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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE SHARE CAPITAL OF THE TARGET**

#### **THE ACQUISITION**

The Board announces that on 3 October 2019, 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 the Sale Shares and Mingtex has agreed to sell the benefit of the Advance Share Capital and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target, and the Advance Share Capital, at a Consideration of US\$4,850,000.

#### **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**

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conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target, and the Advance Share Capital, at a Consideration of US\$4,850,000.

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **Date**

3 October 2019

### **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 the Sale Shares and Mingtex has agreed to sell the Advance Share Capital, and the Purchaser has agreed to purchase the Sale Shares and Advance Share Capital subject to the terms contained therein.

The Target is a company incorporated in Myanmar and is engaged in the business of apparel manufacturing and is the legal and beneficial owner of the Property and the Factory.

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

### **Consideration**

The Consideration being an aggregate sum of US\$4,850,000 will be settled in three tranches by the Purchaser in cash in the following manner:

- (a) Upon the signing of the Agreement, a deposit of US\$485,000 shall be paid by the Purchaser to the Seller's designated account;
- (b) Upon submission of the MIC Application, a part payment of US\$3,880,000 shall be paid by the Purchaser to the Escrow Agent into the Escrow Account; and

- (c) On the first Business Day after the expiry of one calendar month after the Completion Date, a balance of US\$485,000 shall be paid to the Sellers.

The part payment of US\$3,880,000 shall be released to the Sellers upon Completion.

The Consideration will be satisfied by internal resources of the Group and/or possible banking facilities available to the Group.

The Consideration was determined after arm's length negotiations between the Sellers and the Purchaser on normal commercial terms after taking into consideration of (i) valuation report of the Property and Factory dated 4 July 2019; (ii) the expected business prospect of the Target upon Completion; and (iii) the reasons for the Acquisition as described under the section headed "Reasons and Benefits of the Acquisition" below.

### **Conditions Precedent**

Completion is conditional upon the satisfaction of the following Conditions unless otherwise waived by the Purchaser, on or before the applicable Conditions Deadline:

- (i) the receipt by the Target of the MIC Approval and Lessor's Consent in terms acceptable to the Purchaser;
- (ii) the receipt by the Target of the Building Completion Certificate in respect of the Factory in such form as acceptable to the Purchaser;
- (iii) the due registration of the Sub-Lease at the Office of the Registry of Deeds of Myanmar and satisfactory proof of registration having been provided to the Purchaser;
- (iv) the receipt by the Target of all other necessary consents, approvals, clearances and authorizations in terms acceptable to the Purchaser of any relevant governmental authorities or other relevant third parties in Myanmar, Hong Kong or elsewhere for the execution and implementation of the Agreement;
- (v) the receipt by the Target of all consents and approvals in terms acceptable to the Purchaser from third parties as may be necessary in conjunction with the proposed change in shareholding of the Target so as to ensure that the Target maintains all its existing contractual and other rights and assets in their current state following Completion;
- (vi) all outstanding loans and liabilities, whether owing to the Sellers or to any other persons by the Target having been fully and duly settled;
- (vii) the Draft Completion Accounts having been duly delivered to the Purchaser;

- (viii) the receipt by the Target of the fire safety certificate and electricity inspection certificate in respect of the Factory;
- (ix) the receipt by the Target of the Exporter/Importer Registration Certificate, Industrial license, and Business Establishment License from YCDC in terms acceptable to the Purchaser;
- (x) the Purchaser undertaking a full due diligence review of the Target and being satisfied with such review in all respects;
- (xi) the approval of the Agreement and all transaction contemplated hereunder by the respective board of directors of the Purchaser and (if the Purchaser deems necessary or required by the Listing Rules) its associate(s);
- (xii) the receipt by the Purchaser of all necessary approval (if any) from relevant statutory and regulatory authorities including but not limited to the Stock Exchange;
- (xiii) there being no material adverse change in the business, operation or financial conditions of the Target and no development which is expected to have a material adverse change in the business, operation or financial conditions of the Target;
- (xiv) there being no breach of warranties as set out in the Agreement and no breach of any other terms and undertakings by any of the Sellers under the Agreement; and
- (xv) there being no change in any applicable Laws or governmental policy which would prohibit or materially delay Completion.

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

- (i) the Conditions in (i) to (ix) which shall be satisfied at least 5 Business Days before 31 December 2019; and
- (ii) the Conditions in (x) to (xv) shall be satisfied before or simultaneously upon 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:

- (a) waive the Conditions then unsatisfied;
- (b) postpone the applicable Conditions Deadline to a date (being a Business Day) no later than five (5) Business Days before the Long Stop Date; or
- (c) terminate the Agreement. Upon the issue of such notice, the Agreement shall be terminated with immediate effect.

