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SEASON PACIFIC HOLDINGS LIMITED

雲裳衣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1709)

(I) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET COMPANIES; AND (II) CHANGE IN USE OF PROCEEDS FROM THE PLACING

Financial Adviser to the Company

 **KINGSTON CORPORATE FINANCE**
Kingston Corporate Finance Limited

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**


Vinco Capital Limited

THE ACQUISITION

The Board hereby announces that on 6 March 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Companies at the consideration of HK\$42 million. DA Capital is a company incorporated in Hong Kong with limited liability and a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO; and DA Finance is a company incorporated in Hong Kong with limited liability and a corporation holding a money lender's licence.

Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company. Thereafter, the results and assets and liabilities of the Target Companies will be incorporated in the consolidated financial statements of the Company.

* For identification purposes only

IMPLICATION UNDER THE LISTING RULES

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

As at the date of this announcement, the Vendor is a substantial shareholder of the Company holding an aggregate of approximately 17.05% in the total issued shares of the Company through DA Equity and DA Asset Management, whose entire issued share capital is ultimately owned by him, and thus a connected person of the Company and therefore the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting to approve the Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, the Vendor, being a connected person of the Company, will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for the Vendor, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Agreement which is different from the other Shareholders.

An Independent Board Committee comprising Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire (all independent non-executive Directors), has been established to advise the Independent Shareholders in respect of the Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Acquisition.

The Board is pleased to announce that Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, among other things, (i) further details in relation to the Agreement; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 27 March 2019.

INTRODUCTION

The Board hereby announces that on 6 March 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

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

AGREEMENT

Date : 6 March 2019 (after trading hours)

Parties: (1) The Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser; and
(2) The Vendor, as vendor

As at the date of the Agreement, the Vendor is the legal and beneficial owner of the Sale Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement the Vendor is a substantial shareholder of the Company holding an aggregate of approximately 17.05% in the total issued shares of the Company through DA Equity and DA Asset Management, whose entire issued share capital is ultimately owned by him, and thus a connected person (as defined in the Listing Rules) of the Company.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Companies.

DA Capital is a company incorporated in Hong Kong with limited liability and a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO as at the date of this announcement. DA Finance is a company incorporated in Hong Kong with limited liability and a corporation holding a money lender's licence.

Set out below is the financial information of DA Capital as extracted from its audited accounts for the year ended 31 December 2017 and its unaudited management accounts for the year ended 31 December 2018:

	For the year ended 31 December 2017 (audited) (HK\$'000) (approximately)	For the year ended 31 December 2018 (unaudited) (HK\$'000) (approximately)
Revenue	13,738	48,327
Net (loss)/profit before taxation and extraordinary items	(1,107)	1,920
Net (loss)/profit after taxation and extraordinary items	(1,107)	1,920

The unaudited net asset value of DA Capital was approximately HK\$16,716,000 as at 31 December 2018.

According to the information provided by the Vendor, the original acquisition cost of the entire issued share capital of DA Capital when it was acquired by the Vendor in December 2017 was approximately HK\$13,900,000.

Set out below is the financial information of DA Finance as extracted from its audited accounts for the period from 14 September 2016 (being the date of incorporation of DA Finance) to 31 December 2017 and its unaudited management accounts for the year ended 31 December 2018:

	For the period from 14 September 2016 (being the date of incorporation of DA Finance) to 31 December 2017 (audited) (HK\$'000) (approximately)	For the year ended 31 December 2018 (unaudited) (HK\$'000) (approximately)
Revenue	Nil	32
Net loss before taxation and extraordinary items	(14)	(27)
Net loss after taxation and extraordinary items	(14)	(27)

The unaudited net liabilities value of DA Finance was approximately HK\$18,000 as at 31 December 2018.

According to the information provided by the Vendor, the original acquisition cost of the entire issued share capital of DA Finance when it was acquired by DA Capital in August 2017 was approximately HK\$10,000. During the restructuring of the Target Companies in March 2019, the Vendor acquired the entire issued share capital of DA Finance from DA Capital for a consideration of approximately HK\$450,000.

