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TUNGTEX (HOLDINGS) COMPANY LIMITED

同得仕（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

**(1) MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF
SUBSIDIARIES;
AND
(2) CONTINUING CONNECTED TRANSACTIONS: FRAMEWORK
PURCHASE AGREEMENT**

Financial Adviser to the Company



建泉融資有限公司

VBG Capital Limited

(1) MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF SUBSIDIARIES

The Board wishes to announce that after trading hours on 4 September 2017, the Company (as vendor) and the Purchaser entered into the SP Agreement, pursuant to which the Company conditionally agreed to sell and assign and the Purchaser conditionally agreed to purchase (i) the SYOL Sale Shares (representing the entire issued share capital of SYOL) and SYOL Sale Loan and (ii) the TTCL Sale Shares (representing the entire issued share capital of TTCL) at the aggregate consideration of HK\$157,000,000.

After completion of the Disposal, the Remaining Group will continue to carry out Manufacturing Business and Trading Business.

Upon completion of the Disposal, the Group will cease to hold any interest in the Disposal Group and it is expected that the Group will source Garment Products from the TTCL Group (which is part of the Disposal Group) pursuant to the Framework Purchase Agreement.

(2) CONTINUING CONNECTED TRANSACTIONS: FRAMEWORK PURCHASE AGREEMENT

On 4 September 2017, the Company entered into the Framework Purchase Agreement with TTCL (which is a member of the Disposal Group) which, subject to Completion and approval from the Independent Shareholders, sets out the basis upon which the Remaining Group will purchase and the TTCL Group will sell Garment Products.

* For identification purpose only

IMPLICATIONS UNDER THE LISTING RULES

SP Agreement

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

The Purchaser is owned as to 50% by Mr. Tung and 50% by Madam Wong. Mr. Tung and Madam Wong are the ultimate controlling shareholders of the Company, being interested in approximately 32.33% of the issued Shares of the Company as at the date of this announcement. As such, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Framework Purchase Agreement

Upon Completion, the Purchaser will hold 100% issued share capital of SYOL and TTCL respectively. Therefore, TTCL will become a connected person of the Company upon Completion under Chapter 14A of the Listing Rules. The transactions contemplated under the Framework Purchase Agreement will constitute continuing connected transactions of the Company which are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened for the purposes of, among other matters, considering, and if thought fit, approving: (1) the SP Agreement and the Disposal contemplated thereunder; and (2) the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder (and the Annual Caps).

The Independent Board Committee which comprises all the independent non-executive Directors has been established, which will recommend and advise the Independent Shareholders after receiving professional advice from the Independent Financial Adviser (1) as to whether the terms of the SP Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole and (2) whether the terms of the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Also, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal contemplated under the SP Agreement and the Continuing Connected Transactions (including the Annual Caps) contemplated under the Framework Purchase Agreement.

A circular containing, among other things, (1) the advice of the Independent Financial Adviser; (2) the recommendation of the Independent Board Committee; (3) details of the SP Agreement and the Disposal; (4) details of the Framework Purchase Agreement and the Continuing Connected Transactions; (5) other information as required to be disclosed under the Listing Rules; and (6) the notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 25 October 2017 as more time is required to prepare the information to be contained in the circular.

(1) MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF SUBSIDIARIES

The Board wishes to announce that after trading hours on 4 September 2017, the Company and the Purchaser entered into the SP Agreement, pursuant to which the Company conditionally agreed to sell and assign and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of SYOL and TTCL respectively, and the SYOL Sale Loan, at the Consideration.

The principal terms of the SP Agreement are set out below.

THE SP AGREEMENT

Date

4 September 2017

Parties

Vendor: the Company

Purchaser: Happy Splendid Limited, a company incorporated in the BVI with limited liability, the principal business of which is investment holding

Assets to be disposed of

- (1) Subject to the terms and conditions of the SP Agreement, the Company has conditionally agreed to sell, as legal and beneficial owner, the Sale Shares and the Purchaser has conditionally agreed to purchase such Sale Shares, free from all encumbrances and together with all rights then or thereafter attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date.

The Sale Shares comprise the SYOL Sale Shares (representing the entire issued share capital of SYOL) and the TTCL Sale Shares (representing the entire issued share capital of TTCL) immediately prior to Completion.

- (2) Subject to the terms and conditions of the SP Agreement, the Company has also conditionally agreed to assign the SYOL Sale Loan, and the Purchaser has also conditionally agreed to accept the assignment of the Company's titles, rights, benefits and interests to, of and in the SYOL Sale Loan, absolutely free from all encumbrances with effect from the Completion Date.

