

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET

THE ACQUISITION

The Board announces that on 21 September 2018 (after trading hours), the Agreement was entered into between the Sellers and the Purchaser (a wholly-owned subsidiary of the Company), pursuant to which the Sellers have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target at a Consideration of US\$28,000,000 (equivalent to approximately HK\$218,400,000) (subject to adjustment).

IMPLICATIONS OF THE LISTING RULES

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

THE ACQUISITION

The Board announces that on 21 September 2018 (after trading hours), the Agreement was entered into between the Sellers and the Purchaser (a wholly-owned subsidiary of the Company), pursuant to which the Sellers have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target at a Consideration of US\$28,000,000 (subject to adjustment).

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

21 September 2018

Parties:

- (1) The Sellers (as sellers); and
- (2) The Purchaser (as purchaser).

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

Assets to be acquired

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

The Target is a company incorporated in the BVI which, together with its subsidiaries, is engaged in the business of manufacturing bags and small leather goods in Myanmar, Thailand, Hong Kong and the PRC.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

Consideration

The Consideration will be settled in three tranches by the Purchaser in cash in the following manner:

- (a) As at the date of this Announcement, the Deposit of US\$600,000 (equivalent to approximately HK\$4,680,000) has been paid by the Purchaser before the execution of the Agreement;
- (b) For the first tranche of payment, an amount of US\$20,400,000 (equivalent to approximately HK\$159,120,000) will be paid in cash to the Sellers upon Completion and the Deposit shall be constituted as part of the first tranche of the Consideration;

- (c) If the Completion NAV plus the Fair Value Adjustment is less than US\$20,000,000 (equivalent to approximately HK\$156,000,000), the Initial Consideration shall be reduced in accordance to the following formula:

US\$20,000,000 — (Completion NAV + Fair Value Adjustment)
(the amount determined above shall be referred to as “**Initial Adjusted Amount**”)

Initial Consideration minus such Initial Adjusted Amount shall be Initial Adjusted Consideration. The second tranche of the Consideration shall be 85% of the Initial Adjusted Consideration minus US\$21,000,000 (equivalent to approximately HK\$163,800,000).

Within 10 Business Days after the Final Completion Accounts are determined or available, if the second tranche of the Consideration is:

- (i) a positive balance, the Purchaser shall pay to each of the Sellers such amount equal to 85% of the Initial Adjusted Consideration minus US\$21,000,000 multiplied by Relevant Percentage, i.e. $(85\% \times \text{Initial Adjusted Consideration} - \text{US\$21,000,000}) \times \text{Relevant Percentage}$; or
 - (ii) a negative balance, each of the Sellers shall pay to the Purchaser the difference between US\$21,000,000 and 85% of the Initial Adjusted Consideration multiplied by Relevant Percentage, i.e. $(\text{US\$21,000,000} - 85\% \times \text{Initial Adjusted Consideration}) \times \text{Relevant Percentage}$.
- (d) Depending on the FY2019 Net Profits, on or before 31 December 2019, the third tranche of the Consideration is equivalent to the sum of 15% of the Initial Adjusted Consideration and will be adjusted within the Range. On or before 31 December 2019, if the third tranche of the Consideration is:
- (i) a positive balance, the Purchaser shall pay to each of the Sellers an amount equal to the numeric value of such positive balance multiplied by Relevant Percentage; or
 - (ii) a negative balance, each of the Sellers shall pay to the Purchaser an amount equal to the numeric value of such negative balance multiplied by Relevant Percentage.

The consideration for the Acquisition was determined after arm’s length negotiations between the Sellers and the Purchaser on normal commercial terms after taking into consideration (i) the potential business prospects of the Target Group; (ii) the historical and existing operating results of the Target Group; (iii) the future prospects of the accessories business; (iv) the audited financial position of the Target Group; and (v) the reasons for the Acquisition as described under the section headed “Reasons for and Benefits of the Acquisition” below.

In addition, the consideration of the Acquisition is expected to be financed by internal resources and borrowing facilities available to the Group at that time.

Condition Precedents

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

- (a) the Purchaser having completed the business, financial, operational, tax accounting and legal due diligence on each member of the Target Group and the results of such due diligence being satisfactory to the Purchaser;
- (b) approval of the Agreement and all the transaction contemplated thereunder by the respective board of directors (and where necessary, shareholders) of the Purchaser and Company;
- (c) receipt of all necessary approvals (if any) from the relevant statutory and regulatory authorities including but not limited to the Stock Exchange;
- (d) no material adverse change in the business, operation or financial conditions of any members of the Target Group and no development which is expected to have a material adverse change in the business, operation or financial conditions of any members of the Target Group;
- (e) no material breach of the warranties as set out in the Agreement and no material breach of any other terms and undertakings by any of the Sellers under the Agreement;
- (f) no change in any applicable laws or government policy which would prohibit or materially delay the Completion;
- (g) each of Chu Man Chun and Chu Man Lung having duly executed and delivered to the Purchaser and the Target Group an undertaking, in an agreed form, regarding the following:–
 - (i) that each of Chu Man Chun and Chu Man Lung shall remain as an employee of the Target Group and until the latter of (1) third anniversary of the date of termination of his employment with the Target Group and (2) 31 December 2022, he and his related persons shall not be involved, whether directly or indirectly, in bags and small leather goods manufacturing business in Myanmar, Thailand, Hong Kong or the PRC, or any other business which may compete with the business conducted by any member of the Target Group, the Purchaser or Group as at the time of termination of his employment; and
 - (ii) to remain as an employee for a member of the Target Group at least until 31 December 2019;

