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## **LUEN THAI HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 311)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 16.66% INTEREST IN AND THE PROVISION OF ADDITIONAL GUARANTEE TO A JOINT VENTURE COMPANY**

#### **THE SHARE PURCHASE AGREEMENT**

On 24 May 2016, the Purchasers entered into the Share Purchase Agreement with the Vendors pursuant to which the Vendors have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire from the Vendors, an aggregate of approximately 33.33% equity interest in the JV Company for the aggregate cash consideration of the VND equivalent of USD9,000,000 based on the Foreign Exchange Rate.

In accordance with the Share Purchase Agreement, Sunny Force, an indirect wholly-owned subsidiary of the Company, will acquire approximately 16.66% equity interest in the JV Company for the cash consideration of the VND equivalent of USD4,500,000 based on the Foreign Exchange Rate.

Immediately prior to the signing of the Share Purchase Agreement, the JV Company is owned as to approximately 33.34%, 28.89%, 4.44%, 4.44% and 28.89% by Sunny Force, Thien Nam, Itochu, Ms. Linh and Smart Shirts respectively. Upon Completion, the JV Company will be owned as to approximately 50%, 4.44% and 45.56% by Sunny Force, Itochu and Smart Shirts respectively. Upon Completion, the JV Company will remain as a jointly controlled entity of the Group.

As at the date of this announcement, Sunny Force and certain JV Existing Shareholders have provided shareholders' loans to the JV Company. Upon fulfilment of certain Conditions Precedent, Sunny Force shall procure to Thien Nam the repayment of TN Shareholder Loan together with the accrued interest by the JV Company to Thien Nam. Sunny Force has further agreed to provide Additional Shareholder's Loan to the JV Company and the Additional Shareholder's Loan is expected to be in the amount of USD700,000.

#### **PROVISION OF ADDITIONAL GUARANTEE**

At the date of this announcement, Sunny Force and certain JV Existing Shareholders have provided guarantee for the loans of the JV Company borrowed from a financial institution on a several basis with the total loan amount of up to US\$53 million (equivalent to approximately HK\$411 million). The Existing Guarantee is provided on a several basis and in proportion to the existing shareholding of Sunny Force in the JV Company.

Upon signing of the Share Purchase Agreement, the Purchasers shall procure, and the Vendors shall fully cooperate with the Purchasers thereof, that the existing TN Corporate Guarantee granted to the JV Company shall be discharged.

As the TN Corporate Guarantee will be discharged upon the signing of the Share Purchase Agreement, the discharge of the TN Corporate Guarantee will result in the increase of guarantee obligations of Sunny Force in proportion to the increase in shareholding of Sunny Force in the JV Company, and Sunny Force shall provide Additional Guarantee for the loans of the JV Company. The Additional Guarantee will be provided on a several basis and in proportion to the increase in shareholding of Sunny Force in the JV Company.

#### **IMPLICATION UNDER THE LISTING RULES**

The Acquisition, together with the provision of Additional Shareholder's Loan, do not constitute a discloseable transaction for the Company on the basis that none of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5%. The Acquisition and the provision of Additional Shareholder's Loan, when aggregated with the provision of the Additional Guarantee, constitutes a discloseable transaction for the Company on the basis that the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5% but is below 25%.

#### **A. THE SHARE PURCHASE AGREEMENT**

The Board announced that on 24 May 2016, the Purchasers entered into the Share Purchase Agreement with the Vendors pursuant to which the Vendors have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire from the Vendors, an aggregate of approximately 33.33% equity interest in the JV Company for the aggregate cash consideration of the VND equivalent of USD9,000,000 based on the Foreign Exchange Rate.

In accordance with the Share Purchase Agreement, Sunny Force, an indirect wholly-owned subsidiary of the Company, will acquire approximately 16.66% equity interest in the JV Company for the cash consideration of the VND equivalent of USD4,500,000 based on the Foreign Exchange Rate.

The main terms of the Share Purchase Agreement are set out below.

##### **Date**

24 May 2016

##### **Parties**

(1) the Purchasers:

- (i) Sunny Force; and
- (ii) Smart Shirts

(2) the Vendors:

- (i) Thien Nam; and

(ii) Ms. Linh

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, Ms. Linh and Thien Nam (and its ultimate beneficial owners) are Independent Third Parties.

