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南旋控股有限公司

NAMESON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1982)

ACQUISITION OF V. SUCCESS

**MAJOR TRANSACTION,
CONNECTED TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS**

Financial Adviser



Euto Capital Partners Limited

DIVERSIFICATION INTO MANUFACTURING OF KNITTED UPPER FOR FOOTWEAR AND KNITTED UPPER SHOES

The Board is pleased to announce that on 28 September 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Share Transfer Agreement pursuant to which the Purchaser agreed to acquire the Sale Shares held by the Vendor, representing the entire issued share capital in V. Success, at the consideration of HK\$550 million which shall be satisfied by cash and the issue and allotment of Consideration Shares at Completion. The V. Success Group is principally engaged in the manufacturing of knitted upper for footwear and knitted upper shoes.

Under the Share Transfer Agreement, the Vendor has agreed to provide a Profit Guarantee to the effect that the consolidated net profits (after tax) of the V. Success Group, prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ending 31 March 2018 will be no less than HK\$66 million. If V. Success Group fails to meet the above, the Vendor shall pay the Purchaser a compensation equivalent to 8.33 times of the shortfall amount no later than 30 September 2018.

A customer of the V. Success Group had required the Vendor to provide the Personal Guarantee in respect of the contractual obligations of V. Success Group as a supplier of their business. The Personal Guarantee will continue after Completion. The Vendor and the Purchaser agree to work towards the release of the Personal Guarantee after Completion and, if so requested, to require the Company to execute a corporate guarantee in respect of the contractual obligations of V. Success Group as and when necessary or appropriate.

The V. Success Group has manufacturing operations in Huizhou, PRC and Vietnam. Its factory premises in Huizhou, PRC are the subject of the Lease Agreements and are currently leased from companies owned by, among other connected persons, the Vendor. Such Lease Agreements will continue after Completion.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement, circular and the Shareholders' approval requirements under the Listing Rules.

The Vendor is the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company who is interested in 72.4% of the total issued share capital of the Company. The Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Personal Guarantee will, on Completion, constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Given that the Personal Guarantee was entered into on normal commercial terms and was not secured by any assets of the Group, it is therefore fully exempted from reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A.90 of the Listing Rules.

The lessors under the Lease Agreements are owned by the Vendor, other Directors and related family members. As a result, the Lease Agreements will, on Completion, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined in the Listing Rules) in respect of the annual caps of the Lease Agreements are less than 5%, and the annual rental is less than HK\$10,000,000, the transactions contemplated under the Lease Agreements are subject to reporting, annual review and announcement requirement but are exempted from circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held to seek approval from the Independent Shareholders in relation to the Acquisition. Mr. Wong Ting Chung (being the Vendor) and his associates will be required to abstain from voting at the EGM on resolutions in relation to the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider, and to advise the Independent Shareholders on, the fairness and reasonableness of the terms of the Acquisition. Red Sun Capital Limited, has been appointed as the Company's independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the same.

A circular containing, among others, further details of the Acquisition and the transactions contemplated thereunder, a letter from the Independent Board Committee and a letter from the independent financial adviser advising the Independent Board Committee and the Independent Shareholders on the terms thereof, and a notice of the EGM is expected to be despatched to the Shareholders on or before 23 October 2017.

THE ACQUISITION

The Board is pleased to announce that on 28 September 2017 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendor entered into the Share Transfer Agreement, the major terms of which are set out below.

The Share Transfer Agreement

Date

28 September 2017

Parties

- (i) the Purchaser as purchaser; and
- (ii) the Vendor as vendor.

Assets to be acquired

Pursuant to the Share Transfer Agreement, the Purchaser agreed to buy, and the Vendor agreed to sell, the Sale Shares, representing the entire issued share capital of V. Success. As at the date of this announcement, V. Success is wholly-owned by the Vendor and indirectly holds V. Success Huizhou and V. Success Vietnam.

According to the Vendor, save for the capitalisation of shareholders' loan in the amount of HK\$100 million advanced by the Vendor to V. Success which is a condition precedent for Completion, the total investment cost of the Vendor attributable to the Sale Shares was US\$100 (approximately HK\$780) as at the date of this announcement.

Consideration

Pursuant to the Share Transfer Agreement, the Consideration of HK\$550 million shall be settled on Completion in the following manner:

- (a) HK\$344 million, representing approximately 62.6% of the Consideration, shall be settled by way of allotment and issue of the Consideration Shares by the Company to the Vendor at the Issue Price; and
- (b) the remaining Consideration not satisfied by the allotment and issue of the Consideration Shares shall be paid in cash.

The Consideration was determined by the Purchaser and the Vendor after negotiations with reference to (i) the preliminary valuation of the Sale Shares of approximately HK\$656.5 million prepared by the Valuer; and (ii) the Profit Guarantee.

