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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

DISCLOSEABLE TRANSACTION DISPOSAL OF 50% ISSUED SHARE CAPITAL OF THE TARGET

THE DISPOSAL

The Board announces that on 6 September 2018, the Agreement was entered into between (1) the Seller (a wholly-owned subsidiary of the Company), (2) the Purchaser, (3) the Guarantor and (4) the Target, pursuant to which (i) the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 50% of the issued share capital of the Target at an aggregate consideration of US\$4,300,000 and (ii) the Target has agreed to repay the Shareholder's Loan at its face value as at Repayment Date on the same day.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 5% but all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE DISPOSAL

The Board announces that on 6 September 2018, the Agreement was entered into between (1) the Seller (a wholly-owned subsidiary of the Company), (2) the Purchaser, (3) the Guarantor and (4) the Target, pursuant to which (i) the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 50% of the issued share capital of the Target at an aggregate consideration of US\$4,300,000 and (ii) the Target has agreed to repay the Shareholder's Loan at its face value as at Repayment Date on the same day.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

6 September 2018

Parties:

- (1) The Seller (as seller);
- (2) The Purchaser (as purchaser);
- (3) The Guarantor (as guarantor); and
- (4) The Target

To the best knowledge, information and belief of the Director having made all reasonable enquiries, as at the date of this announcement, the Purchaser, the Guarantor and their ultimate beneficial owner(s) are independent third parties not connected with the Company and its connected persons.

Assets to be disposed of

Pursuant to the Agreement, the Seller has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares subject to the terms contained therein.

The Target is a joint stock company licensed under the laws of Vietnam. The Target is principally engaged in fabric manufacturing in Vietnam.

The Target has agreed to repay the Shareholder's Loan at its face value as at Repayment Date on the same day pursuant to the Agreement.

Upon completion of the Disposal, the Target will cease to be a joint venture of the Group and the Group will cease to hold any interest in the Target. Accordingly, the financial results of the Target will no longer be equity accounted for in the accounts of the Company after the Completion.

Consideration

The aggregate consideration of the Sale Shares is US\$4,300,000 and shall be settled by the Purchaser in cash in the following manner:

- (a) A Deposit of US\$100,000 shall be paid by the Guarantor to the Seller upon the signing of the Agreement and such Deposit shall be refunded by the Seller to the Guarantor upon the Seller's receipt of the Shares Consideration after Completion;

- (b) The Shares Consideration of US\$4,300,000 will be paid by the Purchaser to the Seller on Completion or within three Business Days after Completion.

In accordance to Vietnamese law and pursuant to the Agreement, the Purchaser shall pay the Shares Consideration into the Target's DICA no later than the due date as set forth in (b) above, and the Target shall within 3 Business Days upon the earlier of (i) receipt of the Shares Consideration or (ii) credit notification made to the Target by the bank at which the DICA is maintained remit the same to the Seller.

The Repayment of Shareholder's Loan shall be settled by the Target in cash in such amount equal to the face value of the Shareholder's Loan owed by the Target to the Seller as at the Repayment Date, being approximately US\$3,278,500.

The Shares Consideration was determined after arm's length negotiations between the Seller and the Purchaser and on normal commercial terms after taking into consideration of (i) the initial amount of capital contribution to the Target made by the Seller; (ii) the historical and existing operating results of the Target; (iii) the business development and future prospects of the Target; (iv) future prospect of the fabric manufacturing industry in Vietnam; (v) unaudited financial position of the Target; and (vi) the reasons for the Disposal as described under the section headed "Reasons and Benefits of the Disposal" below.