## Completion

Completion shall take place on the Completion Date.

## INFORMATION OF THE GROUP, THE PURCHASER, MINGTEX AND THE TARGET

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

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

Mingtex is a company incorporated in Hong Kong with limited liability and its principal activity is investment holding.

The Target is a company incorporated in Myanmar and is engaged in the business of apparel manufacturing and is the legal and beneficial owner of the Property and the Factory.

Set out below is a summary of certain audited financial information of the Target for the year ended 31 March 2018 and 31 March 2019.

	<b>For the year ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
Loss before tax	13,716	35,942
Loss after tax	13,716	35,942
	<b>As at 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>
Total assets	1,083,498	2,588,490
Net assets	468,321	655,736

## REASONS AND BENEFITS OF THE ACQUISITION

The Group is engaged in the manufacturing of apparels 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.

The Board believes that the demand for the Group’s accessories products in the near future will remain strong, and hence it is essential for the Group to increase its production capacity by construction of production facilities and/or acquisition in the Southeast Asia region. Comparing with construction of new production facilities, the Acquisition allows the Group to increase its production capacity in a shorter period of time, and the Board believes that the Target will become a profitable business unit within a short period of time as the production facilities of the Target will be better utilized to meet the orders of the Group after the completion of the Acquisition.

The Board believes that the Acquisition is in line with the Group’s strategy to strengthen its strategic geographical presence and thereby reinforcing the leading and competitiveness position of the Group within the industry.

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 and Advance Share Capital by the Purchaser from the Sellers pursuant to the terms of the Agreement
“Advance Share Capital”	the entire advance share capital of the Target as at Completion to be transferred by Mingtex to the Purchaser pursuant to the Agreement
“Agreement”	the agreement dated 3 October 2019 entered into between the Sellers and the Purchaser

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building Completion Certificate”	the building completion certificate issued by the Engineering Department of YCDC in respect of the Factory (including each and all of the buildings and structures comprising the Factory)
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong and Myanmar are generally open for normal banking business
“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 (i) the Sale Shares and (ii) the benefit of the Advance Share Capital
“Completion Date”	the date on which Completion takes place, being the fifth Business Days after the first date on which Conditions (i) to (ix) having been satisfied or waived
“Conditions”	the conditions stated under Conditions Precedent
“Conditions Deadline”	the deadlines in which the Conditions has to be satisfied
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for sale and purchase of (i) the Sale Shares (ii) and the benefit of the Advance Share Capital
“Director(s)”	the director(s) of the Company
“Draft Completion Accounts”	draft audited account of the Target, comprising an audited statement of financial position of the Target as at the Completion Date and an audited statement of comprehensive income of the Target for the period from 31 March 2019 to Completion Date
“Escrow Account”	the escrow account held by the Escrow Agent
“Escrow Agent”	the escrow agent for the escrow arrangements under the Agreement
“Factory”	the building(s) and/or structure(s) currently erected on the Property

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lessor’s Consent”	the written consent or approval of Mingaladon Industrial Park to enable the Target and/or the Purchaser to use the Property for the purpose of manufacturing leather and related products after Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2020 or such other date as the Sellers and the Purchaser may agree in writing
“MIC”	the Myanmar Investment Commission
“MIC Application”	an application to the MIC for MIC Approval
“MIC Approval”	the requisite permit issued by the MIC (i) in respect of the sale and purchase of the Sale Shares; and (ii) to enable the Target and/or the Purchaser to carry out the business of manufacturing of leather and related products at the Property after Completion
“Mingtex”	Mingtex Fashion Company Limited, a company incorporated in Hong Kong
“Myanmar”	Republic of the Union of Myanmar
“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)
“Property”	Sub-lease of Plot No. A-5, Mingaladon Industrial Park, Corner of No. 3 Highway Road and Khayebin Road, Mingaladon Township, Yangon, Myanmar
“Purchaser”	Eastern City Industries Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company



“Sale Shares”	entire of the issued share capital of the Target as at Completion to be sold by the Sellers to the Purchaser pursuant to the Agreement
“Sellers”	Wei Chiu-Yen and Wang Feng-Te, one of the legal and beneficial owners of the Sale Shares, and Mingtex, the legal and beneficial owner of the Advance Share Capital and one of the legal and beneficial owner of the Sale Shares
“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
“Sub-Lease”	the Sub-Lease Agreement dated 11 August 2014 in respect of the Property
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target”	JCK (Myanmar) International Company Limited, a company incorporated in the Myanmar
“US\$”	United States of America dollars, the lawful currency of the United States of America
“YCDC”	Yangon City Development Committee of Myanmar

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

Hong Kong, 3 October 2019

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:*

Chan Henry

Seing Nea Yie

Wang Ching

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