Since the Consideration represents a discount of approximately 16.2% to the preliminary valuation amount and the implied price to earnings ratio of 8.33 times as indicated by the Profit Guarantee is lower than that of the Company as at the date of this announcement, the Board considers the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Details of the valuation report in relation to the value attributable to the Sale Shares will be set out in the circular to be sent to Shareholders.

Consideration Shares

The Consideration Shares will be issued at the Issue Price which was determined between the parties with reference to the recent trading prices of the Shares and prevailing market conditions. The Consideration Shares represent (i) approximately 9.6% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the date of Completion save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price is same as the closing price of HK\$1.72 per Share, as quoted on the Stock Exchange on the Last Trading Day; and represents a premium of approximately 4% to the average closing price of HK\$1.654 per Share, based on the last five (5) trading days up to and including the Last Trading Day.

Conditions Precedent

The Acquisition is conditional upon the fulfilment or waiver (as the case may be) of the following:

- (i) the obtaining of the necessary corporate approvals by the Vendor and the Purchaser including but not limited to, the approval by the Independent Shareholders of the Share Transfer Agreement and the transactions contemplated thereunder;
- (ii) the Purchaser, in its sole discretion, being satisfied with the results of a due diligence review having been conducted by the Purchaser on the business and operations, assets and liabilities, legal and financial matters of V. Success Group;
- (iii) the obtaining of all approvals by V. Success Group from relevant government authorities or regulatory bodies required for Completion;
- (iv) the capitalisation of the loan in the amount of HK\$100 million advanced by the Vendor to V. Success;
- (v) the Purchaser, in its sole discretion, being satisfied with the due diligence reports on the V. Success Group to be issued by the PRC and Vietnam legal advisers appointed by the Purchaser;
- (vi) the Purchaser, in its sole discretion, being satisfied with the valuation report to be issued by a valuer acceptable to the Purchaser in relation to the business valuation of the value attributable to the Sale Shares;
- (vii) the Listing Committee of the Stock Exchange granting an approval for the listing of, and permission to deal in, all of the Consideration Shares on the Stock Exchange, and such listing and permission not subsequently being revoked prior to Completion;
- (viii) the release of the personal guarantees provided by the Vendor to secure banking facilities to V. Success Group and the execution of corporate guarantees by the Company to secure such banking facilities to V. Success Group; and
- (ix) all warranties given by the Purchaser and Vendor remaining true, accurate and not misleading in all material respects.

The Purchaser may at its discretion waive conditions (ii), (iv), (v), (vi), (viii) and (in respect of warranties given by the Purchaser only) (ix) as set out above.

Subject to the fulfillment or waiver by the Purchaser (as the case may be) of the above conditions, Completion will take place on the fifth (5th) Business Day following the fulfillment (or waiver) of the conditions (i) to (viii) or such date as the parties may agree. If any of the above conditions is not fulfilled (or waived by the Purchaser) on or before 31 March 2018, the Share Transfer Agreement shall lapse and neither the party shall have any claim against the other save for antecedent breaches.

Profit Guarantee

The Vendor undertakes that the consolidated net profits (after tax) of the V. Success Group, prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ending 31 March 2018 will be no less than HK\$66 million. If V. Success Group fails to meet the above, the Vendor shall pay the Purchaser a compensation equivalent to 8.33 times of the shortfall amount no later than 30 September 2018.

The Personal Guarantee

A customer of the V. Success Group had required the Vendor to provide the Personal Guarantee in respect of the contractual obligations of V. Success Group as a supplier of their business. The Personal Guarantee will continue after Completion. The Vendor and the Purchaser agree to work towards the release of the Personal Guarantee after Completion and if so requested, to require the Company to execute a corporate guarantee in respect of the contractual obligations of V. Success Group as and when necessary or appropriate.

THE LEASE OF FACTORY PREMISES

The V. Success Group has manufacturing operations in Huizhou, China and Vietnam. Its factory premises in Huizhou, PRC are the subject of the Lease Agreements and are currently leased from companies owned by, among other connected persons, the Vendor. Such Lease Agreements will continue after completion of the Acquisition. The principal terms of the Lease Agreements are set out below:

The Lease Agreements

On 31 August 2017 and 30 June 2017, V. Success Huizhou, the lessee entered into the Lease Agreements with (i) Huizhou Lijia; and (ii) Huizhou Lixin, each as lessor pursuant to which the lessors lease to the lessee a portion of the factory located in Licheng Industrial Zone, Shuikou Sub-district Office, Huicheng District, Huizhou City, Guangdong Province, the PRC, with a total gross floor area of 50,708.58 square meters. The premises is for factory and dormitory use. The term of each of the Lease Agreement is three years commencing from 1 September 2017 and 1 July 2017 respectively. The monthly rental is RMB571,429 (approximately HK\$680,000) and RMB8,098 (approximately HK\$9,637), exclusive of tax, respectively payable by V. Success Huizhou, and were determined with reference to comparable market transactions or asking rent in the assessment of the market unit rent of the property.

