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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)

DISCLOSEABLE TRANSACTION — ESTABLISHMENT OF JOINT VENTURE COMPANY

FUTURE CONTINUING CONNECTED TRANSACTION — CASHMERE PURCHASE AGREEMENT

The Board is pleased to announce that on 24 July 2018, South Champion and Nanxuan Knitting, each a wholly-owned subsidiary of the Company, entered into the Cooperation Framework Agreement with Hebei Yuteng and Nanguan Tech in relation to the establishment of a strategic alliance between the Group and Hebei Yuteng for the production of cashmere yarn, using Nanguan Tech as their 55:45 joint venture vehicle. On the same day, pursuant to the Cooperation Framework Agreement:

- the Group agreed (subject to conditions specified in the relevant agreement) to contribute RMB55.0 million under the Capital Increase and Contribution Agreement and to provide shareholders loans of RMB99.0 million under the Shareholders Loan Agreement to Nanguan Tech, being its pro rata 55% share of the total registered capital and shareholders loan to Nanguan Tech by its shareholders;
- the Group agreed to replace the Existing Cashmere Purchase Agreement with the Cashmere Purchase Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions under the Capital Increase and Contribution Agreement and the Shareholders Loan Agreement (in aggregate) are more than 5% but less than 25%, the transactions under the Capital Increase and Contribution Agreement and the Shareholders Loan Agreement (in aggregate) constitute discloseable transactions of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Following the completion of the SAIC Registration, Nanguan Tech will become a subsidiary of the Company and Hebei Yuteng, a substantial shareholder of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules. The transaction under the Cashmere Purchase Agreement entered into between Hebei Yuteng and Nanguan Tech will thereafter constitute a continuing connected transaction of the Company under the Listing Rules that is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Board is pleased to announce that on 24 July 2018, South Champion and Nanxuan Knitting, each a wholly-owned subsidiary of the Company, entered into the Cooperation Framework Agreement with Hebei Yuteng and Nanguan Tech in relation to the establishment of a strategic alliance between the Group and Hebei Yuteng for the production of cashmere yarn, using Nanguan Tech as their 55:45 joint venture vehicle.

Nanguan Tech is a company established in the PRC in March 2018 and wholly-owned by Hebei Yuteng. Nanguan Tech's approved scope of business is manufacturing of cashmere yarn. So far as the Company is aware, Nanguan Tech has not engaged in any business operations since its establishment. The Group and Hebei Yuteng intend, through Nanguan Tech, to establish cashmere yarn production facilities of designed production capacity of 900 tonnes per annum with the aim of coming into full production within two (2) years. Hebei Yuteng is to supply cashmere to Nanguan Tech on favourable terms, while the Group is expected to benefit at least from having an in-house supply of good quality yarn over which it can better manage quality control and production lead time.

THE COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Cooperation Framework Agreement are set out as follows:

Date	24 July 2018
Parties	(i) South Champion; (ii) Nanxuan Knitting; (iii) Hebei Yuteng; and (iv) Nanguan Tech

Each of South Champion and Nanxuan Knitting is a wholly-owned subsidiary of the Company. The principal business of South Champion is investment holding. Nanxuan Knitting is principally engaged in the manufacturing of knitwear products and holds one of the Group's factories in the PRC.

Hebei Yuteng is a company incorporated in the PRC that is principally engaged in the production of dehaired cashmere and cashmere tops, and has been a supplier of the Group for over 6 years. Hebei Yuteng is the sole shareholder of Nanguan Tech.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hebei Yuteng and Nanguang Tech and its ultimate beneficial owners are parties independent of the Group and the connected persons of the Company.

The Scope of Cooperation

The Group agreed to establish a strategic alliance for the production of cashmere yarn using Nanguan Tech as their 55:45 joint venture vehicle. Accordingly, the parties agreed for this purpose:

- the Capital Increase and Contribution Agreement and the Shareholders Loan Agreement (both as described in greater detail below) be signed; and
- the Existing Cashmere Purchase Agreement be terminated and be replaced by the Cashmere Purchase Agreement (as described in greater detail below).