- (h) each of Sellers and Patrick Ng having duly executed and delivered to the Group the employment contract with a member of the Target Group, in an agreed form;
- (i) the Cessation having been completed;
- (j) the Reorganisation of the Target Group having been completed and all relevant approvals, registrations and filings having been duly obtained and completed in accordance with the applicable laws;
- (k) Banks Consents having been obtained;
- (l) the full and proper release of all the Sellers' Guarantees and the Sellers having delivered to the Purchaser satisfactory documents and evidence evidencing such release; and
- (m) the shares in the share capital of certain members of the Target Group having been reorganised such that each of such members of the Target Group will be owned by a member of the Target Group.

Condition Deadlines: The Conditions shall be satisfied on or before the following Conditions Deadline:

- (i) the Long Stop Date Conditions are the Conditions in (b), (c), (g), (h), (i) and (j), which shall be satisfied on or before the Long Stop Date; and
- (ii) the Conditions in (a), (d), (e), (f), (k), (l) and (m) shall be satisfied on or before Completion.

If any of the Conditions have not been satisfied on or before the relevant Conditions Deadline, then the Purchaser may at its sole discretion at any time before the relevant Conditions Deadline (but without prejudice to any other right or remedy it may have) by issuing a written notice to the Sellers to:

- (i) waive the Conditions then unsatisfied in whole or in part and with or without condition, provided that any such waiver shall not result in a contravention of any applicable laws;
- (ii) postpone the relevant Conditions Deadline to a date (being a Business Day) falling not more than 60 Business Days after the initial Conditions Deadline; or
- (iii) terminate the Agreement. Upon the issue of such notice, the Agreement shall be terminated with immediate effect and the Deposit, together with any interests accrued thereon, shall be returned to the Purchaser.

Completion

Completion shall take place on the Completion Date.

INFORMATION ON THE GROUP, THE PURCHASER AND THE TARGET

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

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

The Target is a company incorporated in the BVI which, together with its subsidiaries, is engaged in the business of manufacturing bags and small leather goods in Myanmar, Thailand, Hong Kong and the PRC.

Set out below is a summary of certain financial information of the Target Group for the years ended 31 March 2017 and 31 March 2018:

	For the year ended 31 March	
	2017	2018
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(audited)
Revenue	1,307,221,841	1,237,670,438
Profit before taxation	23,291,031	47,767,552
Profit after taxation	18,344,710	41,632,727

	As at 31 March	
	2017	2018
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(audited)
Total assets	675,426,409	553,364,657
Net assets	135,823,718	185,471,573

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is engaged in the manufacturing of apparel and accessories in multiple countries of Southeast Asia. It is one of the Group's strategies to become a leading manufacturer of accessories products and the Group has been proactively seeking and exploring for opportunities to expand its production capacities.

In view of the resources and principal business of the Target Group with its established business relationship and well-developed production facilities in two of the Generalised System of Preference beneficiary countries (namely, Myanmar and Thailand), the Acquisition represents an valuable chance for the Group to diversify its accessories business, expand and supplement customer base and enhance market penetration. Moreover, the Acquisition will not only improve the Group's competitive position but also achieve geographic diversification.

The Acquisition is expected to create synergistic effect to the business operation of the Group and the Target Group, and the Directors consider that the Acquisition is in line with the Group's business expansion strategy.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the Agreement is on normal commercial terms which are fair and reasonable, and the entering into of the Agreement is 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 Acquisition exceeds 5% but is less than 25%, the Acquisition 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 is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Acquisition may or may not proceed to Completion. 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:

“Acquisition”	the acquisition of Sale Shares by the Purchaser from the Sellers pursuant to the terms of the Agreement
“Agreement”	the agreement dated 21 September 2018 entered into between the Sellers and the Purchaser
“associates”	has the meaning ascribed to it under the Listing Rules
“Banks Consents”	banks consents as required by relevant financing documents
“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