Consideration

The Consideration for the Acquisition is HK\$42 million (subject to adjustment as set out below) which shall be paid by the Purchaser to the Vendor in cash in the following manner:

- (1) A refundable deposit of HK\$21 million shall be paid upon the signing of the Agreement (the “First Instalment”); and
- (2) HK\$21 million shall be paid upon the Completion.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor after taking into account the preliminary valuation of 100% interest in DA Capital and 100% interest in DA Finance as at 31 December 2018 with an appraised value of approximately HK\$43,500,000 and HK\$410,000, respectively, as assessed by an independent valuer applying market approach.

The Acquisition will be financed by both the internal resources of the Group and Net Proceeds from the Placing.

Profit guarantee

Pursuant to the Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the Actual Profit will be not less than HK\$6 million, as the Guaranteed Profit during the Guarantee Period.

If during the Guarantee Period, the Actual Profit is less than the Guaranteed Profit, the Vendor shall compensate the Purchaser seven (7) times of the shortfall on a dollar to dollar basis within fourteen (14) days after the delivery of the Profit Guarantee Audited Accounts in an amount calculated as follows:

$$A = (\text{Guaranteed Profit} - \text{Actual Profit}) \times 7$$

where A is the Adjustment Consideration for the Profit Guarantee

If the Target Companies record an aggregate loss in its Profit Guarantee Audited Accounts, the Actual Profit shall deem to be nil. If the Actual Profit exceeds the Guaranteed Profit, no Adjustment Consideration will be payable to the Vendor by either the Target Companies or the Purchaser.

Conditions precedent to the Completion

Pursuant to the Agreement, Completion is conditional upon fulfillment of the following conditions (or waiver of such condition precedents (in respect of conditions precedent (1), (6) and (8) below only)):

- (1) the Purchaser being satisfied in its absolute discretion with the results of the due diligence review to be conducted;
- (2) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor and each of the Target Companies in respect of the Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (3) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (4) the approval from the SFC in relation to the change of substantial shareholder (as defined in the SFO) of DA Capital having been obtained and not revoked, cancelled or lapsed;
- (5) each of the warranties given by the Vendor remaining true and accurate and not misleading in all respects;
- (6) the Purchaser being satisfied that, as at Completion, there has not been any material adverse change in respect of each of the Target Companies since the date of the Agreement;
- (7) DA Capital shall comply with all the applicable requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) (including but not limited to the minimum paid-up capital and liquid capital requirements) as at the date of Completion;
- (8) DA Finance shall comply with all the applicable requirements under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders License held by DA Finance shall remain valid and in full force and effect as at the date of Completion; and
- (9) the approval of the Agreement and the transactions contemplated thereunder by the Independent Shareholders.

Completion

Completion shall take place on the date falling on the third Business Day after the fulfillment of the above conditions, or such later date as the parties to the Agreement may agree.

Pursuant to the Agreement, in the event that the Completion shall not take place by the Long Stop Date or such later date as the parties to the Agreement may agree, the Agreement shall cease and determine in accordance with the terms and conditions therein and the First Instalment shall be refunded to the Purchaser in full without interest within seven Business Days.

Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company. Thereafter, the results and assets and liabilities of the Target Companies will be incorporated in the consolidated financial statements of the Company.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in sales of apparel products with the provision of supply chain management total solutions to customers.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Group's 2018/2019 interim report, the Group's sales and margin for the six months ended 30 September 2018 were under pressure due to continued challenges in the global business environment which has resulted in the Group facing sales pressures particularly in tough markets such as the Americas and the Middle East. The Group's range of supply chain management total solutions also faces an increasingly uncertain future. The macro economic uncertainties arising from headwinds in global trade from increases in US trade tariffs, as well as an increasing interest rate environment and downward pressures on the global stock markets creates a very difficult trading environment and the general prospects for the apparel industry remains very challenging. The retail industry in the Americas and Middle East have proven to be increasingly difficult with several well known and established retailers as well as other independent retailers closing down operations in the US in 2018.