Exclusivity

Hebei Yuteng agreed, among other things, not to directly or indirectly, be involved in any discussions with any third party, or disclose any discussions between the parties thereto to any third party in relation to the Cooperation Framework Agreement for a period of 90 days from the date of the Cooperation Framework Agreement. Such period should be extended if Hebei Yuteng fails to provide timely information regarding the transactions under the Cooperation Framework Agreement to South Champion.

If the transactions under the Cooperation Framework Agreement do not complete as a result of a breach of the above obligations by Hebei Yuteng or its associates during the exclusivity period, Hebei Yuteng will pay an amount not more than RMB5.0 million (equivalent to approximately HK\$5.9 million) to South Champion as compensation for loss.

The Capital Increase and Contribution Agreement

The principal terms of the Capital Increase and Contribution Agreement are set out as follows:

Date 24 July 2018

Parties (i) South Champion;
(ii) Hebei Yuteng; and
(iii) Nanguan Tech

Capital increase, contribution and shareholding The parties agreed that:

- (1) the registered capital of Nanguan Tech be increased from RMB3 million (equivalent to approximately HK\$3.5 million) to RMB100.0 million (equivalent to approximately HK\$117.6 million);
- (2) Hebei Yuteng will pay up the existing RMB3.0 million unpaid registered capital; and
- (3) the additional registered capital of RMB97.0 million (equivalent to approximately HK\$114.1 million) will be contributed by South Champion and Hebei Yuteng as to RMB55.0 million (equivalent to approximately HK\$64.7 million) and RMB42.0 million (equivalent to approximately HK\$49.4 million) in cash.

Following completion of the SAIC Registration, the registered capital of Nanguan Tech will be owned as to 55% by South Champion and 45% by Hebei Yuteng.

Conditions precedent

South Champion's obligation to make its capital contribution is conditional upon the fulfilment of the following conditions precedent (unless South Champion elects to make contribution earlier):

- (i) Hebei Yuteng has disclosed to South Champion information of Nanguan Tech regarding, including but not limited to, business, legal, financial, management, technology and intellectual property;
- (ii) the Cooperation Framework Agreement has been duly executed;
- (iii) the directors and shareholders resolutions of Nanguan Tech in connection with the capital increase have been passed and Hebei Yuteng has waived any pre-emptive rights in connection with the capital increase;

- (iv) the articles of association of Nanguan Tech have been amended;
- (v) (if any) Nanguan Tech has confirmed in writing with its debtors a schedule of repayment to the satisfaction of South Champion;
- (vi) Hebei Yuteng (or its nominee) and Nanguan Tech have executed relevant legal documents so as to avoid any disputes relating to shareholding or debts;
- (vii) each of Hebei Yuteng, major management personnel and employee of Nanguan Tech has executed relevant labour contracts, the form of which is satisfactory to South Champion; and
- (viii) Hebei Yuteng and Nanguan Tech have procured Nanguan Tech to rent a factory (which holds the relevant pollutant discharge permit issued by the PRC authority) for its operation by 31 December 2018. Hebei Yuteng has also procured its associate to rent the factory or part of the factory owned by it to Nanguan Tech at a rent which is not higher than market rent, provided that South Champion is satisfied that such factory is suitable for the operation of Nanguan Tech.

If South Champion makes capital contribution before all of the conditions precedent are fulfilled, Hebei Yuteng and Nanguan Tech are to ensure that those remaining conditions precedent must be fulfilled within three (3) months following such capital contribution. If there is any failure to do so or if the SAIC Registration is not completed within 30 days from the date of Capital Increase and Contribution Agreement, South Champion is entitled to require Nanguan Tech to refund the moneys with interest if there is any delay in refund.

**Board
representation
and veto rights**

Of five (5) directors of Nanguan Tech, South Champion shall have the right to appoint three (3) directors (including the chairman) of Nanguan Tech.

In addition, the agreement provides that certain major decisions relating to the business and operations of Nanguan Tech (including but not limited to, any change in the registered capital, amendment of articles of association, change of number of directors) requires the approval by the directors appointed by South Champion.

**Transfer of
shares**

Hebei Yuteng has undertaken not to transfer its interests in Nanguan Tech without the written consent of South Champion (for so long it remains a shareholder of Nanguan Tech).