As at the date of this announcement, the Charter Capital of the JV Company is VND567 billion (equivalent to approximately HK\$197 million) and the JV Company is owned as to approximately 33.34%, 28.89%, 4.44%, 4.44% and 28.89% by Sunny Force, Thien Nam, Itochu, Ms. Linh and Smart Shirts respectively.

**Assets to be acquired**

In accordance with the terms and conditions of the Share Purchase Agreement, the Vendors have conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire from the Vendors, the Transferred Shares, which represents an aggregate of approximately 33.33% equity interest in the JV Company, at the Transfer Price, details of which are as follows:

- (1) Thien Nam conditionally agreed to sell, and Sunny Force conditionally agreed to acquire, 9,450,000 Shares, representing approximately 16.66% equity interest in the JV Company, at a consideration of the VND equivalent of USD4,500,000 based on the Foreign Exchange Rate;
- (2) Thien Nam conditionally agreed to sell, and Smart Shirts conditionally agreed to acquire, 6,930,000 Shares, representing approximately 12.23% equity interest in the JV Company, at a consideration of the VND equivalent of USD3,300,000 based on the Foreign Exchange Rate; and
- (3) Ms. Linh conditionally agreed to sell, and Smart Shirts conditionally agreed to acquire, 2,520,000 Shares, representing approximately 4.44% equity interest in the JV Company, at a consideration of the VND equivalent of USD1,200,000 based on the Foreign Exchange Rate.

Upon Completion of the Share Transfer, the JV Company will be owned as to approximately 50%, 4.44% and 45.56% by Sunny Force, Itochu and Smart Shirts respectively.

**Consideration**

The Transfer Price for the acquisition of the Transferred Shares, which represents an aggregate of approximately 33.33% equity interest in the JV Company, by the Purchasers is the VND equivalent of USD9,000,000 based on the Foreign Exchange Rate, in which the consideration for the Acquisition by Sunny Force is the VND equivalent of USD4,500,000 based on the Foreign Exchange Rate.

## **Payment of Consideration**

The Purchasers shall pay the Transfer Price in two instalments by bank wire transfers as follows:

### *(a) First Payment:*

- i. upon evidence that the Conditions Precedent in paragraphs (b), (c), (d), (e) and (g) under the section headed “Conditions Precedent” have been fulfilled, the Purchasers shall release 80% of the Transfer Price at the Foreign Exchange Rate into the Foreign Direct Investment Account of the JV Company;
- ii. No later than two (2) Business Days from receipt of the first payment into the Foreign Direct Investment Account, the JV Company shall transfer the funds into the Vendors’ bank accounts.

### *(b) Second Payment:*

- i. upon evidence that the Conditions Precedent in paragraphs (a), (f), (h) and (i) under the section headed “Conditions Precedent” have been fulfilled, the Purchasers shall release 20% of the Transfer Price at the Foreign Exchange Rate into the Foreign Direct Investment Account of the JV Company;
- ii. No later than two (2) Business Days from receipt of the second payment into the Foreign Direct Investment Account, the JV Company shall transfer the funds into the Vendors’ bank accounts.

The consideration for the Acquisition payable by Sunny Force will be satisfied by internal resources of the Group.

The Transfer Price was determined after arm’s length negotiations between the Purchasers and the Vendors on normal commercial terms, having taken into account of various factors, including but not limited to (i) historical performance and future prospects of the JV Company’s business and (ii) benefits of the Acquisition as discussed in the section headed “Reasons for and benefits of the Acquisition” below.

## **Conditions Precedent**

The Parties agree that the Share Transfer shall be subject to the fulfilment or waiver of the following conditions precedent on or before the Completion Date:

- (a) execution by the Purchasers and the Vendors of all Transaction Documents and all application documents for obtaining documents as listed in paragraphs (g) and (i) under this section headed “Conditions Precedent”;
- (b) passing and issuance of shareholders’ approval by the shareholders of the JV Company toward the Share Purchase Agreement at the general meeting of the JV Company;
- (c) issuance of the resignation letter of Mr. Tran Dang Tuong as chairman of the Management Board;
- (d) issuance of the resignation letters of the two current directors appointed by Thien Nam, namely Mr. Tran Dang Tuong and Mr. Mai Hoang An;

- (e) issuance of the resignation letter of Ms. Linh as director of the JV Company;
- (f) evidence by the Purchasers of the full release of the TN Corporate Guarantee;
- (g) evidence by each Purchaser of the approval by the Licensing Authority of the Transferred Shares;
- (h) updating of the JV Company's register of shareholders recording the Purchasers as shareholders of the JV Company and legal and beneficial owners of the Transferred Shares in accordance with the laws of Vietnam; and
- (i) issuance of the Amended ERC and the IRC (if applicable), evidencing the new shareholding structure of the JV Company.