Consideration

The aggregate Consideration for the sale and purchase of the Sale Shares and the SYOL Sale Loan is HK\$157,000,000, as apportioned as follows:

In respect of the sale and purchase of the SYOL Sale Shares and the SYOL Sale Loan:

- (1) the price for the assignment of the SYOL Sale Loan shall be the face value of the total outstanding amount of the SYOL Sale Loan as at the Completion; and
- (2) the price for the sale of the SYOL Sale Shares shall be the amount of HK\$98,000,000 less the consideration for the assignment of SYOL Sale Loan as referred to above; and

for the avoidance of doubt, if the total outstanding amount of the SYOL Sale Loan exceeds or equal to HK\$98,000,000, the price for the assignment of the SYOL Sale Loan shall then be HK\$97,999,999 and the price for the sale of the SYOL Sale Shares shall be HK\$1;

In respect of the sale and purchase of the TTCL Sale Shares:

- (3) the price for the sale of the TTCL Sale Shares shall be the amount of HK\$59,000,000.

The Consideration shall be paid by the Purchaser to the Company by cheque drawn in favour of the Company (or to the Company's order) against a licensed bank in Hong Kong (or in such other manner as agreed between the Company and the Purchaser) at Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and based on the valuation conducted by AP Appraisal Limited, an independent valuer, using the asset approach. Based on such valuation, the aggregate fair value of the Disposal Group was approximately HK\$157,000,000 as at 31 August 2017. As the Consideration is equivalent to the aggregate fair value of the Disposal Group, the Consideration is fair and reasonable.

Conditions precedent

Completion of the SP Agreement shall be conditional upon the fulfilment or (if applicable) waiver of the following Conditions:

- (1) (a) the SP Agreement, the sale and purchase of the Sale Shares, the SYOL Sale Loan, and other transactions as contemplated under the SP Agreement; and (b) the Framework Purchase Agreement and the transactions contemplated thereunder (including the Annual Caps) having been approved by the Independent Shareholders at the EGM in accordance with the applicable requirements of the Listing Rules, Companies Ordinance, and other applicable laws and regulations;
- (2) the TTCL Group having ceased to carry out the Trading Business and having transferred all title, interests, benefits, rights and obligations in the Trading Business to the Remaining Group;
- (3) save for the SYOL Sale Loan, each member of the Remaining Group and each member of the Disposal Group having repaid or otherwise settled all outstanding amount due to each other before the Completion Date;
- (4) all corporate guarantee or other form of security given by the Remaining Group to secure the borrowings of the Disposal Group having been released and cancelled;
- (5) all necessary waivers, consents, approvals or other documents (including but not limited to any tax clearance) as may be required to be obtained on the part of the Company under applicable laws and regulations in respect of the SP Agreement and the transactions contemplated thereunder having been obtained;
- (6) the Company being satisfied that, from the date of the SP Agreement and at any time before the Completion, the warranties given by the Purchaser under the SP Agreement remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of such warranties or other provisions of the SP Agreement by the Purchaser.

Conditions (1) to (5) above are not capable of being waived by any parties to the SP Agreement. The Company may waive Condition (6).

If any of the Conditions shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties to the SP Agreement shall cease and terminate, save and except for provisions relating to confidentiality, governing law and certain miscellaneous provisions which shall remain in full force and effect, and no party thereto shall have any claim against the other save for claim(s) (if any) in respect of any antecedent breach of the SP Agreement.

Deed of Tax Indemnity

The Company will enter into a deed of tax indemnity in favour of the Purchaser upon Completion. Subject to certain limitations as stated in such deed of tax indemnity, the Company undertakes to the Purchaser to indemnify and keep indemnified the Purchaser from and against certain tax liabilities of the Disposal Group prior to Completion.

Completion

Subject to the fulfilment or waiver (if applicable) of all the Conditions, Completion shall take place on the Completion Date.

Upon Completion, the Group will cease to hold any interest in any members of the Disposal Group.

INFORMATION ON THE DISPOSAL GROUP

The SYOL Group

SYOL is a company incorporated in Hong Kong with limited liability. As at the date of the SP Agreement and immediately prior to Completion, SYOL holds 100% equity interest in Shenzhen Betu.

The SYOL Group is principally engaged in the Retailing Business as well as property and investment holding. The Retailing Business involves internal product design and retail sale of the Group's own brand "betu" apparel products. Those products are sold through the Group's self-operated shops, franchised shops and cooperative shops in the PRC.

The SYOL Group owns certain property interests in the PRC, the details of which are as follows:

- (i) Zhejiang office: An office located at 中國浙江省杭州市上城區延安路9號, 勞動路6-2號3025室 (Room 3025, No. 6-2 Laodong Road, No. 9 Yanan Road, Shangcheng District, Hangzhou, Zhejiang, the PRC) with a total gross floor area of 249.41 sq.m. erected on a land parcel for comprehensive use with a use area of 71.2 sq.m..

This office is currently an investment property and leased to an Independent Third Party.

- (ii) Shenzhen building: An industrial building with the name "同得仕大廈 (Tungtex Building)" located at 中國深圳福田區北環路市政二號路 (Shizheng No. 2 Road, Beihuan Road, Futian District, Shenzhen, the PRC) with total gross floor area of 11,033 sq.m. erected on a land parcel for industrial use with a site area of approximately 4,319.4 sq.m..

