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If you have sold or transferred all your shares in **Luen Thai Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s), or to the licensed securities dealer or other registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

**MAJOR TRANSACTION
DISPOSAL OF ALL OF THE ISSUED SHARE CAPITAL OF
THE TARGET AND REPAYMENT OF THE LOAN**

Capitalised terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 9 of this circular.

The Disposal has been approved by written shareholders' approval obtained from the controlling shareholder (i.e. Shangtex), which holds more than 50% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being dispatched to the Shareholders for information only.

20 January 2020

DEFINITIONS

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“Agreement”	the sale and purchase agreement dated 13 December 2019 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Shares
“Announcement”	the announcement of the Company dated 13 December 2019 relating to, among other things, the Disposal
“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
“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 date of completion, being 18 December 2019
“Conditions”	the conditions stated under Condition Precedents
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the sale and purchase of the Sale Shares, being RMB27,920,000 together with the repayment of the Loan, being approximately RMB142,400,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares by the Seller to the Purchaser pursuant to the terms and conditions of the Agreement
“EGM”	an extraordinary general meeting of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16 January 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loan”	the loan in the sum of approximately RMB142,400,000 owed by the Target Group to the Group as at 31 July 2019
“Long Stop Date”	31 December 2019
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Properties”	the land use right of 71,095.80 square meters of state-owned industrial land and ownership of 111,229.26 square meters of a main factory and several buildings situated at Tangxia, Dongguan, Guangdong Province of the PRC. As disclosed in the “Appendix II — Valuation of Properties” to this circular, a total gross floor area of 39,011.00 square meters of the aforementioned buildings have not been granted with construction approval
“Purchaser”	SPRING EASE LIMITED, a company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target
“Seller”	Trinew Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“Shangtex”	Shangtex (Hong Kong) Limited, the controlling Shareholder
“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”	Desk Top Bags (Mfg) Ltd, a company incorporated in the British Virgin Islands
“Target Group”	the Target and its subsidiaries
“UBO”	Wong Sze Ying, Chloe, being the ultimate beneficial owner of the Purchaser

DEFINITIONS

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent

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



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

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
Chan Henry
Wang Ching

Registered Office:

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Grand Cayman, KY1-1111,
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*Head Office and Principal Place
of Business in Hong Kong:*

Rooms 1001–1005, 10/F,
Nanyang Plaza, 57 Hung To Road,
Kwun Tong, Kowloon,
Hong Kong

20 January 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
DISPOSAL OF ALL OF THE ISSUED SHARE CAPITAL OF
THE TARGET AND REPAYMENT OF THE LOAN**

INTRODUCTION

Reference is made to the Announcement in which the Board announced that, on 13 December 2019, the Agreement was entered into between the Seller and the Purchaser, pursuant to which (i) the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing all of the issued share capital of the Target at a consideration of RMB27,920,000 and (ii) the Purchaser has conditionally agreed to pay to the Group on behalf of the Target Group approximately RMB142,400,000, being the repayment of the Loan owed by the Target Group to the Group. As such, the aggregate Consideration is approximately RMB170,320,000.

LETTER FROM THE BOARD

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratio (as defined under the Listing Rules) in relation to the Disposal are more than 25% but all of such ratios are less than 75%.

The purpose of this circular is to provide the Shareholders with, among other things, (i) a letter from the Board setting out details of the Disposal and the Agreement; (ii) the financial information of the Group; (iii) the valuation report of the Properties; and (iv) other information required under the Listing Rules.

THE TRANSACTION

On 13 December 2019, the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which (i) the Seller has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing all of the issued share capital of the Target at consideration of RMB27,920,000 and (ii) the Purchaser has conditionally agreed to pay to the Group on behalf of the Target Group approximately RMB142,400,000, being the repayment of the Loan owed by the Target Group to the Group. As such, the aggregate Consideration is approximately RMB170,320,000.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date	:	13 December 2019
The Seller	:	Trinew Limited
The Purchaser	:	SPRING EASE LIMITED

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this circular, each of the Purchaser and its UBO, is an independent third party 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 company incorporated under the laws of British Virgin Islands and it is principally engaged in investment holding.