The Parties agree that the Purchasers shall be entitled to waive the fulfilment of any of the Conditions Precedent at its discretion.

The Share Purchase Agreement shall cease to be conditional upon the date on which all the Conditions Precedent referred to under the section headed "Conditions Precedent" have been fulfilled or otherwise waived by the Purchasers and which shall be no later than 20 July 2016 or at any other date as agreed in writing between the Parties.

If all the Conditions Precedent stipulated under the section headed "Conditions Precedent" have not been satisfied and/or if any unsatisfied Condition Precedent is not waived by the Purchasers by 20 July 2016, or such other date as may be mutually agreed between the Parties, the Share Purchase Agreement shall terminate and be of no further effect (except for the clauses on interpretation, fulfillment date, termination, governing law and dispute settlement, confidentiality and miscellaneous in the Share Purchase Agreement which shall remain in full force and effect) and neither of the Parties thereto shall be under any liability to any other Party in respect of the Share Purchase Agreement, except for any antecedent breach of the terms of the Share Purchase Agreement.

### **Provision of Additional Shareholder's Loan**

As at the date of this announcement, Sunny Force and certain JV Existing Shareholders have provided shareholders' loans to the JV Company. Upon fulfilment of the Conditions Precedent referred to in paragraphs (a) to (f) under the section headed "Conditions Precedent", Sunny Force shall procure to Thien Nam the repayment of TN Shareholder Loan together with the accrued interest by the JV Company to Thien Nam. Sunny Force has further agreed to provide Additional Shareholder's Loan to the JV Company and the Additional Shareholder's Loan is expected to be in the amount of USD700,000.

### **Completion**

Subject to the fulfilment or waiver (as the case may be) of all the Conditions Precedent, Completion of the Share Transfer shall take place at such place as shall be agreed between the Parties on the date falling five (5) Business Days after the due fulfillment or waiver of the last Condition Precedent to be satisfied or waived (as the case may be), or such other date as the Parties may agree in writing.

## **Shareholders' Agreement and New Charter**

The Parties agree that the New Shareholders' Agreement and New Charter shall take effect immediately after Completion and shall provide, among other things, the following:

- (1) change of the number of Management Board members from 9 to 8, in which 4 members shall be nominated by Sunny Force, 3 members by Smart Shirts and 1 member by Itochu;
- (2) passing vote of resolutions at Management Board shall become 2/3 of the attending Management Board members; and
- (3) rights to appoint the chairman of the Management Board and the chief accountant of the JV Company to be given to Sunny Force.

### **B. PROVISION OF GUARANTEE**

At the date of this announcement, Sunny Force and certain JV Existing Shareholders have provided guarantee for the loans of the JV Company borrowed from a financial institution on a several basis with the total loan amount of up to US\$53 million (equivalent to approximately HK\$411 million). The Existing Guarantee is provided on a several basis and in proportion to the existing shareholding of Sunny Force in the JV Company.

Upon signing of the Share Purchase Agreement, the Purchasers shall procure, and the Vendors shall fully cooperate with the Purchasers thereof, that the existing TN Corporate Guarantee granted to the JV Company shall be discharged.

As the TN Corporate Guarantee will be discharged upon the signing of the Share Purchase Agreement, the discharge of the TN Corporate Guarantee will result in the increase of guarantee obligations of Sunny Force in proportion to the increase in shareholding of Sunny Force in the JV Company, and Sunny Force shall provide Additional Guarantee for the loans of the JV Company. The Additional Guarantee will be provided on a several basis and in proportion to the increase in shareholding of Sunny Force in the JV Company.

### **C. INFORMATION ON THE GROUP, SUNNY FORCE, THE VENDORS AND THE JV COMPANY**

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding, logistics services and real estate development.

Sunny Force is principally engaged in investment holding.

Thien Nam is principally engaged in the business of manufacture of yarns in Vietnam.

Ms. Linh is principally engaged in yarn trading business in Vietnam.

The JV Company is a joint stock company incorporated under the laws of Vietnam on 27 December 2012. The JV Company is principally engaged in fabric manufacturing in Vietnam.