Each shareholder will have certain rights, including but not limited to, rights of first refusal over any transfer of equity interests in Nanguan Tech by the other shareholder and pre-emptive rights.

Certain other undertakings by Hebei Yuteng

Hebei Yuteng has undertaken as follows:

- (1) not to transfer its interests in Nanguan Tech without the written consent of South Champion (for so long it remains a shareholder of Nanguan Tech),
- (2) to procure Nanguan Tech to make contributions to the social insurance plans and housing provident fund for its employees in accordance with the relevant PRC laws and regulations within six (6) months upon completion of the SAIC Registration, and procure the on-going compliance of such with the relevant PRC laws and regulations.
- (3) not to, and to procure each of its associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of Nanguan Tech, or any business involved in manufacturing or selling of cashmere clothing, without the prior written consent of South Champion.

The Shareholders Loan Agreement

The principal terms of the Shareholders Loan Agreement are set out as follows:

Date 24 July 2018

Parties

- (i) South Champion as lender;
- (ii) Hebei Yuteng as lender; and
- (iii) Nanguan Tech as borrower

Advance The Lenders agreed to advance an aggregate of RMB180.0 million (equivalent to approximately HK\$211.8 million) in aggregate pro rata to their shareholding in the borrower, i.e. as to RMB99.0 million (equivalent to approximately HK\$116.5 million) shall be granted by South Champion and RMB81.0 million (equivalent to approximately HK\$95.3 million) by Hebei Yuteng

The advance is capable of drawdown only after completion of the SAIC Registration and capital contribution by the parties under the Capital Increase and Capital Contribution Agreement and completion of relevant approvals/registrations in respect of the Shareholders Loan. Part of the Shareholders Loan in the amount of RMB140.0 million (equivalent to approximately HK\$164.7 million) is to be applied towards payments under the Cashmere Purchase Agreement.

Interest The Shareholders Loan is interest free.

Security The Shareholders Loan is unsecured.

Term Three (3) years from drawdown.

The Cashmere Purchase Agreement

The principal terms of the Cashmere Purchase Agreement are set out as follows:

Date 24 July 2018

Parties (i) Hebei Yuteng; and
(ii) Nanguan Tech.

Subject matter Nanguan Tech agreed to purchase, and Hebei Yuteng agreed to sell, cashmere pursuant to orders placed from time to time.

Term Effective from the date of the SAIC Registration to 31 March 2019.

Pricing of Cashmere Hebei Yuteng is to ensure that:

the price for cashmere it charges Nanguan Tech is on an assured discount basis with reference to (i) the market price; or (ii) the price it offers to its other customers. For the avoidance of doubt, such pricing mechanism should apply to any orders issued during the term of the agreement. The Directors consider it to be fair and reasonable for Hebei Yuteng as a 45% shareholder of Nanguan Tech to be required to supply cashmere to Nanguan Tech on an assured discount basis.

Sourcing of Raw Cashmere by Hebei Yuteng Consistent with market practice, a deposit of RMB140.0 million (equivalent to approximately HK\$164.7 million) will be paid to Hebei Yuteng within 30 business days of the date when part of the Shareholders Loan in the amount of RMB140.0 million is being received by Nanguan Tech pursuant to the Shareholders Agreement. Hebei Yuteng undertakes that such deposit should only be used for sourcing raw cashmere, which will then be processed and sold to Nanguan Tech pursuant to the orders placed by Nanguan Tech.

If Hebei Yuteng fails to complete the sourcing of raw cashmere required by Nanyuan Tech within 90 days from the date of receipt of the deposit, Nanguan Tech can terminate the agreement and require the refund of the deposit and payment of interest by Hebei Yuteng at a rate of 10% per annum calculated from the date of receipt of the deposit until the date of full payment by Hebei Yuteng.

Delivery of Cashmere by Hebei Yuteng to Nanguan Tech Hebei Yuteng should issue an invoice to Nanguan Tech for the transaction amount of each batch of cashmere delivered by Hebei Yuteng to Nanguan Tech, and such transaction amount should be offset by the deposit already paid to Hebei Yuteng.