For the year ended 31 March 2017, the total amount of rental paid by V. Success Huizhou for premises with a total floor area of 16,208.58 square meters was HK\$1,398,000. Our Directors estimate that the maximum rental payable under the Lease Agreements will not exceed HK\$4,847,000, HK\$8,275,700, HK\$8,275,700 and HK\$3,429,000 for the four years ending 31 March 2018, 2019, 2020 and 2021 respectively. Such estimate is based on the fixed monthly rent payable under the Lease Agreements.

INFORMATION ON THE V. SUCCESS GROUP

V. Success is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. It is the holding company of V. Success HK, which in turn holds the entire issued share capital of V. Success Huizhou and V. Success Vietnam. Each of V. Success Huizhou and V. Success Vietnam leases factories and dormitories in Huizhou and Vietnam for the conducting the principal business of the V. Success Group, which is the manufacturing of knitted upper for footwear and knitted upper shoes.

Upon Completion, the V. Success Group will become an indirectly wholly-owned subsidiary of the Company and the financial results of the V. Success Group will be consolidated into the financial statements of the Group after Completion.

The consolidated net profit/loss both before and after taxation of V. Success Group under the Hong Kong Financial Reporting Standards for the two years ended 31 March 2017 and 2016 respectively are as follows:

| | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|-------------------------------|---|---|
| | ('000) | ('000) |
| | (audited) | (unaudited) |
| Profit/(loss) before taxation | HK\$37,803 | HK\$(20,146) |
| Profit/(loss) after taxation | HK\$32,900 | HK\$(20,206) |

The unaudited consolidated total assets and net asset value of V. Success Group as at 31 July 2017 were approximately HK\$817,586,000 and HK\$55,225,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE LEASE AGREEMENTS

The Group is principally engaged in the manufacture of knitwear products.

The V. Success Group manufactures knitted upper for footwear which are knitted fabrics for the surface of footwear, and also manufactures knitted upper shoes which are shoes made of knitted surface.

The Directors consider that the V. Success Group's footwear business is an appropriate diversification of the Group's existing knitwear business. As footwear is a fashion item, the demand for such product is high in all seasons round. In particular, knitted upper shoes have been the new fashion trend in the past few years and it is anticipated that the demand for such shoes will be increasing going forward. Therefore, the Directors believe that there is a good growth potential for the footwear business, and there are a lot of potential synergies between the Group and the V. Success Group in manufacturing and product development. Apart from having sufficient financial resources for the development of the footwear manufacturing business, the Group can also leverage the utilisation of its existing operating facilities given that the footwear business uses the similar techniques and production resources as the manufacturing of knitwear which the Group is principally engaged in. While the Group retains its focus in the apparel industry, the entering into the Acquisition enables

the Group to diversify its products and in the medium to long term, such product diversification will mean that the Group is less susceptible to the seasonality of the apparel business. It is also hoped that the footwear business could increase collaboration with certain customers in a wider range of their products, thereby reinforcing customer loyalty and confidence.

In light of the above, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) are of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the terms of the Lease Agreements are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement, circular and the Shareholders' approval requirements under the Listing Rules.

The Vendor is the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company who is interested in 72.4% of the total issued share capital of the Company. The Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company and is subject to reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Personal Guarantee will, on Completion, constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Given that the Personal Guarantee was entered into on normal commercial terms and was not secured by any assets of the Group, it is therefore fully exempted from reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A.90 of the Listing Rules.

The lessors to the Lease Agreements, Huizhou Lijia, is held by the Vendor, Mr. Wong Ting Chun (an executive Director), Mr. Wong Wai Wing, Raymond (an executive Director), Mr. Wong Ting Kau (a non-executive Director) and Mr. Lau Ka Keung (a non-executive Director), and Huizhou Lixin, is owned by Ms. Teresa Wong (the daughter of the Vendor), and hence Huizhou Lijia and Huizhou Lixin are connected persons of the Company under the Listing Rules. Upon Completion, V. Success will become an indirect wholly-owned subsidiary of the Company. Accordingly, on Completion, the transactions contemplated under the Lease Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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| “associate(s)” | has the meaning as ascribed to it in the Listing Rules; |
| “Board” | board of directors of the Company; |
| “Business Day(s)” | a day, excluding public holidays, Saturdays and Sundays, on which banks in Hong Kong are open for business throughout their normal hours; |
| “Company” | Nameson Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on The Stock Exchange of Hong Kong Limited; |
| “Completion” | completion of the Share Transfer Agreement; |
| “connected person(s)” | has the meaning as ascribed to it in the Listing Rules; |
| “Consideration” | the total consideration payable in relation to the Acquisition subject to the terms and conditions under the Share Transfer Agreement; |
| “Consideration Shares” | 200,000,000 new Shares to be allotted and issued to the Vendor to settle part of the Consideration pursuant to the Share Transfer Agreement; |
| “Directors” | the directors of the Company; |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of approving, among others, the Acquisition; |
| “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 PRC; |
| “Huizhou Lijia” | Huizhou Lijia Clothing Company Limited 惠州麗佳服裝有限公司, a company established in the PRC which entered into the Lease Agreements with V. Success Huizhou; |
| “Huizhou Lixin” | Huizhou Lixin Technology Company Limited 惠州立信科技有限公司, a company established in the PRC which entered into the Lease Agreements with V. Success Huizhou; |