Set out below are certain financial information of the JV Company for the financial year ended 31 December 2014 and the financial year ended 31 December 2015:

	<b>(Audited)</b> <b>For the year</b> <b>ended</b> <b>31 December</b> <b>2014</b> <i>US\$</i> <i>(approximately)</i>	<b>(Audited)</b> <b>For the year</b> <b>ended</b> <b>31 December</b> <b>2015</b> <i>US\$</i> <i>(approximately)</i>
Net loss (before and after tax)	4,841,000	4,725,000

As at 31 December 2014 and 31 December 2015, the audited net asset value of the JV Company were, respectively, approximately US\$21,545,000 and US\$16,820,000.

Upon Completion, the JV Company will remain as a jointly controlled entity of the Group.

#### **D. REASONS FOR AND BENEFITS OF THE ACQUISITION**

Vietnam is a member of The Association of Southeast Asian Nations (ASEAN) and fabrics made from Vietnam is considered as ASEAN Fabrics. Apparel products manufactured in certain ASEAN countries using ASEAN Fabrics are entitled to import duties saving into Japan and the European Union. Given that the JV Company is incorporated under the laws of Vietnam and principally engaged in fabric manufacturing, the Board believes that the Group can gain market share with the ASEAN Fabrics by investing into the JV Company.

Certain customers of the Company are currently urging the Company to increase its production capacity in Vietnam. The Acquisition will increase the confidence of these customers towards the Company.

The Board considers that the terms of the Share Purchase Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **E. REASONS FOR THE PROVISION OF GUARANTEE**

To support the future development of the investment projects of the JV Company, the JV Company may require loans to be borrowed from financial institutions, thus guarantee from shareholders of the JV Company may be required from financial institutions.

After considering that (i) there will be an increase of approximately 16.66% equity interest in the JV Company held by Sunny Force, such that after Completion, Sunny Force will hold approximately 50% equity interests in the JV Company; (ii) the Additional Guarantee will be on a several basis; and (iii) the reason for the provision of the Additional Guarantee as mentioned above, the Board considers that the Additional Guarantee are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **F. IMPLICATION UNDER THE LISTING RULES**

The Acquisition, together with the provision of Additional Shareholder's Loan, do not constitute a discloseable transaction for the Company on the basis that none of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5%. The Acquisition and the provision of Additional Shareholder's Loan, when aggregated with the provision of the Additional Guarantee, constitutes a discloseable transaction for the Company on the basis that the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5% but is below 25%.

## **G. DEFINITIONS**

“Acquisition”	the conditional acquisition of 9,450,000 Shares, representing approximately 16.66% equity interest in the JV Company, by Sunny Force from Thien Nam pursuant to the terms and conditions of the Share Purchase Agreement;
“Additional Guarantee”	the additional guarantee to be provided by Sunny Force upon discharge of the TN Corporate Guarantee which amounts to an amount of approximately US\$8,830,000;
“Additional Shareholder's Loan”	the additional shareholder's loan which is expected to be in the amount of USD700,000 to be provided by Sunny Force to the JV Company as described under the section headed “Provision of Additional Shareholder's Loan”;
“Amended ERC”	means an amended enterprise registration certificate issued by the Licensing Authority to the JV Company to approve the acquisition and, therefore, ownership of Transferred Shares of the Purchasers;
“Board”	the board of directors of the Company;
“Business Day”	means a business day other than a Saturday, Sunday, or national holidays in Vietnam or public holidays in Hong Kong;
“Charter”	means the current charter on organization and operation of the JV Company (effective since March 2014), including its amendment and supplementation from time to time;
“Charter Capital”	means the aggregate amount of capital contributed by all shareholders of the JV Company as stated in the enterprise registration certificate;
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange;
“Completion”	means the completion of the transfer of the Transferred Shares from the Vendors to the Purchasers pursuant to the Share Purchase Agreement;