The Group used to carry out part of its Manufacturing Business at Shenzhen building. Nevertheless in recent years, the Group started to migrate the manufacturing operations at Shenzhen building to the Group's factory located in Dongguan, the PRC ("**Dongguan factory**"). It is expected that the major manufacturing operations at Shenzhen building will have completely ceased prior to Completion.

Certain unaudited consolidated financial information of the SYOL Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2017 are as follows:

	For the financial year ended 31 March 2017 HK\$'000 (unaudited)	For the financial year ended 31 March 2016 HK\$'000 (unaudited)
Turnover	290,265	296,269
Net loss before taxation	(86,389)	(19,049)
Net loss after taxation	(86,389)	(19,049)

As at 31 March 2017, the unaudited consolidated total asset value and net liabilities of SYOL were approximately HK\$220.0 million and HK\$214.2 million respectively.

The unaudited consolidated financial information of SYOL Group above includes the revaluation reserves on investment property (i.e. the properties owned by SYOL Group but are currently used by the Group) and balances and transactions with the Remaining Group. For illustration and information purpose, set out below are certain unaudited financial information of SYOL Group for the year ended 31 March 2017, after elimination of such balances and transactions with the Remaining Group and without taking into account revaluation reserves on investment property, as presented in the Group's consolidated financial statements for the year ended 31 March 2017.

	For the year ended 31 March 2017 HK\$ ' 000 (unaudited)
Turnover	290,265
Gross profit	71,957
Net loss before taxation	(64,735)
	As at 31 March 2017 HK\$'000 (unaudited)
Total asset value	156,645

The TTCL Group

TTCL is a company incorporated in Hong Kong with limited liability. As at the date of the SP Agreement and immediately prior to Completion, TTCL holds or controls 100% equity interest in Zhongshan Tungtex.

The TTCL Group is principally engaged in the Trading Business and Manufacturing Business, and property holding. The Trading Business is carried out by TTCL. The Group, through TTCL as an OEM manufacturer, is engaged by international brands or designer labels and retail stores to manage the whole garment production process, including the supply of raw materials, quality control and logistics. Depending on the specification or requests of the customers, the garment products are either manufactured in the Group's own production bases or subcontracted to approved third party suppliers. The Manufacturing Business is carried out by Zhongshan Tungtex at Zhongshan factory, a property owned by TTCL in the PRC, the details of which are as follows:

Zhongshan factory: An industrial building located at 中國中山火炬開發區逸仙公路側張家邊“過架” (Zhongshan Huoju Kaifa District Yixian Gongluce Zhangjiabian “Guo Jia”) with total gross floor area of 39,337.53 sq.m. erected on a land parcel for industrial use with a site area of approximately 22,000 sq.m..

After Completion, the Remaining Group will enter into Continuing Connected Transactions with the TTCL Group to engage Zhongshan factory for the production of Garment Products as detailed in the section headed “(2) CONTINUING CONNECTED TRANSACTIONS: FRAMEWORK PURCHASE AGREEMENT” in this announcement.

Certain unaudited consolidated financial information of the TTCL Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 March 2017 are as follows:

TTCL Group

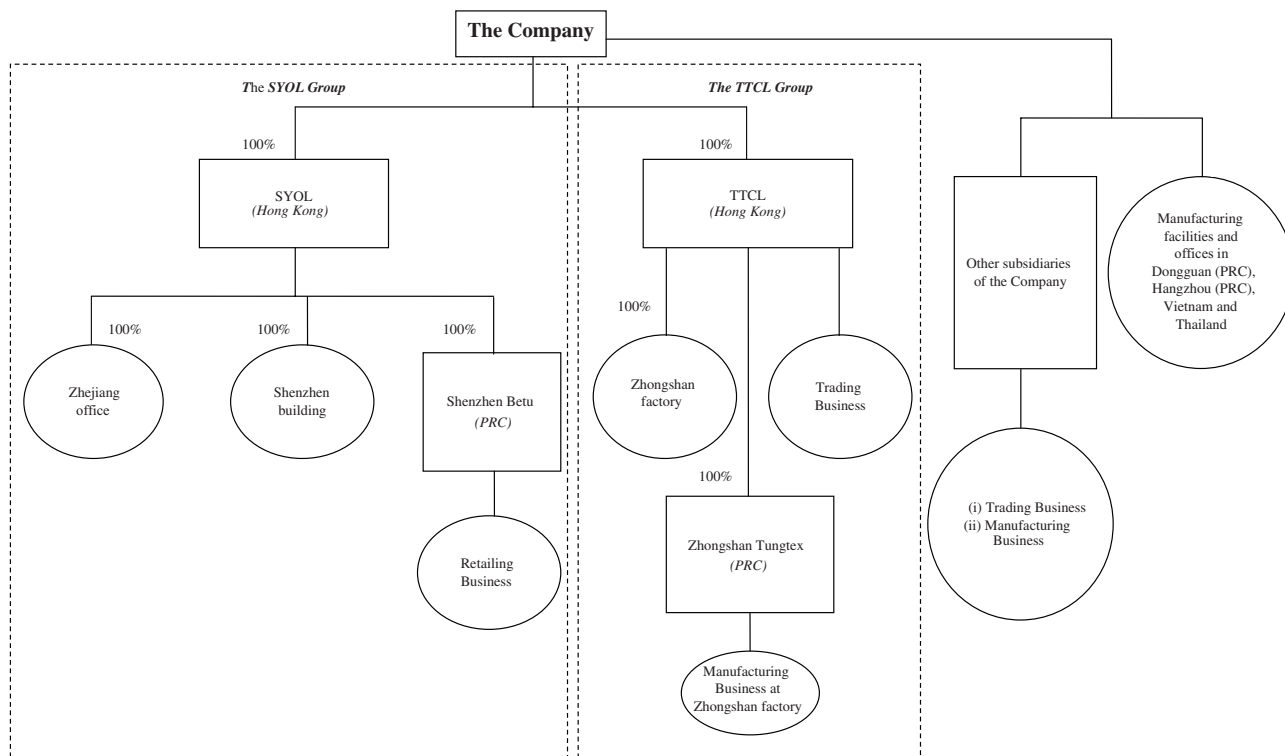
	For the financial year ended 31 March 2017 HK\$'000 (unaudited)	For the financial year ended 31 March 2016 HK\$'000 (unaudited)
Turnover	380,936	365,097
Net profit before taxation	5,623	10,233
Net profit after taxation	5,012	9,372

