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HINGTEX HOLDINGS LIMITED

興紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1968)

DISCLOSEABLE TRANSACTION ACQUISITION OF 8% OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

The Board is pleased to announce that on 31 January 2022, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares at the Consideration of HK\$25,000,000 (subject to a downward adjustment).

Upon Completion, the Purchaser will enter into the Shareholders' Agreement with the Vendor and the Target Company to govern the management of the Target Company and the rights and obligations of the Purchaser and the Vendor in respect of the Target Company.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Introduction

The Board is pleased to announce that on 31 January 2022, the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares at the Consideration of HK\$25,000,000 (subject to a downward adjustment).

Upon Completion, the Purchaser will enter into the Shareholders' Agreement with the Vendor and the Target Company to govern the management of the Target Company and the rights and obligations of the Purchaser and the Vendor in respect of the Target Company.

Sale and Purchase Agreement

Major terms of the Sale and Purchase Agreement are detailed as follows:

Subject assets to be acquired: The Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Sale Shares (representing 8% of the entire issued share capital of the Target Company).

Consideration: The Consideration of HK\$25,000,000 shall be payable by the Purchaser to the Vendor on the Completion Date in the following manner:

- (a) the sum of HK\$4,000,000 shall be payable by cashier's order (or any other methods as agreed between the Purchaser and the Vendor); and
- (b) the remaining balance of the Consideration in the sum of HK\$21,000,000 shall be payable by way of issuance of the Promissory Note.

The Consideration is subject to a downward adjustment depending on the exact amount of financing to be obtained from bank(s) and/or financial institution(s).

Conditions precedent: Completion shall be conditional upon fulfilment of the following conditions:

- (a) the Purchaser having obtained a valuation report in respect of the market value of the Property from an independent valuer, confirming that the market value of the Property as at 31 December 2021 was not less than HK\$400,000,000;
- (b) all necessary authorisations, consents and approval from and filing and registration with the Stock Exchange and other applicable government institutions, regulatory authorities and third parties in relation to the Acquisition having been obtained;
- (c) where applicable, passing by the shareholders of the Company (other than those prohibited from voting under the Listing Rules, if applicable) resolutions at the general meeting of the Company approving the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (d) there being no applicable law, rule, regulation, order, injunction, decree or judgment of any court or other governmental authorities which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated under the Sale and Purchase Agreement;
- (e) all the representations and warranties given by the Purchaser under the Sale and Purchase Agreement are and shall remain true, accurate and correct in all material respects up to the Completion Date; and
- (f) all the representations and warranties given by the Vendor under the Sale and Purchase Agreement are and shall remain true, accurate and correct in all material respects up to the Completion Date.

The Purchaser may at any time waive in writing Conditions (a) and (f) above while the Vendor may at any time waive in writing Condition (e) above, and such waiver(s) may be made subject to such terms and conditions as agreed between the Purchaser and the Vendor. Neither the Purchaser nor the Vendor shall be entitled to waive any of Conditions (b) to (d) above.

If any of the Conditions have not been fulfilled or waived by the Purchaser or the Vendor (as the case may be) prior to the Long Stop Date, the Sale and Purchase Agreement shall, except the continued application of certain clauses, cease to have any effect, and the Purchaser and the Vendor shall be released from any further obligations without any liability save for any claims arising out of any antecedent breach of the Sale and Purchase Agreement.

Completion:

Completion shall take place on the Completion Date subject to the fulfillment or waiver (as the case may be) of all the conditions precedent as detailed above.

The Promissory Note

Major terms of the Promissory Note are set out as follows:

Issuer:	The Purchaser
Noteholder:	The Vendor
Principal amount:	HK\$21,000,000 (subject to a downward adjustment depending on the exact amount of financing to be obtained from bank(s) and/or financial institution(s))
Maturity date:	the date falling fifteen (15) days prior to completion of the acquisition of the Property, or such other date as agreed between the Purchaser and the Vendor in writing
Interest rate:	Nil

Shareholders' Agreement

Upon Completion, the Purchaser will enter into the Shareholders' Agreement with the Vendor and the Target Company. The principal rights and obligations of the Purchaser and the Vendor in respect of the Target Company pursuant to the Shareholders' Agreement are detailed as follows:

Board composition:	The maximum number of directors of the Target Company shall be four (4). The Purchaser shall have the right to appoint and remove one (1) director while the Vendor shall have the right to appoint and remove three (3) directors and the chairman of the board
Actions requiring unanimous consent of all shareholders:	<p>Below are certain actions that require the unanimous consent of all shareholders of the Target Company before such actions can be taken by the Target Company:</p> <ul style="list-style-type: none">(a) any material change in the general management, business operation or nature of business of the Target Company (including any cessation of any kind of business);(b) any amendment to the memorandum and/or articles of association of the Target Company;(c) any change to the name of the Target Company;(d) application for listing or quotation of shares or trading of any shares or debt securities of the Target Company or any subsidiary or associated company of the Target Company on any stock exchange;

- (e) any amalgamation, reconstruction, consolidation or voluntary liquidation of the Target Company;
- (f) any resolution to alter the share capital of the Target Company or any of its subsidiary or associated company;
- (g) creation, cancellation or issue of any shares, or any class of shares, options, warrants or debentures or other securities convertible into shares or debentures or interests of the Target Company;
- (h) any variation of any rights attaching to the shares or share capital of the Target Company;
- (i) any resolution to pay any interest out of the capital of the Target Company;
- (j) any resolution to effect the winding up or dissolution of the Target Company;
- (k) any approval for the exercise of certain powers by the liquidator in a members' voluntary winding up of the Target Company; and
- (l) disposal of the whole or a substantial portion of the undertaking, property or assets of the Target Company

