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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)

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 22 March 2019:

- (i) Hebei Yuteng and the Purchasers (being subsidiaries of the Company) entered into the New Raw Materials Purchase Agreement in respect of the purchase of cashmere and other raw materials by the Purchasers from Hebei Yuteng for a term of 1 year from 1 April 2019 to 31 March 2020;
- (ii) Hebei Yuteng (as lessor) and Nanguan Tech (a non-wholly owned subsidiary of the Company as lessee) entered into the Lease Agreement in respect of the lease of the Factory Plant by Nanguan Tech from Hebei Yuteng for the production of cashmere yarn for a term of three years from 1 April 2019 to 31 March 2022; and
- (iii) Hebei Rongcang (as service provider) and the Purchasers (as service recipients) entered into the Processing Agreement in respect of the Processing Service to be provided by Hebei Rongcang to the Purchasers for a term of 1 year from 1 April 2019 to 31 March 2020.

LISTING RULES IMPLICATIONS

Nanguan Tech is a non-wholly owned subsidiary of the Company. Two of Nanguan Tech's directors are also the controlling shareholders of Hebei Yuteng and Hebei Rongcang, both of which are associates of such directors. In addition, Hebei Yuteng is a substantial shareholder of Nanguan Tech. Consequently, each of Hebei Yuteng and Hebei Rongcang, the associates of two of our directors of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules and the transactions contemplated under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement constitute continuing connected transactions 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 NEW RAW MATERIALS PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 24 July 2018 in relation to, amongst others, the Existing Cashmere Purchase Agreement and the announcement of the Company dated 18 December 2018 in relation to the supplemental agreement to the Existing Cashmere Purchase Agreement.

The principal terms of the New Raw Materials Purchase Agreement are set out as follows:

- Date: 22 March 2019
- Parties: (1) Hebei Yuteng as seller;
(2) Each of Nanguan Tech, Huizhou Nanxuan and Huizhou Nanguan as purchasers
- Subject matter: Each of the Purchasers agreed to purchase, and Hebei Yuteng agreed to sell, cashmere and other raw materials pursuant to orders placed from time to time.
- Term: Effective from 1 April 2019 and ending on 31 March 2020.
- Pricing of Cashmere and other raw materials: Hebei Yuteng agreed to ensure that the price for cashmere and other raw materials it charges the Purchasers is not higher than (i) the market price, which is the price offered to the Purchasers by independent third party for the same or similar cashmere and other raw materials; 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 New Raw Materials Purchase Agreement.
- Sourcing of raw cashmere and other raw materials by Hebei Yuteng: Consistent with market practice, a deposit (the “**Deposit**”) will be paid by the Purchasers to Hebei Yuteng after the order is placed by the Purchasers. Hebei Yuteng undertakes that the Deposit should only be used for sourcing raw cashmere and other raw materials, which will then be sold to the Purchasers pursuant to the orders placed by the Purchasers.
- If Hebei Yuteng fails to complete the sourcing of raw cashmere and other raw materials required by the Purchasers within 90 days from the date of receipt of the Deposit, the Purchasers can terminate the New Raw Materials Purchase Agreement and require a full 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 and other raw materials by Hebei Yuteng to the Purchasers:

Hebei Yuteng should issue an invoice to the Purchasers for the transaction amount of each batch of cashmere and other raw materials delivered by Hebei Yuteng to the Purchasers, and such transaction amount should be offset by the Deposit already paid to Hebei Yuteng.

If the total transaction amount of the cashmere and other raw materials delivered by Hebei Yuteng is more than the Deposit, the Purchasers should pay such excess amount to Hebei Yuteng within the period specified in the New Raw Materials Purchase Agreement.