As at 31 March 2017, the unaudited consolidated total asset value and net asset value of TTCL were approximately HK\$252.7 million and HK\$63.1 million respectively.

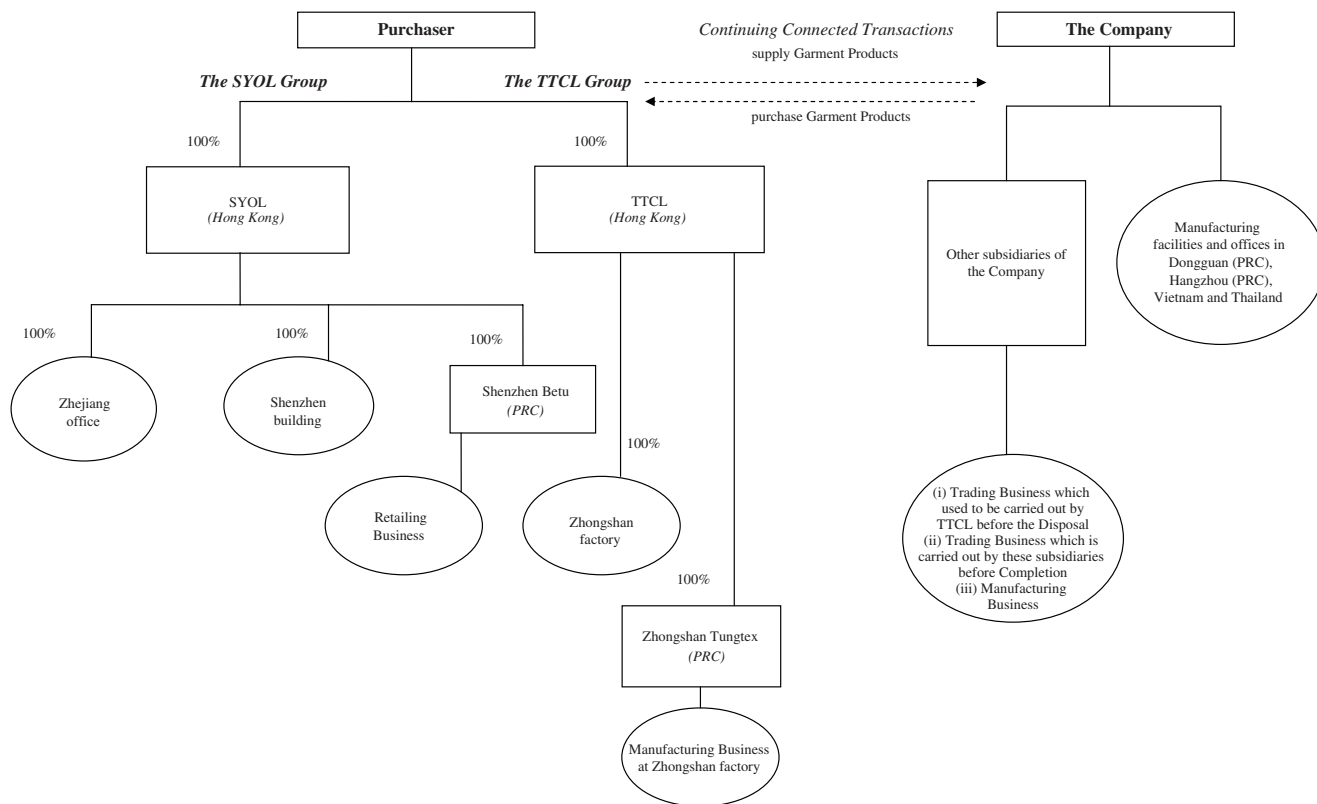
Given that the TTCL Group will cease to carry out the Trading Business and will only continue to carry out the Manufacturing Business upon Completion and the Trading Business which used to be carried out by TTCL Group before Completion will continue to be carried out by the Remaining Group, for illustration and information purpose only, set out below are certain unaudited financial information of the TTCL Group (excluding the Trading Business and balances and transactions with the Remaining Group) for the year ended 31 March 2017:

