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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)

DISCLOSEABLE TRANSACTION – DISPOSAL OF A SUBSIDIARY

THE SP AGREEMENT

The Board wishes to announce that after trading hours on 30 January 2019, the Company (as Vendor) and the Purchasers entered into the SP Agreement, pursuant to which the Company has agreed to sell, and the Purchasers have agreed to acquire, the Sale Shares, which represent 100% of the issued share capital of the Target, and the Sale Loan at the Consideration of HK\$52,417,000.

As at the date of this announcement, the Target is a direct wholly-owned subsidiary of the Company. Upon Completion, the Target will cease to be a subsidiary of the Company and the results of the Target Group will no longer be consolidated with the financial information of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board wishes to announce that after trading hours on 30 January 2019, the Company and the Purchasers entered into the SP Agreement, the principal terms of which are set out below:

THE SP AGREEMENT

Date

30 January 2019

Parties

Vendor: The Company

Purchasers: Purchaser A and Purchaser B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business of each of the Purchasers is investment holding; and (ii) each of the Purchasers and their respective ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the SP Agreement, the Company has agreed to sell, and the Purchasers have agreed to acquire, the Sale Shares, which represent 100% of the issued share capital of the Target, and the Sale Loan.

Consideration

The Consideration for the Sale Shares and the Sale Loan payable by the Purchasers to the Company is HK\$52,417,000, out of which:

- (1) the consideration for the Sale Loan shall be the face value of the total outstanding amount of the Sale Loan as at Completion; and
- (2) the consideration for the Sale Shares shall be the Consideration less the consideration for the Sale Loan in paragraph (1) above.

The Consideration shall be paid by the Purchasers in the following matter:

- (i) as to HK\$10 million ("**First Instalment**"), paid by cheque issued by the Purchasers' solicitors drawn in favour of the Company at the time of the signing of the SP Agreement; and
- (ii) as to the remaining HK\$42,417,000, to be paid by cheque or cashier order issued by the Purchasers' solicitors drawn in favour of the Company at Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms principally with reference to (i) the valuation of the Property as at 29 January 2019 of RMB45 million (equivalent to approximately HK\$52.4 million); (ii) the recent property market conditions in China; and (iii) the net asset value of the Target Group.

Conditions precedent

The Purchasers may terminate the SP Agreement at any time before Completion by notice in writing to the Company upon the occurrence of following events on or before Completion Date:

- (1) the Property has sustained serious damage, as a result of which its valuation has substantially decreased, or the Property has been entirely closed down by any government authority; or
- (2) a petition has been submitted for the winding up or liquidation of any of the Target, Winnertex and/or Tungtex (Hangzhou), or any of such companies has been entirely closed down by any government authority.

If the SP Agreement is terminated in the above event, the Company shall refund the full amount of the First Instalment to the Purchasers within 3 business days from the date of the service of the said notice; and upon the full refund of the First Instalment to the Purchaser, all of the parties' rights and obligations under the SP Agreement (save for the confidentiality obligations of the parties thereunder) shall cease and no party shall have any claim against any other party.

Completion

Completion shall take place on the Completion Date.

As at the date of this announcement and immediately before Completion, the Target is a direct wholly-owned subsidiary of the Company. Upon Completion, the Target will cease to be a subsidiary of the Company and the results of the Target Group will no longer be consolidated with the financial information of the Group.

Termination

The SP Agreement may be terminated under the circumstances set out below.

- (1) if the Company fails to fully perform all its obligations at Completion as set out under the SP Agreement, the Purchasers are entitled to, at their discretion: (i) terminate the SP Agreement; (ii) proceed to Completion to the extent practicable; or (iii) postpone the Completion Date to a date to be agreed between the Company and the Purchasers. If the Purchasers elect to terminate the SP Agreement, the Company shall refund the full amount of the First Instalment to the Purchasers within 3 business days;
- (2) the Company has guaranteed and undertaken to the Purchasers that from the date of signing the SP Agreement up to the Completion Date, other than conducted in its ordinary course of business or save for such other matters as disclosed in the SP Agreement, the Target, Winnertex or Tungtex (Hangzhou) shall not have any unusual cash outflow, unusual purchase or disposal of assets, or unusual prepayments, or enter into any unusual material contracts or make any unusual or material amendments to the employment terms with its employees which will have apparent material adverse effect on the Target, Winnertex or Tungtex (Hangzhou), save with the written consent of the Purchasers. A breach of the said undertakings shall entitle the Purchasers to serve a written notice on the Company and terminate the SP Agreement with immediate effect. The Company shall refund the full amount of the First Instalment to the Purchasers within 3 business days from the date of the service of the said notice; and

upon the full refund of the First Instalment to the Purchaser, all of the parties' rights and obligations under the SP Agreement (save for the confidentiality obligations of the parties thereunder) shall cease and no party shall have any claim against any other party; or

- (3) if, without any default on the part of the Company, the Purchasers fail to perform their respective obligations under the SP Agreement such that Completion fails to take place, the Company is entitled to terminate the SP Agreement and the First Instalment shall be forfeited to the Company, as the liquidated damages suffered by the Company as a result of the Purchasers' breach.

