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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)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF ASSETS

Financial Adviser to the Company



建泉融資有限公司

VBG Capital Limited

THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 29 November 2019 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase the Target Assets for a total consideration of RMB70.5 million, subject to the terms of the Disposal Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Disposal is more than 25% but below 75%, the Disposal constitutes a major transaction for the Company which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. A circular containing, among other matters, (1) details of the Disposal Agreement and the Disposal; (2) valuation report of the Target Assets; (3) other information as required to be disclosed under the Listing Rules; and (4) the notice of the EGM and a form of proxy is expected to be despatched to the Shareholders on or before 23 December 2019 as more time is required to prepare the information for inclusion in the circular.

The Completion is conditional on the Conditions Precedent being fulfilled. Accordingly, the Disposal may or may not materialize. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares of the Company.

INTRODUCTION

The Board is pleased to announce that on 29 November 2019 (after trading hours), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase the Target Assets for a total consideration of RMB70.5 million, subject to the terms of the Disposal Agreement.

THE DISPOSAL AGREEMENT

The principal terms and conditions of the Disposal Agreement are set out below:

Date	29 November 2019
Parties	1) the Vendor 2) the Purchaser
Subject matter	<p>Pursuant to the Disposal Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the following assets located in 中國廣東省東莞市清溪鎮漁梁圍村 :-</p> <ol style="list-style-type: none">1) the industrial land use rights with a total site area of 17,041.96 sq. m. until 31 March 2055;2) the buildings and ancillary facilities located thereon with a total gross floor area of 20,473.03 sq. m., comprising:<ol style="list-style-type: none">a) a dormitory building with a total gross floor area of 6,296.78 sq. m.;b) a dormitory building with a total gross floor area of 2,360.25 sq. m.; andc) a factory building with a total gross floor area of 11,816.00 sq. m. <p>(collectively, the “Target Assets”)</p>
Consideration and Payment	<p>The Consideration for the disposal of the Target Assets is RMB70,500,000, inclusive of tax payable by the Vendor pursuant to the terms of the Disposal Agreement.</p> <p>The Consideration shall be paid by the Purchaser in the following manner:-</p> <ol style="list-style-type: none">1) The Purchaser shall pay RMB30,000,000 into the Joint Account within 2 working days after the Joint Account has been opened;

- 2) upon the Company having obtained approval of the Disposal Agreement and the transactions contemplated thereunder from the Shareholders, the Purchaser shall pay the remainder RMB40,500,000 into the Joint Account within 10 days after the Vendor has obtained the approval documents issued by 東莞市自然資源局 (The Natural Resources Bureau of Dongguan*) in respect of the Disposal; and
- 3) the Parties shall jointly and immediately arrange for the release of the funds in the Joint Account to the Vendor's Designated Account upon the Purchaser's Representative obtaining the property ownership certificate in respect of the Target Assets issued under the name of the Purchaser by the property registration department of the PRC government ("**Ownership Certificate**").

Notes:

- 1) The Parties shall be responsible for their respective tax obligations under the applicable laws and shall assist each other in handling the relevant tax matters in respect of the Disposal.
- 2) Taxes payable by the Vendor in respect of the Disposal shall be paid from the Joint Account and the Purchaser shall duly provide to the Escrow Bank the First Authorization Form and other necessary documents to facilitate the Vendor's settlement of the aforementioned taxes.
- 3) The Purchaser shall provide to the Vendor the Second Authorization Form at the same time as the First Authorization Form is deposited with the Escrow Bank, failing which the Vendor shall not be required to perform its tax obligations.

Basis of Consideration The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser by reference to the valuation of the Target Assets prepared by the Independent Property Valuer engaged by the Company. The appraised value of the Target Assets is approximately RMB60.06 million as at 28 November 2019.

Conditions Precedent Completion of the Disposal is conditional upon the Company having obtained approval of the Disposal Agreement and the transactions contemplated thereunder from the Shareholders in accordance with the Listing Rules and other applicable laws.

In the event that such Shareholders' approval cannot be obtained, the Vendor shall immediately notify the Purchaser and relinquish control of the Joint Account so that the funds therein may be released to the Purchaser. The Disposal Agreement shall terminate and all obligations and liabilities of the Vendor and the Purchaser to each other thereunder shall cease immediately upon such termination.

Completion The Target Assets shall be handed over to the Purchaser on the first working day after the Vendor has received the Consideration in the Vendor's Designated Account from the Joint Account.

INFORMATION OF THE PARTIES

The Vendor

The Vendor is an indirect wholly owned subsidiary of the Company incorporated in the PRC. It was principally engaged in garment manufacturing activities in Dongguan, the PRC and it has no operation at present.

The Target Assets used to form a part of the Group's production facility but have now ceased operation.

The Purchaser

The Purchaser is a company incorporated in the PRC. It is principally engaged in software and information technology services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its UBO is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 Board considers that the Disposal will enable the Company to centralize its resources by realising the value of the Target Assets.