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

LETTER FROM THE BOARD

The principal assets of the Target Group are the Properties. The Properties comprise the land use right of 71,095.80 square meters of state-owned industrial land and ownership of 111,229.26 square meters of a main factory and several buildings situated at Tangxia, Dongguan, Guangdong Province of the PRC. Currently, certain portion of the properties are leased to an independent third party by the Target Group for rental income.

Consideration

The consideration for the Sale Shares is RMB27,920,000. In addition, the Purchaser will also pay the Group approximately RMB142,400,000, being the repayment of the Loan owed by the Target Group to the Group. Therefore, the aggregate Consideration is approximately RMB170,320,000.

The Consideration shall be paid in cash and in United States dollar by telegraphic transfer to (i) an account as designated by the Seller in relation to the consideration of the Sale Shares; and (ii) an account as designated by the Group in relation to the repayment of the Loan.

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser on normal commercial terms by taking into account (i) preliminary appraised value of the Properties of approximately RMB150,900,000 as at 30 November 2019 assuming all the existing buildings and structures were granted with relevant approval and title documents; (ii) the net liability position of the Target Group; (iii) the historical and existing operating results of the Target Group; (iv) the future prospects of the Target Group; and (v) the reasons for the Disposal as described under the section headed "Reasons for and Benefits of the Disposal" below.

Conditions Precedents

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

- (i) all necessary approvals (if any) for the Agreement and all the transactions contemplated hereunder from the relevant governmental, statutory and regulatory authorities have been received by the Seller;
- (ii) approval of the Agreement and all the transaction contemplated hereunder by the respective board of directors (and where necessary, shareholders) of the Seller, Purchaser and the Target.

If any of the Conditions have not been satisfied on or before the Long Stop Date, then the Seller and Purchaser may (but without prejudice to any other right or remedy it may have) (a) 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; (b) postpone the Long Stop Date to a date (being a Business Day) falling not more than 30 Business Days after the Long Stop Date; or (c) terminate the Agreement.

LETTER FROM THE BOARD

Completion

Completion is to take place on the second Business Day after the first date on which all the Conditions have been satisfied or waived. The Conditions have been fulfilled and Completion took place on 18 December 2019. The total net liability value of the Target as at Completion was approximately RMB102 million.

INFORMATION OF THE SELLER, GROUP AND THE PURCHASER

The Seller was incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The Seller is principally engaged in investment holding.

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

The Purchaser is a limited liability company incorporated in the British Virgin Islands, and is principally engaged in investment holding.

Set out below is a summary of certain unaudited financial information of the Target Group for the year ended 31 December 2017 and 31 December 2018.

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Loss before taxation	45,272,506	39,831,597
Loss after taxation	48,272,506	41,972,690
	As at 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Total assets	334,044,096	317,411,095
Net Liabilities	44,323,925	97,224,564

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal represents an opportunity for the Group to realize cash flows and reduce the Group's debt ratio (defined as total liabilities over total assets) as a result of the proceeds from the Disposal. With a more healthy financial position, the Group is able to focus its existing resources to develop new production capabilities in diversified geographical locations.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE DISPOSAL

Before Disposal, the Company is the legal and beneficial owner of the Target Group. Upon completion, the Target Group will cease to be the subsidiaries of the Company and therefore their results will no longer be consolidated into the financial statements of the Group.

Based on information available, the Company expects to recognise an unaudited gain of approximately US\$15 million from the Disposal, being the difference between (i) the Consideration and (ii) the aggregate of the estimated unaudited total net liability value of the Target as recorded in the Company's financial statement as at completion and the estimated expenses to be incurred for the Disposal. The actual gain as a result of the Disposal to be recorded by the Company is subject to final audit to be performed by the Company's auditors.

INTENDED USE OF PROCEEDS

In order to improve the financial position of the Group, the Directors expect that the net proceeds from the Disposal will be used as general working capital of the Company.

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 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, as at the date of this circular, no Shareholder has a material interest in the Disposal which would require it to abstain from voting at the EGM if it were convened to approve the Disposal. In lieu of holding an EGM, the Company has obtained written Shareholder's approval in respect of the Disposal from Shangtex which holds 730,461,936 Shares, representing approximately 70.64% of the issued share capital of the Company as at the date of the written Shareholder's approval. Accordingly, no EGM is required to be convened for the purpose of approving the Disposal in accordance with Rule 14.44 of the Listing Rules.

