

**HANVEY GROUP HOLDINGS LTD:
THERE IS THE BURNING QUESTION:
CAN THIS FAMILY COMPANY
METAMORPHISE INTO A PUBLIC COMPANY ?**

Hanvey Group Holdings Ltd () (Code: 8219, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) is a 32-year-old, family owned-and-controlled corporate entity, its principal business, being the design and manufacturing of watches and watch parts.

But the financials of this Company are nothing about which to rave – with Management, warning prospective shareholders that the Company was almost certain to report a Net Loss Attributable to Shareholders in respect of the Current Financial Year, ending December 31.

The Company published and disseminated its Share Offer Prospectus in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on June 28, 2018.

For this Company, it was the second time for Management to try to list its shares on the **GEM**, the first time was back in August of 2012.

This time around, however, the Company appears to have scored, having had 25 percent of its entire Issued Share Capital, listed on the secondary equity market of the HKSAR.

The Initial Public Offering (IPO) Of Hanvey Group Holdings Ltd

Management of Hanvey Group Holdings Ltd made a Share Offering of 250 million, one-cent Shares at the

Indicative Offer Price Per Share, being a low of 23 cents to a high of 27 cents.

The Public Offer tranche (for investors of the HKSAR) was 25 million Shares and the Placing Share tranche (for Institutional/Professional/Well-Heeled Investors) was 225 million Shares.

On July 11, 2018, Management announced that the Offer Price Per Share had been struck at 25 cents and that the Company estimated that it would be able to net about \$HK35.60 million from the sales of 25 percent of its entire Issued Share Capital.

At Page Eight of the public announcement with regard to the Offer Price and the Share Allotment Results, shareholders were told how the net proceeds would be utilised:

1. Approximately, \$HK22.80 million, that is about 63.90 percent, *‘will be used for acquisition of new production facilities’*;
2. Approximately, \$HK2.70 million, that is about 7.70 percent, *‘will be used for expansion of e-commerce customer base’*;
3. Approximately, \$HK2.20 million, that is about 6.20 percent, *‘will be used for strengthening of design capabilities’*;
4. Approximately, \$HK7.40 million, that is about 20.80 percent, *‘will be used for repayment of (a) bank loan’*; and,
5. Approximately, \$HK0.50 million, that is about 1.30 percent, *‘will be used as general working capital of the Group’*.

The principal reasons for this Company to pitch an IPO were given at Page 210 of the Global Offering Prospectus where it was stated:

‘As at 30 April 2018, our level of cash on hand (excluding pledged bank deposits) was only approximately HK\$7.6 million and our net current assets was only approximately HK\$1.3 million. We also had the relatively high level of short term (less than one year)

borrowings of approximately HK\$37.7 million and gearing ratio and majority of our unutilised banking facilities was trade nature and therefore could not be used for other purposes. In light of the total amount of fund required to carry out our business strategies will be as high as approximately HK\$35.1 million, the net proceeds from the Share Offer shall provide us the source of funding without materially adversely affecting our current financial position. Our Directors considered that the Listing represents a good opportunity for our Group to tap into the capital market which provides another fund-raising platform to assist our actual and practical needs for our future business development plan and further strengthen our competitiveness. Our Directors also believe that our customers prefer doing business with a listed company to a private company given the former's generally greater transparency and regulatory supervision, and a listing status facilitates us to expand our clientele and increase our suppliers' and customers' confidence which may be attached to our proven track record, greater transparency in financial disclosures, higher standard of internal controls and corporate governance, enhancing our corporate profile, image and credibility, which in turn strengthening our competitiveness. As a listed company, we believe that we are also able to retain management and technical personnel and to hire suitable talents by offering more competitive salary packages.'

The Business Of Hanvey Group Holdings Ltd

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