Condition Precedents

Completion is conditional upon the satisfaction of the following Conditions unless otherwise waived by both the Seller and the Purchaser:

- (a) all necessary consents and waivers in respect of the transactions contemplated under the Agreement and the Share Pledge Agreement having been obtained from the Guarantor and Itochu;
- (b) certain licensing document having been obtained in accordance to the licensing procedures in Vietnam;
- (c) the Purchaser has delivered to the Seller (i) a certified true copy of the executed corporate guarantee given by the Guarantor in favour of HSBC Bank (Vietnam) Ltd. which is sufficient to replace the LTH Corporate Guarantee after Completion and (ii) the original letter issued by HSBC Bank (Vietnam) Ltd. confirming that the LTH Corporate Guarantee will be released subject to Completion; and
- (d) each warranty given by the Seller as set out in the Agreement being true and correct in all material respects as at the date of Completion.

If (i) the Condition under (a) has not been satisfied by the Guarantor on or before the Long Stop Date, or (ii) if the Condition under (a) has been satisfied by the Guarantor on or before the Long Stop Date but the Condition under (c) is not satisfied on or before the Long Stop Date, or (iii) if the Shares Consideration has not been fully paid and remitted to the Seller's account in accordance to the Agreement or (iv) if the Purchaser fails to fully deliver or procure to deliver to the Seller the Purchaser's Completion Documents, this Agreement shall automatically terminate upon which the Deposit shall be forfeited by the Seller and all rights and obligations of the Parties under this Agreement shall cease, provided that certain surviving clauses shall survive such termination and such termination shall not affect any accrued rights and obligations of the Parties.

If the Condition under (d) has not been satisfied on or before the Completion Date, or if the Seller fails to fully deliver or procure to deliver to Purchaser the Seller's Completion Documents (unless otherwise waived by the Purchaser in writing) on the Completion Date, or the transactions contemplated hereunder are not closed due to circumstances within the control of the Seller, this Agreement shall automatically terminate upon which the Seller shall refund the Deposit, without interest, to the Purchaser, and all rights and obligations of the Parties under this Agreement shall cease, provided that certain surviving clauses shall survive such termination and such termination shall not affect any accrued rights and obligations of the Parties.

If each of the Purchaser, the Target and the Guarantor has used its best endeavours to procure the satisfaction of the Condition under (b) but the Condition under (b) is not satisfied by the Long Stop Date due to circumstances beyond the control of the Purchaser, the Target and the Guarantor, the Seller shall return the Deposit to the Purchaser without interest within five (5) Business Day from the Long Stop Date, and this Agreement shall automatically terminate and all rights and obligations of the Parties under this Agreement shall cease, except that certain surviving clauses shall survive such termination and such termination shall not affect any accrued rights and obligations of the Parties.

Completion

The Completion shall take place on the Completion Date.

Repayment of Shareholder's Loan

The repayment of the Shareholder's Loan shall take place on the Repayment Date.

Guarantees

The Guarantor guarantees to pay, on demand, to the Seller, (1) any such sum which the Purchaser fails to pay to the Seller for the Sale Shares in accordance with the Agreement; (2) any such sum which the Target fails to pay to the Seller for the Shareholder's Loan.

Pursuant to the terms of the Agreement, the Purchaser agrees to enter into a Share Pledge Agreement with the Seller at Completion, whereby the Purchaser agrees to pledge the Sale Shares to the Seller as security for the payment and other obligations under the Agreement.

INFORMATION OF THE GROUP, THE SELLER, THE PURCHASER AND THE GUARANTOR

The Group is principally engaged in the manufacturing and trading of apparel and accessories.

The Seller is a company incorporated in the BVI with limited liability and its principal activity is investment holding.

The Purchaser is a limited liability company established in the People's Republic of China, and is principally engaged in manufacturing of textile goods. The Guarantor is a company incorporated in Hong Kong and owns 45.6% of the shares in the Target and is principally engaged in design, manufacturing, and merchandising of premier dress shirts and sportswear.

Set out below is a summary of certain audited financial information of the Target for the year ended 31 December 2016 and 31 December 2017.