“Cessation”	the Sellers shall procure and ensure that on or before the Long Stop Date (i) all production and manufacturing operations of the China Entity have ceased; (ii) all employees in the relevant production and manufacturing operation units of the China Entity shall have been properly terminated; and (iii) all related pension, severance payments, financial compensation, taxes, costs, expenses and other liabilities fully settled by the China Entity in compliance with all applicable laws; and (iv) the remaining business and operations of the China Entity shall comprise merchandising, costing, sample development and any other business and operation agreed by the Purchaser in writing with approximately 400 employees to conduct such business
“China Entity”	Dongguan Huan Yi Industrial Limited (東莞環藝實業有限公司), a company established in the PRC, being one of the subsidiaries of the Target
“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”	the completion of the sale and purchase of the Sale Shares
“Completion Date”	the date on which Completion takes place
“Completion NAV”	the net asset value as shown in the Final Completion Account
“Conditions”	the conditions stated under Condition Precedents
“Condition Deadlines”	the deadlines which the Conditions have to be satisfied
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares
“Deposit”	the deposit of US\$600,000 paid by the Purchaser before execution of the Agreement
“Director(s)”	the director(s) of the Company

“Fair Value Adjustment”	the fair value of the land lease of Plot No. B-2, Mingaladon Industrial Park, Corner of No.3 Highway Road and Khayebin Road, Mingaladon Township, Yangon, The Republic of The Union of Myanmar and the buildings owned by Myanmar Entity on the leased land situated at Plot No. B-2, Mingaladon Industrial Park, Corner of No.3 Highway Road and Khayebin Road, Mingaladon Township, Yangon, The Republic of The Union of Myanmar, as valued by a qualified valuer nominated by the Purchaser, minus its book value. For the avoidance of doubt, such adjustment shall only be made if the difference of aforesaid fair value of the aforementioned property minus its book value is greater than zero.
“Final Completion Accounts”	the completion accounts prepared within three months after the Completion Date by an accounting firm nominated by the Purchaser to audit the consolidated profit and loss account of the Target Group for the period commencing on the day after 31 March 2018 and ending on the Completion Date and a consolidated balance sheet of the Target Group as at the Completion Date and all statutory and appropriate notes thereto in accordance with the provisions agreed by the parties, and adjusted by an independent accounting firm appointed by the parties in the event of any disagreement with such completion accounts
“FY2019 Accounts”	the audited consolidated accounts of the Target Group for the year ending 31 March 2019 prepared by an accounting firm nominated by the Purchaser and in accordance with HK GAAP and the accounting and financial policies of Company
“FY2019 Net Profits”	the audited consolidated net profits after tax of the Target Group (excluding (i) any operating losses relating to the production operations of the China Entity and any costs and expenses relating to the Cessation and (ii) one-time disposal of the China Entity, assets and extraordinary gains or losses (including but not limited to the reversal of provision for tax, account receivable and inventory, etc.)) as shown in the FY2019 Accounts
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Adjusted Amount”	US\$20,000,000 — (Completion NAV + Fair Value Adjustment)

“Initial Adjusted Consideration”	Initial Consideration minus Initial Adjusted Amount
“Initial Consideration”	US\$28,000,000
“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 Sellers and the Purchaser may agree in writing
“Long Stop Date Conditions”	the Conditions that have to be satisfied on or before the Long Stop Date
“Myanmar Entity”	EMC Manufacturing Limited, a company incorporated under the laws of Myanmar, being one of the subsidiaries of the Target
“Patrick Ng”	Ng Chi Lai Patrick, the financial controller of the Target Group
“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”	Sunny Force Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Range”	(i) a maximum decrease of US\$5,000,000 (equivalent to approximately HK\$39,000,000) to the Consideration if FY2019 Net Profits are below US\$3,000,000 (equivalent to approximately HK\$23,400,000); and (ii) a maximum increase of US\$2,000,000 (equivalent to approximately HK\$15,600,000) to the Consideration if the FY2019 Net Profits are US\$6,500,000 (equivalent to approximately HK\$50,700,000) or more
“Relevant Percentage”	in relation to each Seller, such percentage of their shareholdings in the Target
“Reorganisation”	the reorganisation of Thailand Entity such that it becomes an indirect wholly-owned subsidiary of the Target
“Sale Shares”	the entire issued share capital of the Target
“Sellers”	Chu Man Chun, Chu Man Lung, Cheung Chi Hing, and Wong Yuk Yin, the legal and beneficial owners of the Sale Shares

“Sellers’ Guarantees”	the guarantees given by the Sellers in favour of members of the Target Group for certain financing facilities
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the 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”	Universal Elite Holdings Limited, a company incorporated in the British Virgin Islands
“Target Group”	the Target and its subsidiaries
“Thailand Entity”	Unison Pan (Asia) Company Limited, a company incorporated in Thailand, being one of the subsidiaries of the Target
“US\$”	United States of America dollars, the lawful currency of the United States of America

For illustration purposes, amounts in US\$ in this announcement have been translated into HK\$ at US\$1.00 = HK\$7.8.

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, 21 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