Restrictions on the issue of shares:

The Target Company shall not issue any securities of any type or class (the “**Issued Securities**”) to any person (the “**Proposed Recipient**”) unless the Target Company has offered to all of its existing shareholders the right to subscribe for the Issued Securities on the same terms and conditions as are offered to the Proposed Recipient and in such proportion as between the shareholders

Tag-along rights:

Subject to the compliance with the Shareholders' Agreement, if any shareholder of the Target Company wishes to sell all of its shares in the Target Company totalling 50% or more of the issued share capital of the Target Company to a third party purchaser (the “**Proposed Buyer**”), all other shareholders of the Target Company shall have the right and be afforded an opportunity to join in such sale and transfer all their shares in the Target Company to the Proposed Buyer.

Basis of Determination of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the followings:

- (a) the consideration of acquisition of the Property at HK\$400,000,000 by the Target Company pursuant to the Property Acquisition Agreement entered into between the Target Company and the vendor of the Property;
- (b) the financing arrangement to be obtained from bank(s) and/or financial institution(s);
- (c) the expenses to be incurred for refurbishment of the Property prior to leasing it out; and
- (d) the funding for potential investment opportunities of the Target Company.

The Consideration shall be fully funded by the internal resources of the Group.

General Information of the Parties to the Acquisition

The Group

The Company is a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The Group principally engages in the manufacturing and sales of denim fabrics.

The Purchaser is a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company. The Purchaser principally engages in the business of property investment.

The Vendor

The Vendor is a company incorporated under the laws of Hong Kong with limited liability and principally engages in the business of property development in Hong Kong. As at the date of this announcement, the Vendor was directly wholly-owned by Mr. Ma Ting Yiu.

To the best of the Director's knowledge, information and belief after having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

The Target Company

The Target Company is a company incorporated under the laws of Hong Kong with limited liability on 19 November 2021 and principally engages in the business of property investment and property leasing in Hong Kong. As at the date of this announcement, the Target Company was directly wholly-owned by the Vendor.

The Target Company has entered into the Property Acquisition Agreement for acquisition of the Property which is located in Tsuen Wan, New Territories with a total saleable area of approximately 43,306 square feet. It is expected that the completion of the acquisition of the Property will take place in September 2022.

There has been no material operation of the Target Company since its recent incorporation. For the period since its incorporation until 31 December 2021, the Target Company recorded a net loss of approximately HK\$10,000 and its net liabilities as at 31 December 2021 was approximately HK\$9,999.

Reasons for and Benefits of the Acquisition

Although the Group principally engages in the manufacturing and sales of denim fabrics, the Directors have always been proactive in seeking opportunities in diversifying the scope of business of the Group. The Directors consider that the Acquisition represents an investment opportunity to participate in the property investment market in Hong Kong and that the leasing of the Property will generate stable income for the Group. The Directors also take an optimistic view of the property market in Hong Kong and believe that the Group will benefit from the long-term appreciation of the price in properties in Hong Kong. Based on the foregoing and after having taken into account that (i) the Consideration is at a discount when compared to the prevailing market price of comparable properties in the vicinity of the Property; and (ii) the Group's risk exposure in the Acquisition is low given it being a minority shareholder of the Target Company and its capital contribution is limited, the Directors are of the view that it is appropriate and beneficial to invest in the Target Company.

The Directors (including the independent non-executive Directors) consider that the terms of the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

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Definitions

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Hingtex Holdings Limited (興紡控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1968)
“Completion”	completion of the Acquisition
“Completion Date”	the date on which all the conditions precedent under the Sale and Purchase Agreement having been fulfilled or waived (as the case may be) or such other date as the Purchaser and the Vendor may mutually agree in writing
“Consideration”	the consideration of HK\$25,000,000 (subject to a downward adjustment) payable by the Purchaser to the Vendor in relation to the Acquisition
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“Promissory Note”	a promissory note in the principal amount of HK\$21,000,000 (subject to a downward adjustment) to be issued by the Purchaser in favour of the Vendor for the purpose of settling part of the Consideration
“Property”	Commercial Accommodation, Indihome, No. 138 Yeung Uk Road, Tsuen Wan, New Territories

“Property Acquisition Agreement”	a preliminary sale and purchase agreement entered into between the Target Company and the vendor of the Property in relation to the acquisition of the Property
“Purchaser”	H. W. Properties Investment Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 January 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Shares”	8 ordinary shares in the Target Company, representing 8% of the entire issued share capital of the Target Company as at the date of this announcement
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Purchaser, the Vendor and the Target Company upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Supreme Gain Investments Limited (卓盈投資有限公司), a company incorporated under the laws of Hong Kong with limited liability
“Vendor”	Oriental Concord Property Development Limited, a company incorporated under the laws of Hong Kong with limited liability
“%”	per cent

By order of the Board
HINGTEX HOLDINGS LIMITED
Tung Tsun Hung
Chairman and executive Director

Hong Kong, 31 January 2022

As at the date of this announcement, the chairman and executive Director is Mr. Tung Tsun Hong, the executive Directors are Mr. Tung Wai Ting Stephen and Mr. Tung Cheuk Ming Stanley, and the independent non-executive Directors are Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Leung Wang Ching Clarence, J.P..