	For the year ended 31 March 2017 <i>HK\$'000</i> (unaudited)
Turnover	71,998
Gross profit	12,478
Net loss before taxation	(5,224)
	As at 31 March 2017 <i>HK\$'000</i> (unaudited)
Total asset value	104,401

The following diagram shows the simplified corporate structure of the Group before Completion:



The following diagram (i) shows the simplified corporate structure of the Group immediately after Completion; and (ii) the Continuing Connected Transactions between the TTCL Group and the Group after Completion:



As part of the Conditions, the Group will undertake certain internal restructuring concerning the Disposal Group to the effect that the Disposal Group will cease to carry out the Trading Business and will only continue to carry out the Manufacturing Business through Zhongshan Tungtex and the Retailing Business through Shenzhen Betu.

To effect above, the TTCL Group will cease to carry out the Trading Business before Completion and the Remaining Group will continue to carry out the Trading Business previously conducted by the TTCL Group after Completion. As at the date of this announcement, TTCL has stopped accepting new purchase orders from customers as the Group has already established a new wholly-owned subsidiary to take up the role of TTCL to act as the trading arm of the Group. At or before Completion, TTCL will cease to carry out the Trading Business and all its remaining title, interests, benefits, rights and obligations in the Trading Business will have been transferred to the Remaining Group.

In conclusion and as depicted in the above diagram, the major operations and assets that the Group proposes to dispose of under the Disposal are the Retailing Business, the Manufacturing Business together with the production facilities carried out by Zhongshan Tungtex and the properties owned by the Disposal Group.

INFORMATION ON THE GROUP

At present, the Group is principally engaged in the Trading Business, Manufacturing Business and Retailing Business.

The Group currently owns five production bases, including Shenzhen building and Zhongshan factory (both being held by the Disposal Group), Dongguan factory and production facilities in Vietnam (“**Vietnam factory**”) and Thailand, being idle (“**Thailand factory**”) (all held by the Remaining Group). As aforementioned, the Group started a migration plan in recent years to migrate its major manufacturing operations of Shenzhen building to Dongguan factory. Thailand factory has also ceased operations since November 2016. Among the remaining three main production bases which are still in operation, Dongguan and Vietnam factories are relatively new with high degree of automation to enhance quality control effectiveness and cost control. Moreover, Dongguan factory is located near to the Humen Port of the PRC which is easily assessable by and opened to foreign vessels.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal will benefit the Group in both operational and financial aspects (i) the recent trend of fast fashion has disrupted the apparel retail industry, forcing retailers and manufacturers to desire for low cost and flexibility in design, quality and speed and therefore it is extremely competitive for the Group to compete in the fast fashion world; (ii) alike other manufacturing companies which are moving out of China due to rising wages and appreciation of Renminbi that have worsen China’s exports in recent years, the Group is actively seeking opportunities for diversifying and expanding outside China to comparatively lower cost country, such as Vietnam; (iii) the Group plans to up-shift the Company’s position in the value chain by disposal of the low-end aging manufacturing business in order to allocate more resources to more profitable areas like Trading Business; and (iv) the Disposal Group’s past financial performance was unsatisfactory. To turnaround its financial position, since 2014, the Group has completed several disposal transactions to streamline its businesses, cut costs and increase gross profit margin, and the Disposal is a structural part of this strategic plan (the “**Strategic Plan**”). The major directions of the Strategic Plan are to uplift the Group’s position in the value chain by the restructuring of the Manufacturing Business and disposal of the high-cost Retailing Business in order to reallocate more resources to more profitable areas such as the Trading Business.

Restructuring of the Manufacturing Business

As a result of price competition from other competitors and increased production costs in the PRC, it is strategically important for the Group to restructure its existing Manufacturing Business. Given that Dongguan factory is (i) relatively new with high degree of automation to enhance quality control effectiveness and cost control; and (ii) located near to the Humen Port of the PRC which is easily assessable by and opened to foreign vessels, the Group has already started a migration plan to migrate the major manufacturing operations of Shenzhen building to Dongguan factory. The Group is also contemplating to implement similar plan to Zhongshan factory. Concurrently, as the Trump administration in the United States of America has created uncertainty on trade policy worldwide and comparatively lower production costs in Vietnam, the Group has also expanded its production capacity at Vietnam factory.

