all the independent non-executive Directors, has been established to give recommendation to the Independent Shareholders in respect of the Acquisition. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group and the Target; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iv) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (v) the valuation report of the Property; and (vi) the notice of SGM, is expected to be despatched to the Shareholders on or before 24 July 2015 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 29 May 2015, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 June 2015.

The Board is pleased to announce that on 29 May 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company) and Dr. Yap entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and Dr. Yap has conditionally agreed to sell, the Sale Share and the Sale Loan at a maximum consideration of HK\$184,400,008. Details of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date

29 May 2015

Parties

- (i) Precise Skill Investments Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser; and
- (ii) Dr. Yap, as the vendor.

Dr. Yap is the chairman of the Company, an executive Director and a substantial Shareholder. As such, he is regarded as a connected person of the Company under the Listing Rules.

Assets to be acquired

(i) The Sale Share, representing the entire issued share capital of the Target; and
(ii) the Sale Loan, representing all amount due and owing from the Target to Dr. Yap immediately before Completion, both of which shall be acquired free from all encumbrances and together with all rights now or thereafter attaching thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid in respect thereof at any time on or after the date of the Acquisition Agreement.

Consideration

The aggregate consideration for the Sale Share and the Sale Loan shall be paid by the Purchaser to Dr. Yap in cash upon Completion. The consideration for the Sale Share shall be HK\$8 and the consideration for the Sale Loan shall be equivalent to its face value immediately prior to Completion, which amount shall not exceed HK\$184,400,000.

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and Dr. Yap with reference to (i) the latest financial position of the Target; (ii) the cost of approximately HK\$15.5 million incurred for acquisition of the Property under the Provisional Agreement; and (iii) the preliminary valuation of the Property of approximately HK\$170.0 million as at 29 May 2015 by an independent valuer. The Acquisition will be funded by the internal resources of the Group and/or other borrowings.

Conditions precedent

Completion is conditional upon the following conditions:

- (a) the Purchaser being satisfied with the due diligence review on the Target and the Property;
- (b) the warranties given by Dr. Yap under the Acquisition Agreement remaining true and accurate and not misleading in any respect at all times from the date of the Acquisition Agreement;
- (c) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder; and
- (d) all other necessary consent from third parties (including governmental or official or regulatory authorities) and all other necessary consents and approvals required pursuant to any legal or regulatory requirement in respect of the transactions contemplated under the Acquisition Agreement having been obtained.

Dr. Yap and the Purchaser shall use their best endeavours to procure fulfilment of the above conditions at or before 4:00 p.m. on 30 October 2015 unless waived by the Purchaser. The Purchaser may, in its absolute discretion, waive the conditions (a) and (b) at any time by notice in writing to Dr. Yap. Save for the aforesaid, none of the above conditions can be waived in any circumstances.

If the Purchaser has notified Dr. Yap in writing it is not satisfied with the due diligence review, or if any of the above conditions has not been satisfied (or waived, as the case may be) on or before 30 October 2015, Dr. Yap and the Purchaser shall not be bound to proceed with the Acquisition, and the Acquisition Agreement shall cease to be of any effect and neither party shall have any obligations thereunder save for any antecedent breach of the Acquisition Agreement.

Completion

Completion shall take place on the third Business Day after the above conditions have been fulfilled (or waived, as the case may be) or such other date as the Purchaser may agree. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its accounts will be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET AND THE PROPERTY

Dr. Yap is the legal and beneficial owner of the Target, which is a company incorporated in BVI with limited liability on 8 February 2000. The Target is an investment holding company with authorised share capital of US\$50,000.00 and issued share capital of US\$1.00 as at the date of this announcement. The original investment cost of the Target by Dr. Yap was US\$1.00. The Target has not carried out any business activity for the two financial years ended 31 March 2014 and 2015, accordingly, the Target did not generate any revenue and incur any expense for the two financial years ended 31 March 2014 and 2015. The unaudited net assets of the Target amounted to HK\$8.00 as at 28 May 2015. As at the date of the Acquisition Agreement, the Target is indebted to Dr. Yap in the aggregate amount of HK\$7,999,992. Pursuant to the Acquisition Agreement, all amount of the shareholder's loan of the Target has been and will be used for the Property Acquisition.

On 28 May 2015, the Target entered into a provisional agreement (the “**Provisional Agreement**”) for sale and purchase of the Property with Right Union Development Limited, an independent third party, at the consideration of HK\$168,880,000. The aforesaid sale and purchase of the Property (the “**Property Acquisition**”) shall be completed on or before 30 September 2015. As at the date of the Acquisition Agreement, a preliminary deposit of HK\$8,000,000 has been paid by the Target pursuant to the Provisional Agreement as initial deposit and part payment of the consideration. Pursuant to the Provisional Agreement, HK\$8,888,000 is payable by the Target as further deposit and part payment of the consideration on 4 June 2015, and the balance of HK\$151,992,000 is payable by the Target upon completion of the Property Acquisition on 30 September 2015.