Limitation of liability

Notwithstanding any contrary contained in the SP Agreement, the parties agree that:

- (1) the Company shall not be liable for breach of warranties given by it under the SP Agreement if such breach is a result of (i) any act, breach of contract or negligence on the part of the Purchasers, the Target, Winnertex or Tungtex (Hangzhou) after Completion; or (ii) any law or statutory provision is revised, modified or re-enacted;
- (2) the Company shall not be liable for a breach of warranties given by it under the SP Agreement unless the claim is brought within one year after the Completion;
- (3) the aggregate amount of liability recoverable from the Company under any circumstances (including for a breach of warranties) shall not exceed HK\$3 million; and
- (4) the Company shall only be liable for a claim if the total amount recoverable from the Company in respect of that single claim exceeds HK\$300,000.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability on 28 January 1999 and is principally engaged in investment holding. The Target holds 100% of the issued share capital of Winnertex (an investment holding company) which in turn holds 100% registered capital of Tungtex (Hangzhou). The principal asset of Tungtex (Hangzhou) is the Property which has been developed as an e-commerce operation park.

The Target Group is principally engaged in investment holding and property investment.

Set out below are certain unaudited consolidated financial information of the Target and Winnertex for the year ended 31 March 2017:

	For the year ended 31 March 2017 HK\$'000
Loss before and after taxation	<u><u>76</u></u>

Set out below are certain unaudited financial information of Tungtex (Hangzhou) for the year ended 31 March 2017 (*Note*):

**For the year ended
31 March 2017**
HK\$'000

Loss before and after taxation	912
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Note: Tungtex (Hangzhou) was 100% held by another wholly-owned subsidiary of the Company during the year ended 31 March 2017.

Set out below are certain unaudited consolidated financial information of the Target Group for the year ended 31 March 2018:

**For the year ended
31 March 2018**
HK\$'000

Profit before taxation	7,227
Profit after taxation	4,779

The unaudited consolidated total asset value and net asset value of the Target Group as at 30 September 2018 were approximately HK\$54.9 million and HK\$43.6 million respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in (i) manufacture and trading of garments; and (ii) product design and retail sale of the Group's own brand apparel products.

Having taken into account the current property market conditions, the Directors consider that the Disposal enable the Company to centralize its resources by realising the value of the Property. The Company intends to apply the net proceeds in the amount of approximately HK\$52 million from the Disposal for general working capital of the Group and payment of a special dividend, which is subject to the Completion, in the amount of approximately HK\$5 million. Further announcement will be made by the Company in respect of the special dividend after Completion having taken place.

The terms of the SP Agreement were determined after arm's length negotiations between the Company and the Purchasers and the Directors are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT ON THE DISPOSAL

Based on preliminary assessment, the Group will record a gain on disposal of approximately HK\$12.5 million as a result of the Disposal, being the difference between the Consideration for the Sale Shares and the unaudited net asset value of the Target Group as at 30 September 2018 after taking into account the realization of the exchange reserve. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“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 Sale Loan in accordance with the terms of the SP Agreement
“Completion Date”	28 February 2019 (or such other date agreed by the Purchasers and the Company in writing) on which Completion is to take place
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the sum of HK\$52,417,000, being the total consideration for the purchase of the Sale Shares and the Sale Loan
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and assignment of the Sale Loan by the Company pursuant to the SP Agreement
“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 Third Party(ies)”	third party(ies) who are independent of and are not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Property”	the land located at 中國浙江省杭州市餘杭區餘杭經濟技術開發區振興東路16號 (unofficial English translation being No. 16 Zhenxing Road East, Yuhang Economic Technology Development Zone, Yuhang District Hangzhou City, Zhejiang Province, the PRC) with a site area of 15,957.9 sq.m. and the buildings constructed thereon with a total gross floor area of 18,657.47 sq.m.
“Purchaser A”	Goldmax Hong Kong Investment Limited (金匯香港投資有限公司), a company incorporated in Hong Kong with limited liability
“Purchaser B”	On Time Investment Development Limited (安泰投資發展有限公司), a company incorporated in Hong Kong with limited liability
“Purchasers”	collectively, Purchaser A and Purchaser B
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	such amount as equals the face value of the entire sum of shareholder’s loan owing by the Target to the Company as at the Completion Date; as at the date of this announcement, it is in the sum of approximately HK\$1.9 million
“Sale Shares”	the entire issued share capital of the Target legally and beneficially owned by the Company immediately prior to Completion
“Shares”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SP Agreement”	the sale and purchase agreement dated 30 January 2019 and entered into between the Company and the Purchasers in respect of the Disposal
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Cheergain Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target, Winnertex and Tungtex (Hangzhou)

- “Tungtex (Hangzhou)” 同得仕 (杭州) 時裝有限公司 (unofficial English translation being Tungtex (Hangzhou) Garments Co., Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
- “Vendor” the Company
- “Winnertex” Winnertex Fashions Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB0.8585 to HK\$1.00. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

For and on behalf of the Board
Tungtex (Holdings) Company Limited
Martin Tung Hau Man
Chairman

Hong Kong, 30 January 2019

As at the date of this announcement, the executive Directors are Mr. Martin Tung Hau Man, Mr. Raymond Tung Wai Man and Mr. Billy Tung Chung Man; and the independent non-executive Directors are Mr. Tony Chang Chung Kay, Mr. Robert Yau Ming Kim, Mr. Leslie Chang Shuk Chien and Mr. Kenneth Yuen Ki Lok.