Disposal of the Retailing Business

Apart from restructuring the Manufacturing Business, the Group intends to further streamline its businesses by disposing its retail arm. Although the Retailing Business has been attributing significant revenue and gross profit to the Company, the gross profit is insufficient to cover the high selling and distribution expenses incurred, which resulted in significant continual losses of approximately HK\$25.4 million, HK\$24.5 million and HK\$69.1 million for the three financial years ended 31 March 2015, 2016 and 2017 respectively.

Based on the preliminary assessment, it is expected that the Remaining Group will record a book gain of approximately HK\$24.2 million, being the difference between the Consideration and the adjusted net asset value of SYOL Group and TTCL Group of approximately HK\$77.0 million and approximately HK\$55.8 million respectively as at 31 March 2017.

The net proceeds from the Disposal is expected to be approximately HK\$152 million. It is the intention of the Company to use such net proceeds for general working capital of the Remaining Group's Trading Business to improve its profit margin and overall business prospects. The Company is of the view that the Disposal represents an opportunity for reallocating the resources of the Remaining Group more efficiently and will enhance the Remaining Group's operations and financial prospects in the long term.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto and the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable. In addition to the one-off gain (subject to final audit) as a result of the Disposal which may be recorded by the Remaining Group, having balanced against the expected long term benefits of the Disposal, the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser) are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

(2) CONTINUING CONNECTED TRANSACTIONS: FRAMEWORK PURCHASE AGREEMENT

Upon Completion, the Group will cease to hold any interest in the Disposal Group and it is expected that the Remaining Group will source Garment Products from the TTCL Group (which is part of the Disposal Group) pursuant to the Framework Purchase Agreement.

On 4 September 2017, the Company entered into the Framework Purchase Agreement with TTCL (which is a member of the Disposal Group) which, subject to Completion and approval from the Independent Shareholders, sets out the basis upon which the Remaining Group will purchase and the TTCL Group will sell the Garment Products.

Below are the key terms of the Framework Purchase Agreement.

THE FRAMEWORK PURCHASE AGREEMENT

Date: 4 September 2017

Parties: (1) the Company (and members of the Remaining Group as purchasers); and
(2) TTCL (and members of the TTCL Group as suppliers).

Subject matter

The TTCL Group will sell and the Remaining Group will purchase the Garment Products in accordance with the terms of the Framework Purchase Agreement.

Individual Agreements

Relevant members of the Remaining Group and the TTCL Group will from time to time enter into Individual Agreements which will set out the detailed terms of the sale and purchase of the relevant Garment Products. The terms of the Individual Agreements will be negotiated based on the following principles:

- (a) the sale and purchase of Garment Products shall be based on normal commercial terms and conducted in the ordinary and usual course of business;
- (b) the prices payable for the Garment Products shall be agreed based on arm's length negotiation by reference to the prevailing market prices of products with similar specifications at the relevant time; and
- (c) the terms and conditions of any such sale and purchase, including terms of settlement, shall be no less favourable to the Remaining Group than those available from Independent Third Party suppliers to the Remaining Group in comparable transactions of the same period.

Pricing policy and internal control

The Garment Products to be purchased from the TTCL Group mainly include garment and fabric products as may be agreed between the parties from time to time.

The Remaining Group will adopt internal control policies to ensure that the prices of Garment Products offered to the Group by the TTCL Group are comparable to those offered by Independent Third Party suppliers to the Group. In particular, the Group will compare the prices of Garment Products offered by the TTCL Group with (i) at least three market prices of those garment products with similar quality, quantity and specifications; and (ii) at least three actual prices of previous successful transactions. In this relation, the Remaining Group will also take into account the profit margin for Garment Products in the market for reference. In addition, to ensure that the actual prices for the Continuing Connected Transactions are on normal commercial terms and on terms no less favourable to the Group than those available from Independent Third Party suppliers, the Remaining Group will conduct regular checks to review and assess whether the Garment Products have been supplied in accordance with the terms of the relevant Individual Agreement.

In any event, all purchases from the TTCL Group will be no less favourable than the terms which are offered by Independent Third Party suppliers of the Remaining Group for purchasing products of comparable quality, quantity and specifications.

In view of the pricing policy and internal control measures above, the Directors consider that the transactions under the Framework Purchase Agreement will be conducted through arm's length negotiations and on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Framework Purchase Agreement shall be effective upon (a) the Independent Shareholders approving the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM; and (b) the SP Agreement having been completed in accordance with its terms.

Term

The term of the Framework Purchase Agreement will commence on the date on which all the conditions set out above are fulfilled and will expire on 31 March 2020 (both dates inclusive).

Termination

The Framework Purchase Agreement may be terminated by either party by giving a written notice to the other party three (3) months in advance and the parties shall decide on the terms and conditions by mutual agreement. Upon expiration and subject to the Company's compliance with the Listing Rules, the Framework Purchase Agreement may be automatically renewed until such date to be agreed by the parties.