If the total transaction amount of the cashmere delivered by Hebei Yuteng is more than the deposit amount, Nanguan Tech should pay such excess amount to Hebei Yuteng within the period specified in the agreement.

If, before 31 March 2019, the transaction amount of the cashmere delivered by Hebei Yuteng is less than the deposit amount, or if Nanguan Tech confirms that it no longer requires Hebei Yuteng to provide cashmere, Hebei Yuteng is required to return to Nanguan Tech the deposit remaining after offsetting the transaction amount of cashmere already delivered by Hebei Yuteng. If Hebei Yuteng fails to return such remaining deposit to Nanguan Tech before 15 May 2019, Hebei Yuteng is required to pay interest at a rate of 10% per annum calculated from the relevant due date until the date of full payment by Hebei Yuteng.

Annual Cap

The aggregate annual cap, being (i) the transaction amount of cashmere which were purchased at market price from Hebei Yuteng by the Group during the period from 1 April 2018 up to the date of this announcement; and (ii) the maximum transaction amount under the Cashmere Purchase Agreement for the financial year ending 31 March 2019 is as follows:

**For the year ending
31 March 2019**
(million)

Annual Cap	RMB300.0 (equivalent to approximately HK\$352.9)
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The annual cap was determined after taking into account the following factors:

- (i) the average unit price for cashmere purchased from the Group's existing suppliers during the past six (6) months;
- (ii) the current market price of cashmere;
- (iii) the volume of cashmere already purchased from Hebei Yuteng by the Group during the period from 1 April 2018 up to the date of this announcement; and
- (iv) the expected volume of the cashmere required by Nanguan Tech (or other operating subsidiaries of the Group) for production during the term of the agreement based on the Group's sales forecasts and the expected roll out of Nanguan Tech's production capacity.

The Group's purchases from Hebei Yuteng from 1 April 2018 up to the date of this announcement were approximately RMB7.3 million (equivalent to approximately HK\$8.6 million). The Directors confirm that no further cashmere will be purchased from Hebei Yuteng from the date of this announcement up to the effective date of the Cashmere Purchase Agreement.

The Group's purchases from Hebei Yuteng in the three years ended 31 March 2016, 2017 and 2018 were approximately RMB19 million (equivalent to approximately HK\$22.4 million), RMB18 million (equivalent to approximately HK\$21.2 million) and RMB27 million (equivalent to approximately HK\$31.8 million), and the Group's wholly-owned in-house cashmere yarn production for each of those three years was approximately 100 tonnes.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE THROUGH THE COOPERATION FRAMEWORK AGREEMENT AND THE CASHMERE PURCHASE AGREEMENT

The Group is principally engaged in the manufacture of knitwear products, knitted upper for footwear and knitted upper shoes. The Group also produces a small volume of cashmere yarn through its own on-site cashmere spinning machines for the production of cashmere knitwear.

Hebei Yuteng is principally engaged in the production of dehaired cashmere and cashmere tops. It is located in Qinghe City, Hebei Province, PRC which is a region where high quality cashmere is found. So far as the Directors are aware, Hebei Yuteng is one of the largest cashmere processing factories in Hebei Province and is also well-known for its use of advanced technology used in its production of high quality of cashmere.

The establishment of the joint venture with Hebei Yuteng and the Cashmere Purchase Agreement will allow the Group (i) to have access through Nanguan Tech to a reliable supply of high quality cashmere on favourable terms; (ii) to better manage quality control and production lead time for the Group's cashmere knitwear products by having greater capability in producing cashmere yarn within the Group through Nanguan Tech in addition to its existing on-site cashmere yarn production which the Group sourced raw cashmere from Hebei Yuteng; and (iii) partly to share the proportionate risks and rewards of investments in Nanguan Tech's cashmere yarn production with Hebei Yuteng.

The amount of commitments of South Champion under the Capital Increase and Contribution Agreement and Shareholders Loan Agreement were determined after arm's length negotiations among the parties with reference to the expected rollout of production capacity of Nanguan Tech and the Group's forecasts on the sales of cashmere products. Such commitments of South Champion will be financed by internal resources of the Group.