The terms of the Disposal Agreement were determined after arm's length negotiations between the Company and the Purchaser and the Directors are of the view that the terms of the Disposal 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 EFFECTS OF THE DISPOSAL

Before the Disposal, the Vendor is the legal and beneficial owner of the Target Assets. Upon Completion, the Vendor will cease to have any interest in the Target Asset. It is estimated that the Group will record a gain of approximately HK\$24,323,000 as a result of the Disposal, being the difference between (i) the Consideration after deducting relevant expenses and taxes, and (ii) the net book value of the Target Assets as at 30 September 2019 in the amount of approximately HK\$45,932,000. Shareholders should note that the financial effect is shown for reference only and the actual amount of gain or loss as a result of the Disposal is subject to audit by the auditors.

INTENDED USE OF PROCEEDS

After deducting transaction costs and taxes of approximately HK\$8,000,000, the estimated net proceeds from the Disposal will amount to approximately HK\$70,255,000. The Company intends to apply the net proceeds from the Disposal to the general working capital of the Group and payment of a special dividend, which is subject to the Completion, in the amount of approximately HK\$7.88 million. Further announcement will be made by the Company in respect of the special dividend after Completion has taken place.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Disposal is more than 25% but below 75%, the Disposal constitutes a major transaction for the Company which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve the Disposal Agreement, and the transactions contemplated thereunder.

A circular containing, among other matters, (1) details of the Disposal Agreement and the Disposal; (2) valuation report of the Target Assets; (3) other information as required to be disclosed under the Listing Rules; and (4) the notice of the EGM and a form of proxy is expected to be despatched to the Shareholders on or before 23 December 2019 as more time is required to prepare the information for inclusion in the circular. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, no Shareholder has a material interest in the matters which are the subject of the Disposal such that it must abstain from voting, and, accordingly, all Shareholders will be permitted to vote at the EGM.

Warning:

The Completion is conditional on the Conditions Precedent being fulfilled. Accordingly, the Disposal may or may not materialize. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	Tungtex (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 00518)
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement

“Conditions Precedent”	the conditions precedent to the completion of the Disposal Agreement as set out in the paragraph headed “Conditions Precedent” under the section “THE DISPOSAL AGREEMENT” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB70,500,000 payable by Purchaser to the Vendor in respect of the Disposal, inclusive of tax payable by the Vendor pursuant to the terms of the Disposal Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Assets owned by the Vendor in accordance with the terms of the Disposal Agreement
“Disposal Agreement”	the agreement dated 29 November 2019 entered into between the Vendor and the Purchaser relating to the sale and purchase of the Target Assets
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
“Escrow Agreement”	the escrow agreement entered into by and between the Parties and the Escrow Bank on the same day the Disposal Agreement is entered into
“Escrow Bank”	the escrow bank appointed pursuant to the provisions of the Disposal Agreement
“First Authorization Form”	the payment authorization form to be provided by the Purchaser to the Escrow Bank to facilitate the Vendor’s settlement of its tax obligations pursuant to the Disposal from the Joint Account
“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 Property Valuer”	the independent property valuer engaged by the Company
“Independent Third Party(ies)”	an independent third party not connected with the Company or its connected persons (as defined under the Listing Rules)
“Joint Account”	an account jointly opened and administered by the Parties pursuant to the Escrow Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ownership Certificate”	has the meaning ascribed to it in the paragraph headed “Consideration and Payment” under the section “THE DISPOSAL AGREEMENT” in this announcement
“Parties”	the Vendor and the Purchaser
“Percentage Ratio(s)”	the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	東莞市豐泰達科技有限公司 (Dongguan Feng Tai Da Technology Co., Ltd.*), a company established in the PRC with limited liability
“Purchaser’s Representative”	the Purchaser’s representative appointed pursuant to the provisions of the Disposal Agreement
“RMB”	renminbi yuan, the lawful currency of the PRC
“Second Authorization Form”	the payment authorization form to be provided by the Purchaser to the Vendor for the latter’s presentation to the Escrow Bank together with a copy of the Ownership Certificate, whereupon the Escrow Bank shall release the funds in the Joint Account to the Vendor’s Designated Account pursuant to the terms of the Disposal Agreement and the Escrow Agreement
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“sq. m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	has the meaning ascribed to it in the paragraph headed “Subject matter” under the section “THE DISPOSAL AGREEMENT” in this announcement
“UBO”	柯衛 (Ke Wei*) and Chen Yuanming, being the ultimate beneficial owners of the Purchaser
“Vendor”	東莞同得仕時裝有限公司 (Dongguan Tungtex Germents Co. Limited*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company

“Vendor’s Designated Account” the account designated by the Vendor to receive payments from the Escrow Bank pursuant to the Disposal Agreement and the Escrow Agreement

“%” per cent

* *For identification purpose only*

In this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of RMB1.0 = HK\$1.11.

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

Hong Kong, 1 December 2019

As at the date of this announcement, the executive directors of the Company 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.