ANNUAL CAPS

Historical figures

The following table sets out the respective aggregate value of Garment Products sold and purchased under the previous agreements entered into between the TTCL Group and other members of the Group:

Period	Total value HK\$'000
For the year ended 31 March 2016	157,163
For the year ended 31 March 2017	118,965

Proposed Annual Caps

Set out below are the proposed annual caps of the total contract value for the sale and purchase of Garment Products under the Framework Purchase Agreement:

Period	Total value not exceeding HK\$'000
From Effective Date to 31 March 2018	38,000
1 April 2018 to 31 March 2019	66,000
1 April 2019 to 31 March 2020	48,000

The Board determines the above proposed Annual Caps with reference to mainly (i) the historical sales figures of Zhongshan Tungtex in relation to Garment Products with other members of the Group; and (ii) the Strategic Plan to (a) migrate the manufacturing operations of Zhongshan factory to Dongguan factory within the three-year transition period after Completion (the “**Transition Period**”); and (b) explore the possibility of expanding production capacity of Vietnam factory. The Remaining Group will also endeavor to engage more Independent Third Party suppliers and/or subcontractors in the upcoming years if the terms offered by them are more favourable.

REASONS FOR AND BENEFITS OF THE FRAMEWORK PURCHASE AGREEMENT

Upon Completion, the Purchaser will hold 100% issued share capital of SYOL and TTCL. The Board intends to continue to engage the TTCL Group, and the TTCL Group intends to continue selling to the Group, such Garment Products after the Completion.

The Company considers that the entering into of the Framework Purchase Agreement will be beneficial to the Remaining Group since it would allow the Remaining Group, during the Transition Period, to (i) retain its valuable customers, some of them being international popular brands, whose garment products are currently produced by Zhongshan factory; and (ii) maintain a reliable source of high quality garment products at a reasonable and fair price.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the transactions contemplated under the Framework Purchase Agreement and the Annual Caps are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

SP Agreement

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

The Purchaser is owned as to 50% by Mr. Tung and 50% by Madam Wong. Mr. Tung and Madam Wong are the ultimate controlling shareholders of the Company, being interested in approximately 32.33% of the issued Shares of the Company as at the date of this announcement. As such, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Framework Purchase Agreement

Upon Completion, the Purchaser will hold 100% issued share capital of SYOL and TTCL respectively. Therefore, TTCL will become a connected person of the Company upon Completion under Chapter 14A of the Listing Rules. The transactions contemplated under the Framework Purchase Agreement will constitute continuing connected transactions of the Company which are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

By virtue of the connection between Mr. Tung and the Purchaser as disclosed above, Mr. Tung is deemed to have a material interest in the transactions contemplated under the SP Agreement and the Framework Purchase Agreement. In addition, Mr. Tung is the father (and, therefore, the associate (as defined in the Listing Rules)) of Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man. Therefore, Mr. Tung, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man have abstained from voting on the board resolutions which approved the SP Agreement and the Framework Purchase Agreement, and the respective transactions contemplated thereunder.

EGM

The EGM will be convened for the purposes of, among other matters, considering, and if thought fit, approving: (1) the SP Agreement and the Disposal contemplated thereunder; and (2) the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder (and the Annual Caps).

The Independent Board Committee which comprises all the independent non-executive Directors has been established, which will recommend and advise the Independent Shareholders after receiving professional advice from the Independent Financial Adviser (1) as to whether the terms of the SP Agreement and the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (2) whether the terms of the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Also, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal contemplated under the SP Agreement and the Continuing Connected Transactions (including the Annual Caps) contemplated under the Framework Purchase Agreement.

A circular containing, among other things, (1) the advice of the Independent Financial Adviser; (2) the recommendation of the Independent Board Committee; (3) details of the SP Agreement and the Disposal; (4) details of the Framework Purchase Agreement and the Continuing Connected Transactions; (5) other information as required to be disclosed under the Listing Rules; and (6) the notice of the EGM and a form of proxy are expected to be despatched to the Shareholders on or before 25 October 2017 as more time is required to prepare the information to be contained in the circular.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Annual Caps”	the estimated maximum annual total value of the Individual Agreements under the Framework Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday 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 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 in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and/or the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as the case may be
“Company”	Tungtex (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00518)
“Completion”	completion of the sale and purchase of the Sale Shares and the SYOL Sale Loan in accordance with the terms of the SP Agreement and, where the context requires, also means the performance by the parties thereto of their respective obligations thereunder
“Completion Date”	the fifth Business Day after the last outstanding Condition shall have been fulfilled or waived (or such other date agreed by the Purchaser and the Company in writing) on which Completion is to take place