Given the challenges in the global economic outlook, to further reduce our Group's future risk, our Directors believe that the Group shall diversify its business through investment in companies which will allow for the Group to broaden its source of income, explore new markets with growth potential and capture new business opportunities which may create substantial value to the Shareholders.

In 2018, the Hong Kong Stock Exchange was the world leader in IPO funds raised; it also launched Bond Connect, a scheme connecting the PRC interbank bond market with Hong Kong and the world; and made additional enhancements to the Stock Connect program, including expanding the daily quota. These schemes and enhancements are expected to increase the trading activity and the overall revenue of the Hong Kong financial industry. In view of the positive prospect of the industry, our Directors believe that investing in the Target Companies will allow the Group to benefit from diversified revenue streams and access to the Hong Kong financial services market with growth potential and better return on capital. The Board considers that the Agreement is on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

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

As at the date of this announcement, the Vendor is a substantial shareholder of the Company holding an aggregate of approximately 17.05% in the total issued shares of the Company through DA Equity and DA Asset Management, whose entire issued share capital is ultimately owned by him, and thus a connected person of the Company and therefore the Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

CHANGE IN USE OF PROCEEDS

Reference is made to the Announcement in relation to the Placing.

As disclosed in the Announcement, it was intended that the Net Proceeds from the Placing would be utilised as to approximately HK\$25 million for sourcing and developing the Group's own brand or acquisition of brand(s) for garment and related products; approximately HK\$25 million for enhancement of supply chain management efficiency and capacity, and expansion of sales network of the Group; and approximately HK\$8.6 million for the general working capital of the Group. As at the date of this announcement, approximately HK\$50 million of the Net Proceeds remain unutilised. Given the on-going uncertainties due to China-US trade war, Brexit and the significant market challenges in the apparel industry in the short to medium term, the Directors have not been able to find compelling opportunities to (i) develop its own brands in such markets and have not identified any suitable brand(s) to acquire; or (ii) enhance supply chain management efficiency and capacity, and expand its sales network.

Having considered the above, the Directors have decided to diversify the Group's business through pursuing suitable acquisition and equity investment opportunities which will allow for the Group to diversify its sources of income particularly from a geographic perspective. As such, the Board considers that all of the unutilised Net Proceeds from the Placing in the amount of HK\$50 million can be better utilised for suitable acquisition and equity investment opportunities, including but not limited to the investment in the Target Companies as well as general working capital of the Group.

Set out below are the details of the intended use of the Net Proceeds, the original allocation of the Net Proceeds, the utilised Net Proceeds, the unutilised Net Proceeds, and the revised allocation of the unutilised Net Proceeds, as at the date of this announcement:

Intended use of the Net Proceeds	Original allocation (HK\$ million)	Utilised Net Proceeds as at the date of this announcement (HK\$ million)	Unutilised Net Proceeds as at the date of this announcement (HK\$ million)	Revised allocation of the unutilised Net Proceeds (HK\$ million)
Sourcing and developing the Group's own brand or acquisition of brand(s) for garment and related products	25	—	25	—
Enhancement of supply chain management efficiency and capacity, and expansion of sales network	25	—	25	—
General working capital	8.6	8.6	—	7.5
Pursuing suitable acquisition and equity investment opportunities	—	—	—	42.5
Total	58.6	8.6	50	50

The Board considers that the change in the use of Net Proceeds would meet the needs of the Group more efficiently and enhance the flexibility of the Group and is in the interests of the Company and its shareholders as a whole.

GENERAL

The Company will convene an EGM to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Agreement shall abstain from voting to approve the Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, the Vendor, being a substantial shareholder of the Company indirectly holding an aggregate of approximately 17.05% in the total issued shares of the Company is a connected person (as defined in the Listing Rules) of the Company and will be required to abstain from voting on the relevant resolutions at the EGM, accordingly. Save for the Vendor, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Agreement which is different from the other Shareholders.