“Completion Date”	means the date on which Completion occurs, being the date falling 5 Business Days after the due fulfillment or waiver of the last Condition Precedent to be satisfied or waived (as the case may be) or such other date as the Parties may agree in writing;
“Condition(s) Precedent”	condition(s) precedent to Completion under the Share Purchase Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company for the time being;
“Existing Guarantee”	the existing guarantee provided by Sunny Force to the JV Company as at the date of this announcement;
“Foreign Exchange Rate”	means the exchange rate (average of buy and sell rates) between USD and VND issued by the Vietcombank on the date of the Share Purchase Agreement;
“Foreign Direct Investment Account”	means a bank account in VND opened by the JV Company for the purpose of realizing the foreign investment contemplated under the Share Purchase Agreement as requested by the Vietnam laws and regulations on banking;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Parties”	third parties who are independent of the Company and its Connected Persons;
“IRC”	means the investment registration certificate to be issued by the Licensing Authority for the implementation of investment project;
“Itochu”	means Itochu Textile Prominent (Asia) Co. Ltd;
“JV Company”	Thien Nam Sunrise Textile Joint Stock Company, a joint stock company incorporated under the laws of Vietnam;
“JV Existing Shareholders”	the existing shareholders of the JV Company as at the date of the announcement, including Thien Nam, Itochu, Ms. Linh and Smart Shirts (except Sunny Force);
“Licensing Authority”	means the People’s Committee of Nam Dinh Province and/or any other competent State authorities having the authority to approve the revision of the Amended ERC and the IRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Management Board”	means the board of management of the JV Company;
“Ms. Linh”	means Ms. Tran Yen Linh;
“New Charter”	means the new charter of the JV Company which (1) will be approved by the Completion Date; and (2) will replace the Charter;
“New Shareholders’ Agreement”	means the shareholders’ agreement to be entered into by the Purchasers and the remaining shareholder(s) of the JV Company on the Completion Date to regulate their relationship as shareholders in the JV Company;
“Parties”	means the parties to the Share Purchase Agreement, including Sunny Force, Smart Shirts, Thien Nam and Ms. Linh;
“Purchasers”	means Sunny Force and Smart Shirts;
“Shares”	means ordinary shares issued by the JV Company in accordance with the laws of Vietnam;
“Share Purchase Agreement”	the share purchase agreement dated 24 May 2016 entered into by and among the Vendors and the Purchasers in respect of the conditional acquisition of approximately 33.33% of the equity interest in the JV Company by the Purchasers from the Vendors;
“Share Transfer”	means the transfer of the Transferred Shares from the Vendors to the Purchasers pursuant to the Share Purchase Agreement;
“Smart Shirts”	Smart Shirts Limited, a company incorporated in Hong Kong;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunny Force”	Sunny Force Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“Thien Nam”	Thien Nam Investment and Development Joint Stock Company, a company incorporated in Vietnam;
“TN Corporate Guarantee”	means the current corporate guarantee obligation of Thien Nam to the financial institution in relation to the current loans of the JV Company granted by such financial institution;
“TN Shareholder Loan”	means the current outstanding loan of an amount of USD700,000 granted by Thien Nam to the JV Company;

“Transaction Documents”	means all the transaction documents to be executed by the Vendors and the Purchasers to effectuate the Share Transfer including, a certified copy of (i) the confirmation of changes of the JV Company’s business content, (ii) a document evidencing the announcement thereof on the national business registration portal of Vietnam which will include a receipt issued by the Licensing Authority of the JV Company’s application for the announcement and an extract from the national business portal of Vietnam’s database recording the JV Company’s changes to the JV Company’s registered business content;
“Transfer Price”	means the total consideration of the VND equivalent of USD9,000,000 based on the Foreign Exchange Rate to be paid by the Purchasers to the Vendors in exchange for the transfer of the Transferred Shares to the Purchasers pursuant to the Share Purchase Agreement;
“Transferred Shares”	means 18,900,000 ordinary shares issued by the JV Company currently owned by the Vendors with par value of 10,000 VND per share, representing approximately 33.33% of the Charter Capital of the JV Company;
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America;
“Vendors”	Thien Nam and Ms. Linh;
“Vietnam”	the Socialist Republic of Vietnam; and
“VND” or “Vietnam Dong”	the lawful currency of Vietnam.

For reference only, (i) an exchange rate of HK\$1 to VND2,871 has been used for the conversion of Hong Kong dollars into Vietnam Dong; (ii) an exchange rate of US\$1 to HK\$7.75 has been used for the conversion of US\$ into Hong Kong dollars; and (iii) an exchange rate of US\$1 to VND22,250 has been used for the conversion of US\$ into Vietnam Dong for the purpose of this announcement.

By order of the Board  
**Chiu Chi Cheung**  
*Company Secretary*

Dated 24 May 2016

As at the date hereof, the Board comprise the following Directors:

*Executive Directors:*

Tan Siu Lin (*Chairman*)  
Tan Henry  
Tan Cho Lung, Raymond  
Mok Siu Wan, Anne

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

*Company's website: [www.luenthai.com](http://www.luenthai.com)*