“Conditions”	the conditions precedent to Completion as set out in the paragraph headed “THE SP AGREEMENT – Conditions precedent” in this announcement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the sum as set out in the paragraph headed “THE SP AGREEMENT – Consideration” in this announcement, being the total consideration for the purchase of the Sale Shares and the SYOL Sale Loan
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Framework Purchase Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and assignment of the SYOL Sale Loan by the Company pursuant to the SP Agreement
“Disposal Group”	the companies comprising the SYOL Group and the TTCL Group, and a “member of the Disposal Group” shall be construed accordingly
“Effective Date”	the date on which all the conditions precedent to the Framework Purchase Agreement are fulfilled
“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the SP Agreement and the Disposal contemplated thereunder, and the Framework Purchase Agreement and the Continuing Connected Transactions contemplated thereunder
“Framework Purchase Agreement”	the framework purchase agreement dated 4 September 2017 entered into between the Company and TTCL in connection with the provision by the TTCL Group of the Garment Products as may be agreed by the Remaining Group and the TTCL Group and/or their respective member(s) in writing from time to time to the Remaining Group
“Garment Products”	garment and fabric products as may be agreed between the TTCL Group and the Group from time to time
“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 PRC

“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors i.e. Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Leslie Chang Shuk Chien, which has been established by the Board to advise the Independent Shareholders in respect of the SP Agreement and the Disposal, and the Continuing Connected Transactions contemplated under the Framework Purchase Agreement (including the Annual Caps)
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal contemplated under the SP Agreement, and the Continuing Connected Transactions contemplated under the Framework Purchase Agreement (including the Annual Caps)
“Independent Shareholders”	(i) Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the SP Agreement and the Disposal contemplated thereunder, or (ii) Shareholders who do not have any material interest in the Continuing Connected Transactions contemplated under the Framework Purchase Agreement (as the case may be)
“Independent Third Party(ies)”	third party(ies) who are independent of and are not connected with the Company and its connected persons
“Individual Agreements”	the individual agreements, contracts or orders for the sales and purchases of the Garment Products during the term of the Framework Purchase Agreement, which shall contain details of each transaction including but not limited to the rights and obligations of TTCL and the Company, quantities, specifications, pricing, payment, delivery and indemnities subject and pursuant to the principles under the Framework Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2018 (or such later date as the Purchaser and the Company may agree in writing)
“Madam Wong”	Madam Wong Fung Lin, the spouse of Mr. Tung and the controlling shareholder of the Company
“Manufacturing Business”	the manufacturing of garment products by the Group’s own production bases or subcontracting the manufacturing process to third party manufacturers
“Mr. Tung”	Mr. Tung Wah Wing, the spouse of Madam Wong, an executive Director and the controlling shareholder of the Company

“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	PRC Generally Accepted Accounting Principles
“Purchaser”	Happy Splendid Limited, a company incorporated in the BVI with limited liability and owned as to 50% by Mr. Tung and 50% by Madam Wong
“Remaining Group”	the Group immediately after completion of the Disposal
“Retailing Business”	the business of product design and retail sale of the Group’s own brand apparel products under the brand name of “betu”
“Sale Shares”	collectively, the SYOL Sale Shares and the TTCL Sale Shares
“Shares”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenzhen Betu”	Shenzhen Betu Fashion Ltd. (深圳百多爾時裝有限公司), a company incorporated in the PRC with limited liability and wholly-owned by SYOL as at the date of this announcement and immediately prior to Completion
“sq.m.”	square metre(s)
“SP Agreement”	the sale and purchase agreement dated 4 September 2017 entered into between the Company and the Purchaser in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYOL”	Sing Yang (Overseas) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“SYOL Group”	collectively, SYOL and Shenzhen Betu
“SYOL Sale Loan”	such amount as equals the face value of the entire sum of shareholder’s loan owing by the SYOL Group to the Company as at the Completion Date; as at the date of this announcement, it is in the sum of approximately HK\$356.5 million

“SYOL Sale Shares”	the entire issued share capital of SYOL legally and beneficially owned by the Company immediately prior to Completion
“Trading Business”	the business of acting as an OEM manufacturer to manage the whole garment production process, including the supply of raw materials, quality control and logistics
“TTCL”	Tungtex Trading Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement and immediately prior to Completion
“TTCL Group”	collectively, TTCL and Zhongshan Tungtex
“TTCL Sale Shares”	the entire issued share capital of TTCL legally and beneficially owned by the Company immediately prior to Completion
“Zhongshan Tungtex”	Zhongshan Tungtex Silk Garments Co. Ltd (中山同得仕絲綢服裝有限公司), a company incorporated in the PRC with limited liability and owned as to approximately 90.26% by TTCL and approximately 9.74% by Zhongshan Silk Imp.&Exp. Group Co. Ltd of Guangdong (廣東省中山絲綢進出口集團有限公司) (a nominee shareholder of TTCL) as at the date of this announcement and immediately prior to Completion

For and on behalf of the Board
Tungtex (Holdings) Company Limited
Benson Tung Wah Wing
Chairman and Managing Director

Hong Kong, 4 September 2017

As at the date of this announcement, the executive directors of the Company are Mr. Benson Tung Wah Wing, Mr. Raymond Tung Wai Man, Mr. Martin Tung Hau Man and Mr. Billy Tung Chung Man; and independent non-executive directors are Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim and Mr. Leslie Chang Shuk Chien.