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| “Independent Board Committee” | the independent committee of the Board comprising all the independent non-executive Directors (namely, Ms. Fan Chiu Fun, Fanny, Mr. Kan Chung Nin, Tony, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew and Ms. Lee Bik Kee, Betty) established for the purpose of considering and advising the Independent Shareholders in connection with the Acquisition; |
| “Independent Shareholders” | Shareholders other than the Vendor and his associates; |
| “Independent Third Party(ies)” | party(ies) which is/are independent of the Group and the connected persons of the Company; |
| “Issue Price” | an issue price of HK\$1.72 per Consideration Shares, being the higher of (i) the closing price per Share on the date of the Share Transfer Agreement; and (ii) the average closing price per Share for the last five trading days up to and including the date of the Share Transfer Agreement; |
| “Last Trading Day” | 28 September 2017, being the last trading day in the Shares on the date of the Share Transfer Agreement; |
| “Lease Agreements” | the two (2) lease agreements entered into between (i) V. Success Huizhou and Huizhou Lijia on 31 August 2017; and (ii) V. Success Huizhou and Huizhou Lixin on 30 June 2017; in relation to the lease of factory premises in Huizhou; |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Personal Guarantee” | a personal guarantee given by the Vendor to a customer, an Independent Third Party, of the V. Success Group in respect of the obligations of V. Success Group in its supply contract with that customer; |
| “Profit Guarantee” | has the meanings under the paragraph headed “Profit Guarantee”; |
| “Purchaser” | Nameson Group Limited, a company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of the Company; |
| “PRC” | The People’s Republic of China; |
| “RMB” | the lawful currency of the PRC; |
| “Sale Shares” | 100 ordinary shares in V. Success held by the Vendor, representing the entire issued share capital of V. Success as at the date of this announcement; |

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| “Shares” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company; |
| “Share Transfer Agreement” | the share transfer agreement dated 28 September 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition; |
| “Shareholder(s)” | holder(s) of share(s) of the Company; |
| “US\$” | the lawful currency of the United States of America; |
| “Valuer” | Colliers International (Hong Kong) Limited, an independent professional valuer; |
| “Vendor” | Mr. Wong Ting Chung, the chairman, chief executive officer, an executive Director and a substantial shareholder of the Company and is the owner of the entire issued share capital of V. Success as at the date of this announcement; |
| “V. Success” | V. Success Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly-owned by the Vendor as at the date of this announcement; |
| “V. Success Group” | V. Success and its subsidiaries; |
| “V. Success HK” | V. Success (HK) Limited 保麗信(香港)有限公司, a company incorporated in Hong Kong with limited liability and is directly owned by V. Success; |
| “V. Success Huizhou” | V. Success (HZ) Knitting Limited 保麗信(惠州)織造有限公司, a company established in the PRC with limited liability and is indirectly owned by V. Success; |
| “V. Success Vietnam” | V. Success (Vietnam) Knitting Company Limited, a company incorporated in Vietnam with limited liability and is indirectly owned by V. Success; |
| “%” | per cent. |

For illustration purposes only, (i) RMB has been translated at RMB1 to HK\$1.19; and (ii) US\$ has been translated at US\$1 to HK\$7.8.

By order of the Board
Nameson Holdings Limited
Mr. Wong Ting Chung *BBS, JP*
Chairman

Hong Kong, 28 September 2017

As at the date of this announcement, the Board comprises Mr. Wong Ting Chung BBS, JP (Chairman and chief executive officer), Mr. Wong Wai Wing, Raymond, Mr. Wong Ting Chun, Mr. Li Po Sing and Ms. Chan Mei Hing, Aurora, as executive Directors; Mr. Tam Wai Hung, David, Mr. Wong Ting Kau, Mr. Wong Wai Yue and Mr. Lau Ka Keung MH, JP, as non-executive Directors; Ms. Fan Chiu Fun, Fanny GBM, GBS, JP, Mr. Kan Chung Nin, Tony SBS, JP, Mr. Ong Chor Wei, Mr. Fan Chun Wah, Andrew JP and Ms. Lee Bik Kee, Betty, as independent non-executive Directors.