In view of the above, the Directors are of the view that the terms of the Capital Increase and Contribution Agreement, Shareholders Loan Agreement and the Cashmere Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the transactions under the Capital Increase and Contribution Agreement and Shareholders Loan Agreement (in aggregate) are more than 5% but less than 25%, the transactions under the Capital Increase and Contribution Agreement and Shareholders Loan Agreement (in aggregate) constitute discloseable transactions of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Following the completion of the SAIC Registration, Nanguan Tech will become a subsidiary of the Company and Hebei Yuteng, a substantial shareholder of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules. The transaction under the Cashmere Purchase Agreement entered into between Hebei Yuteng and Nanguan Tech will thereafter constitute a continuing connected transaction of the Company under the Listing Rules.

The Board has approved the Cashmere Purchase Agreement and none of the Directors had a material interest in the transactions under the Cashmere Purchase Agreement or was required to abstain from voting on the relevant board resolutions. Given that the Board has approved the Cashmere Purchase Agreement and the independent non-executive Directors have confirmed that the terms of the Cashmere Purchase Agreement are fair and reasonable and the transaction under the Cashmere Purchase Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole, the transaction under the Cashmere Purchase Agreement is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it in the Listing Rules;
“Board”	board of directors of the Company;
“Capital Increase and Contribution Agreement”	an agreement dated 24 July 2018 entered into by South Champion, Hebei Yuteng and Nanguan Tech in relation to, among other things, the capital increase and capital contribution to be made to Nanguan Tech;
“Cashmere Purchase Agreement”	an agreement dated 24 July 2018 entered into by Nanguan Tech and Hebei Yuteng in relation to the purchase of raw cashmere;
“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;
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules;
“Cooperation Framework Agreement”	a cooperation framework agreement dated 24 July 2018 entered into by South Champion, Hebei Yuteng, Nanguan Tech and Nanxuan Knitting in relation to, amongst other things, the establishment of Nanguan Tech;
“Directors”	the directors of the Company;
“Existing Cashmere Purchase Agreement”	a purchase agreement dated 11 April 2018 entered into by Hebei Yuteng and Nanxuan Knitting in relation to the purchase of cashmere;
“Group”	the Company and its subsidiaries;
“Hebei Yuteng”	河北宇騰羊絨製品有限公司 (Hebei Yuteng Cashmere Products Co., Ltd.*), a limited liability company established under the laws of the PRC;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Nanguan Tech”	河北南冠科技有限公司 (Hebei Nanguan Technology Co., Ltd.*), a limited liability company established under the laws of the PRC;
“Nanxuan Knitting”	惠州南旋毛織廠有限公司 (Huizhou Nanxuan Knitting Factory Limited*), a limited liability company established under the laws of the PRC;
“PRC”	The People’s Republic of China;
“RMB”	the lawful currency of the PRC;
“SAIC Registration”	the relevant registration procedures in relation to the capital increase of Nanguan Tech at the State Administration for Industry and Commerce;
“Shareholders Loan”	the shareholders loan in an aggregate amount of RMB180 million (equivalent to approximately HK\$211.8 million) to be granted by South Champion and Hebei Yuteng to Nanguan Tech pursuant to the Shareholders Loan Agreement;
“Shareholders Loan Agreement”	a shareholders loan agreement dated 24 July 2018 entered into by South Champion, Hebei Yuteng and Nanguan Tech in relation to the grant of the Shareholders Loan;
“South Champion”	South Champion Textiles Limited 南冠紡織有限公司, a limited liability company incorporated under the laws of Hong Kong; and
“%”	per cent

For illustration purposes only, HK\$ has been translated at HK\$1 to RMB0.85.

English translations of company names in Chinese which are marked with “*” are for identification purposes only.

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

24 July 2018

As at the date of this announcement, the Board comprises Mr. Wong Ting Chung BBS, JP (Chairman and chief executive officer), Mr. Wong Wai Yue (Vice Chairman), 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 and Mr. Wong Ting Kau, 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, Ms. Lee Bik Kee, Betty and Mr. Ip Shu Kwan, Stephen GBS, JP, as independent non-executive Directors.