An Independent Board Committee comprising Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire (all independent non-executive Directors), has been established to advise the Independent Shareholders in respect of the Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Acquisition.

The Board is pleased to announce that Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

A circular containing, among other things, (i) further details in relation to the Agreement; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the Independent Financial Adviser regarding the terms of the Acquisition; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 27 March 2019.

The Completion of the Acquisition is conditional upon the satisfaction of the terms and conditions set out in the Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sales Shares pursuant to the Agreement
“Actual Profit”	the aggregate net profit of the Target Companies after tax and any extraordinary or exceptional items attributable to the Sale Shares based on the Profit Guarantee Audited Accounts
“Adjustment Consideration”	the amount of consideration to be repaid by the Vendor to the Purchaser in the event that the profit guarantee is not achieved
“Agreement”	the sale and purchase agreement dated 6 March 2019 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Announcement”	the announcement of the Company dated 1 June 2018
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays, or public holidays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	Season Pacific Holdings Limited, a company incorporated under the law of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	HK\$42 million, being the consideration payable for the Sale Shares
“DA Asset Management”	DA Asset Management Limited, a company incorporated in Hong Kong and wholly and beneficially owned by the Vendor
“DA Capital”	DA Capital (HK) Limited (德林資本(香港)有限公司), a company incorporated in Hong Kong with limited liability, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“DA Capital Sale Shares”	30,000,000 shares of DA Capital, representing the entire issued share capital of DA Capital
“DA Equity”	DA Equity Partners Limited, a company incorporated in Hong Kong and wholly and beneficially owned by the Vendor
“DA Finance”	DA Finance (HK) Limited (德林財務(香港)有限公司), a company incorporated in Hong Kong with limited liability and a corporation holding a money lender’s licence to operate as a money lender
“DA Finance Sale Shares”	10,000 shares of DA Finance, representing the entire issued share capital of DA Finance
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and if, thought fit, approve the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantee Period”	the financial year ending 31 December 2020
“Guaranteed Profit”	HK\$6 million
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards

“Independent Board Committee”	an independent committee of the Board comprising Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire, being the independent non-executive Directors to advise the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than the Vendor and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2020 or such date as agreed by the parties in writing
“Net Proceeds”	net proceeds from the Placing after deducting the placing commission and related professional, publication fees payable by the Company
“Placing”	the placing of 123,800,000 shares in the Company as disclosed in the announcements of the Company dated 16 May 2018 and 23 May 2018 and completed on 1 June 2018
“PRC”	the People’s Republic of China
“Profit Guarantee Audited Accounts”	the audited financial statements under HKFRS prepared by the auditors of the Target Companies for the Guarantee Period
“Purchaser”	Topper Alliance Holding Limited, a company incorporated in the Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Responsible Officer(s)”	individual(s) who is/are approved by the SFC under section 126(1) of the SFO as a responsible officer of a licensed corporation
“Sale Shares”	collectively, DA Capital Sale Shares and DA Finance Sale Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, DA Capital and DA Finance
“US”	United States of America

“Vendor”	Mr. Chen Ningdi, an individual, being the sole shareholder of the Target Companies and the vendor of the Acquisition
“Vinco Capital” or “Independent Financial Adviser”	Vinco Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“%”	per cent

By order of the Board
Season Pacific Holdings Limited
Cheung Lui
*Chairman, Chief Executive Officer &
Executive Director*

Hong Kong, 6 March 2019

As at the date of this announcement, the executive Directors are Mr. Chak Ka Wai, Mr. Cheung Lui and Mr. Yu Xiu Yang, the non-executive Director is Ms. Chin Ying Ying; and the independent non-executive Directors are Mr. Chang Eric Jackson, Mr. Choi Sheung Jeffrey and Ms. Luk Huen Ling Claire.