If, prior to 31 March 2020, the transaction amount of the cashmere and other raw materials delivered by Hebei Yuteng is less than the Deposit, Hebei Yuteng is required to return to the Purchasers the remaining Deposit after offsetting the transaction amount of cashmere and other raw materials already delivered by Hebei Yuteng. If Hebei Yuteng fails to return such remaining Deposit to the Purchasers by 15 May 2020, 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 annual cap in respect of the purchase of cashmere and other raw materials from Hebei Yuteng by the Purchasers under the New Raw Materials Purchase Agreement for the financial year ending 31 March 2020 is RMB400 million (equivalent to approximately HK\$471 million).

The above 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 10-month period from 1 April 2018 to 31 January 2019;
- (ii) the current market price of cashmere and other raw materials;
- (iii) the volume of cashmere purchased from Hebei Yuteng by the Group during the period from 1 April 2018 up to 31 January 2019; and
- (iv) the expected volume of the cashmere and other raw materials required by the Group for production during the term of the New Raw Materials Purchase Agreement based on the Group's sales forecasts and the expected roll out of the Purchasers' production capacity.

The Group's purchases of cashmere from Hebei Yuteng during the three years ended 31 March 2016, 2017 and 2018 were approximately RMB19.0 million (equivalent to approximately HK\$22.4 million), RMB18.0 million (equivalent to approximately HK\$21.2 million) and RMB27.0 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.

The Group's purchase of cashmere from Hebei Yuteng from 1 April 2018 up to 31 January 2019 was approximately RMB114.0 million (equivalent to approximately HK\$134.0 million).

THE LEASE AGREEMENT

Date:	22 March 2019
Parties:	(1) Hebei Yuteng as lessor; and (2) Nanguan Tech as lessee
Subject matter:	Nanguan Tech agreed to lease the Factory Plant from Hebei Yuteng.
Term:	Effective from the 1 April 2019 and ending on 31 March 2022. Nanguan Tech has the option to renew the Lease Agreement for 3 years upon the expiration of the Lease Agreement. The Company will comply with the relevant Listing Rules at the relevant time if Nanguan Tech elects to renew the Lease Agreement.
Factory Plant:	The Factory Plant is located in the southern area of Hui Gong Da Dao and the western area of He Lan Dao, Qinghe County, Xingtai City, Hebei Province* (河北省邢臺市清河縣揮公大道南側、賀蘭路西側), with a total area of approximately 71,000 square meters. Nanguan Tech intends to use the Factory Plant for the production and manufacturing of cashmere yarn.
Monthly rent:	RMB759,427/690,388 (equivalent to approximately HK\$893,444/812,221) (value added tax inclusive/exclusive and exclusive of water, electricity, gas, communication network fees and all registration fees required for Nanguan Tech to use the Factory Plant).

Annual caps:

The annual caps in respect of the lease of the Factory Plant by Nanguan Tech from Hebei Yuteng for each of the three financial years ending 31 March 2022 is as follows:

	For the year ending 31 March 2020	For the year ending 31 March 2021	For the year ending 31 March 2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Annual caps (Value added tax exclusive)	8,500,000 (equivalent to approximately HK\$10,000,000)	8,500,000 (equivalent to approximately HK\$10,000,000)	8,500,000 (equivalent to approximately HK\$10,000,000)

The above annual caps were determined after taking into account the following factors:

- (i) the demand of the Group for factory space for the manufacturing and production of cashmere yarn;
- (ii) the monthly rental of the Factory Plant; and
- (iii) the valuation report issued by an independent valuer engaged by the Company in respect of the market rental value of the Factory Plant.

There is no historical figure for the transactions contemplated under the Lease Agreement as the Group has not previously leased any property and/or factory plant from Hebei Yuteng in the past.

THE PROCESSING AGREEMENT

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

Date:	22 March 2019
Parties:	(1) Hebei Rongcang as service provider; (2) Each of Nanguan Tech, Huizhou Nanxuan and Huizhou Nanguan as service recipients
Subject matter:	Each of the Purchasers agreed to procure, and Hebei Rongcang agreed to provide, the Processing Service pursuant to the orders placed from time to time
Term:	Effective from 1 April 2019 and ending on 31 March 2020.
Pricing of the Processing Service:	Hebei Rongcang agreed to ensure that the fee for Processing Service it charges the Purchasers is not higher than (i) the market price, which is the fee offered to the Purchasers by independent third party for the same or similar service; or (ii) the fee Hebei Rongcang offers to its other customers. For the avoidance of doubt, such pricing mechanism should apply to any orders issued during the term of the Processing Agreement.
Annual cap:	<p>The annual cap in respect of the procurement of Processing Service from Hebei Rongcang by the Purchasers under the Processing Agreement for the financial year ending 31 March 2020 is RMB6.0 million (equivalent to approximately HK\$7.1 million). The above annual cap was determined after taking into account the expected demand from the Purchasers for the Processing Service and the prevailing costs of the Group for processing the raw materials.</p> <p>During the year ending 31 March 2019, the Group has procured processing service from Hebei Rongcang, which the aggregate transaction amount is less than HK\$3.0 million.</p>

INFORMATION OF THE PARTIES

Hebei Yuteng

Hebei Yuteng is principally engaged in the production of dehaired cashmere and cashmere tops. It is located in Qinghe County, Xingtai 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.

Hebei Rongcang

Hebei Rongcang is principally engaged in the cashmere processing and is located in Qinghe County, Xingtai City, Hebei Province, PRC.

The Purchasers

Nanguan Tech is a joint venture company owned as to 55% and 45% by the Company and Hebei Yuteng respectively. The principal activities of Nanguan Tech is the production of cashmere yarn.

Each of Huizhou Nanxuan and Huizhou Nanguan (being the two other Purchasers under the New Raw Materials Purchase Agreement and the two other service recipients to the Processing Agreement) is a wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE NEW RAW MATERIALS PURCHASE AGREEMENT, THE LEASE AGREEMENT AND THE PROCESSING AGREEMENT

The Group is principally engaged in the manufacture of knitwear products, knitted upper for footwear and knitted upper shoes. The Group also produces cashmere yarn for the production of cashmere knitwear.

The principal business of Nanguan Tech is the production of cashmere yarn. The entering into of the New Raw Materials Purchase Agreement allows Nanguan Tech to have access to a reliable supply of high quality cashmere and other raw materials on favourable terms and to better manage quality control and production lead time for the Group's cashmere knitwear products.

As Nanguan Tech intends to gradually commence the production of cashmere yarn, it needs factory space for the production of cashmere yarn. Having considered the business needs of the Group and the rent and location of the Factory Plant, the Directors consider the Factory Plant is suitable for the production of cashmere yarn by Nanguan Tech and provides sufficient factory space which satisfies the production needs of Nanguan Tech for the following three years.

In light of the facts that Nanguan Tech gradually commences its production of cashmere yarn, by entering into the Processing Agreement, the Group will be able to (i) have more flexibility on utilising the production capacities of the Factory Plant; and (ii) take advantage of the proximity between the processing plant of Hebei Rongcang with the Factory Plant, which helps to reduce the transportation costs and production lead time.

In view of the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the terms of each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement (including the annual caps under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement), are fair and reasonable, entered into on normal commercial terms or terms not less favorable than those offered by independent third parties, in the ordinary and usual course of business of the Company, and are in the interests of the shareholders of the Company as a whole.

INTERNAL CONTROL MEASURES

The Company has internal control measures to ensure that the continuing connected transactions contemplated under the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement are in accordance with the terms and conditions of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement, and that the terms and conditions of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement are normal commercial terms and no less favourable than those terms offered to the Group by independent third parties for similar services or products.

The Group would obtain and compare quotations from independent third parties for similar or comparable cashmere and other raw materials/factory plant/processing service to determine if the prices offered by Hebei Yuteng and Hebei Rongcang are in accordance with the terms and conditions of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement and are comparable to or not less favourable than the price offered by unrelated third parties. The senior management of the Group will review the transactions under the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement from time to time to ensure relevant members of the Group have not exceeded the annual caps under the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement.

LISTING RULES IMPLICATIONS

Nanguan Tech is a non-wholly owned subsidiary of the Company. Two of Nanguan Tech's directors are also the controlling shareholders of Hebei Yuteng and Hebei Rongcang, both of which are associates of such directors. In addition, Hebei Yuteng is a substantial shareholder of Nanguan Tech. Consequently, each of Hebei Yuteng and Hebei Rongcang, the associates of two of our directors of Nanguan Tech, is a connected person of the Company at the subsidiary level under the Listing Rules and the transactions contemplated under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement constitute continuing connected transactions 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 has approved each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement and none of the Directors had a material interest in the transactions contemplated under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement or was required to abstain from voting on the relevant board resolutions. Given that the Board has approved each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement and the independent non-executive Directors have confirmed that the terms of each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement are fair and reasonable and the transactions contemplated under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement are on normal commercial terms or better, 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 transactions contemplated

under each of the New Raw Materials Purchase Agreement, the Lease Agreement and the Processing Agreement are 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:

“Board”	board of directors of the Company
“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”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Existing Cashmere Purchase Agreement”	the cashmere purchase agreement dated 24 July 2018 entered into by Nanguan Tech and Hebei Yuteng in relation to the purchase of raw cashmere (as supplemented by the supplemental agreement dated 18 December 2018, pursuant to which the Group designated each of Huizhou Nanxuan and Huizhou Nanguan to be the additional purchasers to the Existing Cashmere Purchase Agreement)
“Factory Plant”	the Factory Plant located in the southern area of Hui Gong Da Dao and the western area of He Lan Dao, Qinghe County, Xingtai City, Hebei Province, the PRC* (中國河北省邢臺市清河縣揮公大道南側、賀蘭路西側)
“Group”	the Company and its subsidiaries
“Hebei Rongcang”	Hebei Rongcang Warehousing Service Co., Ltd.* (河北絨倉倉儲服務有限公司), a limited liability company established under the laws of the PRC
“Hebei Yuteng”	Hebei Yuteng Cashmere Products Co., Ltd.* (河北宇騰羊絨製品有限公司), 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
“Huizhou Nanguan”	Huizhou Nanguan Knitting Factory Limited* (惠州南冠織造有限公司), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company

“Huizhou Nanxuan”	Huizhou Nanxuan Knitting Factory Limited* (惠州南旋毛織廠有限公司), a limited liability company established under the laws of the PRC, a wholly-owned subsidiary of the Company
“Lease Agreement”	the lease agreement dated 22 March 2019 entered into between Nanguan Tech as lessee and Hebei Yuteng as lessor in respect of the lease of the Factory Plant
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanguan Tech”	Hebei Nanguan Technology Co., Ltd.* (河北南冠科技有限公司), a limited liability company established under the laws of the PRC, a non-wholly owned subsidiary of the Company
“New Raw Materials Purchase Agreement”	the raw materials purchase agreement dated 22 March 2019 entered into between Hebei Yuteng and the Purchasers in respect of the purchase of cashmere and other raw materials
“PRC”	the People’s Republic of China
“Processing Agreement”	the processing agreement dated 22 March 2019 entered into between Hebei Rongcang and the Purchasers in respect of the provision of the Processing Service by Hebei Rongcang to the Purchasers
“Processing Service”	processing service of fiber dyeing and finishing of cashmere and other raw materials to be provided by Hebei Rongcang pursuant to the Processing Agreement
“Purchasers”	collectively, Nanguan Tech, Huizhou Nanxuan and Huizhou Nanguan, the purchasers to the New Raw Materials Purchase Agreement and the service recipients to the Processing Agreement
“RMB”	the lawful currency of the PRC
“%”	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

22 March 2019

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 and Mr. Li Po Sing 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.