	For the year ended	
	31 December	
	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	24,786	35,377
Loss before tax	(7,280)	(7,580)
Loss after tax	(7,280)	(7,580)
	As at 31 December	
	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Total assets	73,498	70,365
Net assets	9,541	1,961

REASONS AND BENEFITS OF THE DISPOSAL

Since the Group's initial investment in the Target, the financial and operating results of the Target did not meet the expectation of the Company. The disposal of the Sale Shares provides the Group an opportunity to enhance its profitability through the disposal of

the Target and streamline its business model. The Group will not be required to provide further resources for the ongoing development of the Target anymore after the Completion, and such resources can be used for the core businesses of the Group.

In addition, upon Completion and full payment of the Shares Consideration, the financial position and cashflow of the Group will be strengthened. After deducting the expenses relating to the Disposal, the net proceeds from the Disposal will provide sufficient capital for the Group to finance its operations and new suitable investment opportunity.

Completion of the Disposal will also result in an estimated unaudited gain of approximately US\$1,500,000 in the Group's profit or loss account. Such estimated gain arises out of the difference between the Shares Consideration over the carrying value of the investment in Target as recorded in the book of the Company.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Completion and Repayment Date is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to Completion and Repayment Date. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“Agreement” The sale and purchase agreement dated 6 September 2018 entered into between the Seller, the Purchaser, the Guarantor and the Target relating to the sale and purchase of the Sale Shares

“associates” has the meaning ascribed to it under the Listing Rules

“Board” the board of Directors

“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Company”	Luen Thai Holdings Limited (stock code: 311), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares
“Completion Date”	the third Business Day on which the Conditions (a) to (c) are satisfied
“Condition(s)”	the conditions stated under Condition Precedents
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposit”	US\$100,000 to be paid upon signing of this Agreement
“DICA”	direct investment capital account of the Target
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares by the Seller to the Purchaser and the Repayment of the Shareholder’s Loan pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Guarantor”	Smart Shirts Limited, a company incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Itochu”	Itochu Textile Prominent (Asia) Limited, a company incorporated in Hong Kong and owner of 4.4% of the entire issued share capital of the Target
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2018 or such other date as the Seller and the Purchaser may agree in writing

“LTH Corporate Guarantee”	means the letter of guarantee dated 12 June 2014 given by the Company in favour of HSBC Bank (Vietnam) Ltd., Hanoi Branch in respect of the bank facilities granted by HSBC Bank (Vietnam) Ltd., Hanoi Branch
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Purchaser”	Sunrise (Shengzhou) Knits Co., Ltd., a company incorporated in the People’s Republic of China
“Purchaser’s Completion Documents”	Certain documents the Purchaser is required to deliver at Completion
“Repayment Date”	25 June 2019 or other date agreed by the Target and the Purchaser in writing
“Repayment of Shareholder’s Loan”	The repayment of Shareholder’s Loan owed by the Target to the Seller
“Sale Shares”	50% of the issued share capital of the Target
“Seller”	Sunny Force Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Seller’s Completion Documents”	Certain documents the Seller is required to deliver at Completion
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Share Pledge Agreement”	the share pledge of the Sale Shares to be given in favour of the Seller, for guaranteeing the repayment of the Loan and the payment of Shares Consideration and observance of the Purchaser’s other obligations
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	US\$3,278,500, being the face value of the shareholder’s loans due to the Seller by the Target

“Shares Consideration”	the aggregate sum of US\$4,300,000, being the consideration for sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target”	Sunrise Luen Thai Textile Joint Stock Company, a company incorporated in Vietnam
“US\$”	United States of America dollars, the lawful currency of the United States of America

All the English translation of certain Chinese names or words in this announcement is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By Order of the Board
Chiu Chi Cheung
Company Secretary

Hong Kong, 6 September 2018

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

Executive Directors:

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

Tan Cho Lung, Raymond (*Chief Executive Officer*)

Qu Zhiming

Mok Siu Wan, Anne

Non-executive Director:

Huang Jie

Independent Non-executive Directors:

Seing Nea Yie

Cheung Siu Kee

Chan Henry

Company's website: www.luenthai.com