It is expected that the Property will be the sole asset of the Target upon completion of the Property Acquisition. The Property is located at 41/F, “15 Chong Yip Street”, Nos. 13, 15, 17 & 19 Chong Yip Street, Kowloon, Hong Kong. The Property is for office use with gross floor area of 12,316 square feet and is currently vacant.

Save for the deposits paid by the Target under the Provisional Agreement and the shareholder’s loan provided by Dr. Yap to the Target, the Target has no other material assets or liabilities as at the date of the Acquisition Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in trading of securities, industrial water supply business, property development and trading and other strategic investments.

The Group had approximately 110 employees as at 30 April 2015 and has been leasing premises for use as its offices. As the lease of the head office of the Group under the current tenancy agreement will expire on 17 July 2016, the Property is intended to be held by the Group for its own use as office. The rental costs of the Group are approximately HK\$4.0 million per annum. The Board considers that the purchase of the Property (through the Target) is beneficial to the Group as it allows the Group to save rental costs from a long-term perspective. Also, the Group expects a value appreciation of the Property in considering the current commercial property market.

In making the decision to enter into the Acquisition Agreement with Dr. Yap, the management of the Company had considered the alternative to acquire the Property directly from its existing owner. However, such acquisition is expected to constitute a major transaction of the Company under the Listing Rules, it is therefore subject to, among other things, shareholders’ approval and other regulatory compliance procedures. The existing owner of the Property is unwilling to enter into a sale and purchase agreement with the Company directly in light of the time taken to complete the regulatory compliance procedures and the uncertainty on voting result. As such, in order to facilitate the Company to acquire the Property, Dr. Yap entered into the Provisional Agreement to acquire the Property from the existing owner and on-sell the Property (through the Target) to the Group under the Acquisition Agreement at cost.

The Directors (other than the members of the Independent Board Committee whose view would be set out in the circular of the Company relating to the Acquisition after taking into account the advice of the independent financial adviser) consider that the terms of the Acquisition are fair and reasonable and on normal commercial terms and that the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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The Independent Board Committee, comprising Mr. Kwok Ka Lap, Alva, Mr. Poon Kwok Hing, Albert and Mr. Sin Chi Fai, being all the independent non-executive Directors, has been established to give recommendation to the Independent Shareholders in respect of the Acquisition. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

The voting in respect of the Acquisition at the SGM will be conducted by way of a poll. Dr. Yap and his associates shall abstain from voting on the resolution approving the Acquisition at the SGM. As at the date of this announcement, Dr. Yap holds 280,009,882 Shares, representing approximately 17.44% of the issued share capital of the Company. As Dr. Yap has a material interest in the Acquisition, Dr. Yap has also abstained from voting at the Board meeting approving the Acquisition Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Director has a material interest in the Acquisition and therefore no other Director is required to abstain from voting on the Board meeting in relation to the Acquisition.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group and the Target; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iv) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (v) the valuation report of the Property; and (vi) the notice of SGM, is expected to be despatched to the Shareholders on or before 24 July 2015 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

RESUMPTION OF TRADING

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Loan by the Purchaser from Dr. Yap pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 29 May 2015 entered into between the Purchaser and Dr. Yap in relation to the Acquisition
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Yap”	Dr. Yap Allan, the chairman of the Company, an executive Director and a substantial Shareholder
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Kwok Ka Lap, Alva, Mr. Poon Kwok Hing, Albert and Mr. Sin Chi Fai, established to give recommendation to the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than Dr. Yap and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Precise Skill Investments Limited, a company incorporated in BVI with limited liability, being an indirect wholly-owned subsidiary of the Company
“Property”	the property located at 41/F, “15 Chong Yip Street”, Nos. 13, 15, 17 & 19 Chong Yip Street, Kowloon, Hong Kong
“Property Acquisition”	has the meaning ascribed to it in the section headed “Information on the Target and the Property” of this announcement
“Provisional Agreement”	has the meaning ascribed to it in the section headed “Information on the Target and the Property” of this announcement
“Sale Loan”	being all amount due and owing from the Target to Dr. Yap immediately before Completion
“Sale Share”	one issued share in the capital of the Target, representing the entire issued share capital of the Target at Completion
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and if thought fit, among other things, approving the Acquisition Agreement and the transactions contemplated thereunder

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Smartmedia Ltd., a company incorporated in BVI with limited liability, which is wholly and beneficially owned by Dr. Yap
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
HANNY HOLDINGS LIMITED
Dr. Yap Allan
Chairman

Hong Kong, 29 May 2015

As at the date of this announcement, the Directors are as follows:

Executive Directors:
Dr. Yap Allan
Mr. Heung Pik Lun, Edmond

Independent Non-executive Directors:
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai