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TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 321)

Websites: <http://www.texwinca.com/>

<http://www.irasia.com/listco/hk/texwinca/>

DISCLOSEABLE AND CONNECTED TRANSACTION

FURTHER ACQUISITION OF ADDITIONAL 18% EQUITY INTEREST IN

BALENO HOLDINGS LIMITED

THE SALE AND PURCHASE AGREEMENT

After trading hours of the Stock Exchange on 20 September 2018, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Vendor's Guarantor entered into the Sale and Purchase Agreement whereby the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of HK\$41,450,000.

All conditions of the Acquisition being satisfied, the Completion took place immediately after the signing of the Sale and Purchase Agreement and BHL became an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 4 September 2018 regarding the Previous Acquisition under which the Purchaser (as the purchaser) agreed to purchase and Galantine (as the vendor) agreed to sell 18% equity interest in BHL.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all of the applicable percentage ratios are less than 25%, whether the Acquisition is measured alone or in aggregate with the Previous Acquisition, the Acquisition constitutes a discloseable transaction of the Company under

the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement immediately prior to Completion, the total issued share capital of BHL is owned as to 82% by the Purchaser and as to the remaining 18% by the Vendor. Accordingly, the Vendor is a substantial shareholder of a non-wholly owned subsidiary of the Company and hence a connected person at the subsidiary level of the Company within the meaning of the Listing Rules. Furthermore, the Vendor's Guarantor was a director of BHL in the last 12 months before his resignation from office with effect from 1 September 2018 and hence the Vendor's Guarantor is also a connected person at the subsidiary level of the Company pursuant to Rule 14A.07(2) of the Listing Rules. The Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Board (including all the independent non-executive Directors) has approved the Sale and Purchase Agreement and the Acquisition with the confirmation of all the independent non-executive Directors that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The Acquisition is therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

The Board is pleased to announce that after trading hours of the Stock Exchange on 20 September 2018, the Purchaser, the Vendor and the Vendor's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares at the aggregate consideration of HK\$41,450,000.

The principal terms of the Sale and Purchase Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date

20 September 2018

Parties

- (1) The Purchaser, as purchaser of the Sale Shares
- (2) The Vendor, as vendor of the Sale Shares
- (3) The Vendor's Guarantor, as guarantor of the Vendor

The Vendor's Guarantor joined as a party to the Sale and Purchase Agreement to guarantee the payment of all amounts payable by the Vendor and the due and punctual performance and observance by the Vendor of all its duties and obligations under the Sale and Purchase Agreement.

As at the date of this announcement immediately prior to Completion, the total issued share capital of BHL is owned as to 82% by the Purchaser and as to the remaining 18% by the Vendor. Accordingly, the Vendor is a substantial shareholder of a non-wholly owned subsidiary of the Company and hence a connected person at the subsidiary level of the Company within the meaning of the Listing Rules. Furthermore, the Vendor's Guarantor was a director of BHL in the last 12 months before his resignation from office with effect from 1 September 2018 and hence the Vendor's Guarantor is also a connected person at the subsidiary level of the Company pursuant to Rule 14A.07(2) of the Listing Rules. Save for the foregoing, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are not in any other way connected with the Company.

Sale Shares

3,600 shares of US\$1 each in the issued share capital of BHL, representing 18% of the total issued share capital in BHL.

Consideration and payment terms

The consideration of HK\$41,450,000 is payable by the Purchaser to the Vendor at Completion in full by bank remittance, cheque or cashier order.

The Consideration was arrived at after arm's length negotiations between the parties involved, taking into account the average price-to-earnings ratio of other Hong Kong listed companies engaged in similar industrial sector as and the past and potential growth of BHL.

As at 31 March 2018, the consolidated net asset value of BHL calculated in accordance with the generally accepted accounting principles in Hong Kong was approximately HK\$1,321,307,000. Accordingly, the consolidated net asset value of BHL attributable to the Sale Shares as at 31 March 2018 was approximately HK\$237,835,000. The Consideration therefore represents an approximate 82.57% discount on the consolidated net asset value of BHL attributable to the Sale Shares as at 31 March 2018.

Conditions of the Acquisition

The Acquisition is conditional on the satisfaction and/or waiver (where permitted) of the following on or before 31 October 2018 (or such later date as the Purchaser and the Vendor may agree in writing):

- (a) the obtaining of the approval of the Shareholders in respect of the entering into of the Sale and Purchase Agreement by the Purchaser and the performance of the obligations of the Purchaser thereunder at general meeting or, where permitted, by way of written approval, in any case, in compliance with the Listing Rules (if applicable);
- (b) all requisite waivers, consents and approvals from any relevant governmental or regulatory authorities or any third parties in connection with the transactions contemplated by the Sale and Purchase Agreement having been obtained; and
- (c) the warranties given by the Vendor and the Vendor's Guarantor under the Sale and Purchase Agreement remaining true and accurate and not misleading in all respects at Completion.

Completion of the Acquisition

For reasons set out in the section headed "Implications under the Listing Rules" below, the Acquisition is exempt from the Shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules. All conditions of the Acquisition being satisfied, the Completion took place immediately after the signing of the Sale and Purchase Agreement and BHL became an indirect wholly-owned subsidiary of the Company.

INFORMATION ON BHL

BHL and its subsidiaries are principally engaged in the retailing and distribution of casual apparels and accessories.

Set out below are the consolidated financial information of BHL prepared in accordance with the generally accepted accounting principles in Hong Kong for each of the two years ended 31 March 2017 and 31 March 2018:

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Profit before taxation and extraordinary items	45,682,000	75,380,000
Profit after taxation and extraordinary items	34,506,000	77,810,000

Accordingly, the consolidated profit before taxation and extraordinary items of BHL attributable to the Sale Shares for the years ended 31 March 2017 and 31 March 2018 were approximately HK\$13,568,000 and HK\$8,223,000 respectively and the consolidated profit after taxation and extraordinary items of BHL attributable to the Sale Shares for the years ended 31 March 2017 and 31 March 2018 were approximately HK\$14,006,000 and HK\$6,211,000 respectively.

The total original acquisition cost of the Sale Shares was approximately HK\$18,014,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company, together with its subsidiaries and associated companies, is principally engaged in the textile and garment manufacturing and the retailing and distribution of casual apparels and accessories.

The Vendor is principally engaged in investment holding.

BHL is a successful apparel retailer in the Greater China. In recent years, BHL continued to achieve a stable and remarkable performance. As BHL would become an indirect wholly-owned subsidiary of the Company upon Completion, the Board believes that the additional acquisition and complete consolidation of the shareholding in BHL will improve the flexibility of the Group in driving the future growth of BHL, strengthen the vertical integration of the business of the Group, improve the strategic management of the Group and further enhance the return to the Shareholders.

In addition, the Consideration represents an approximate 82.57% discount on the consolidated net asset value of BHL attributable to the Sale Shares as at 31 March 2018. The Board therefore believes that the Acquisition represents a very good opportunity to fully consolidate the shareholding in BHL.

Based on the above, the Board (including all the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the announcement of the Company dated 4 September 2018 regarding the Previous Acquisition under which the Purchaser (as the purchaser) agreed to purchase and Galantine (as the vendor) agreed to sell 18% equity interest in BHL.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all of the applicable percentage ratios are less than 25%, whether the Acquisition is measured alone or in aggregate with the Previous Acquisition, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement immediately prior to Completion, the total issued share capital of BHL is owned as to 82% by the Purchaser and as to the remaining 18% by the Vendor. Accordingly, the Vendor is a substantial shareholder of a non-wholly owned subsidiary of the Company and hence a connected person at the subsidiary level of

the Company within the meaning of the Listing Rules. Furthermore, the Vendor's Guarantor was a director of BHL in the last 12 months before his resignation from office with effect from 1 September 2018 and hence the Vendor's Guarantor is also a connected person at the subsidiary level of the Company pursuant to Rule 14A.07(2) of the Listing Rules. The Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Acquisition.

The Board (including all the independent non-executive Directors) has approved the Sale and Purchase Agreement and the Acquisition with the confirmation of all the independent non-executive Directors that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The Acquisition is therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the purchase of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement
“BHL”	Baleno Holdings Limited, a company incorporated in the BVI with limited liability
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Company”	Texwinca Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the consideration of HK\$41,450,000 for the Sale Shares
“Director(s)”	the director(s) of the Company

“Galantine”	Galantine Management Limited, a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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 of Hong Kong Limited
“Purchaser”	Trustland Inc, a company incorporated in the BVI with limited liability
“Previous Acquisition”	the acquisition of 18% equity interest in BHL by the Purchaser from Galantine as disclosed in the announcement of the Company dated 4 September 2018
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 20 September 2018 entered into between the Vendor, the Vendor’s Guarantor and the Purchaser
“Sale Shares”	3,600 shares of US\$1 each in the issued share capital of BHL, representing 18% of the total issued share capital of BHL
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of the United States of America
“Vendor”	Welsom Consultants Limited, a company incorporated in the BVI with limited liability
“Vendor’s Guarantor”	Mr. Fung Wai Lun Daniel, the sole registered member and beneficial owner of the entire issued share capital of the Vendor
“%”	per cent.

By Order of the Board
Chan Chi Hon
Company Secretary

Hong Kong, 20 September 2018

As at the date of this announcement, the executive Directors are Mr. Poon Bun Chak, Mr. Ting Kit Chung and Mr. Poon Ho Tak; and the independent non-executive Directors are Mr. Au Son Yiu, Mr. Cheng Shu Wing and Mr. Law Brian Chung Nin.

** For identification purpose only*