RECOMMENDATION

Having taken into account the reasons for and benefits of the Disposal, 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

The English version shall prevail in case of any discrepancy or inconsistency between this English version and its Chinese translation.

Yours faithfully,
For and on behalf of the Board of
Luen Thai Holdings Limited
Tan Cho Lung, Raymond
Executive Director and Chief Executive Officer

FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements and the independent auditor's report of the Group (i) for the year ended 31 December 2016 are disclosed on pages 46 to 139 of the annual report of the Company for the year ended 31 December 2016 published on 20 April 2017; (ii) for the year ended 31 December 2017 are disclosed on pages 52 to 151 of the annual report of the Company for the year ended 31 December 2017 published on 16 April 2018; and (iii) for the year ended 31 December 2018 are disclosed on pages 60 to 155 of the annual report of the Company for the year ended 31 December 2018 published on 16 April 2019.

The above annual reports of the Company have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.luenthai.com).

INDEBTEDNESS**Borrowings**

As at the close of business on 30 November 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of US\$161 million, comprising long-term bank loans of US\$20 million, current portion of long-term bank loans of US\$23 million, short-term bank loan of US\$58 million, and trade finances of US\$60 million. All outstanding borrowings of US\$161 million are guaranteed. Trade finances of US\$32 million are secured by either floating charges over the Group's inventories or trade receivables and the remaining borrowings of US\$129 million are unsecured.

Lease liabilities

As at close of business of 30 November 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had lease liabilities of US\$27 million.

Contingent liabilities

At the close of business on 30 November 2019, in respect of a Hong Kong incorporated subsidiary, the Hong Kong Inland Revenue Department ("IRD") tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US\$3,812,000. The subsidiary has lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, it has paid a total sum of US\$3,663,000 in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2012/13.

At the close of business on 30 November 2019, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2016, 2017 and 2018 and certain periods during the years ended 31 December 2016, 2017, 2018 and 2019 and issued tax assessments/ revised tax assessments to demand

additional tax payment of US\$545,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and a clear calculation basis for the additional tax payment was not provided.

As at 30 November 2019, a group of subsidiaries acquired in prior year has a contingent liability regarding potential exposure to overseas import duties, taxes and penalties of approximately US\$5,504,000. The contingent liability was recognized upon business combination during the year ended 31 December 2018. Pursuant to the agreement for sale and purchase of the shares of these subsidiaries in 2018, such taxation claim in relation to periods prior to the acquisition will be indemnified entirely by the former shareholders of the these subsidiaries. Accordingly, the Group has also recognized an indemnification asset.

Save as aforesaid, and apart from intra-group liabilities, none of the companies in the Group had any material debt securities, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30 November 2019.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 30 November 2019.

MATERIAL ADVERSE CHANGE

Save for the matters disclosed in the announcement of the Company dated 2 July 2019 in respect of profit warning for the six months ended 30 June 2019, as at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities; the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the interim report for the period ended 30 June 2019, the net profit attributable to the owners of the Company (“**Net Profit**”) decreased by 27.5%. Despite the substantial decline in the Net Profit due to a one-off cost incurred for the downsizing of a factory in Dongguan, the normal operations and production of the Group was not affected. The Group's financial position remains stable and the Group has adequate financial resources to fund its continued growth.

Due to the trade tensions between the US and China and Brexit negotiations, the Global economic growth has slowed notably. Encountering such large-scale and prolonged international events, consumers tend to feel less confident about the overall state of the economy. In September 2019, the consumer confidence in the United Kingdom hitting its five-year low and the consumer confidence in the US also showing its largest monthly decline in 6 years. Under such circumstances, certain customers of the Group may intend either to reduce or postpone their purchasing orders, the production plan of the Group may be affected. The offer received from the Purchaser for the Disposal is attractive and reflects a premium that the Purchaser is willing to give to acquire the Target Group. The Disposal also allows the Group to unlock the value of the Properties and realize its investment at an opportune time. It is currently intended that the net proceeds from the Disposal will be applied as general working capital of the Group.

While the Group will continue to strive to be a leading apparel and accessories manufacturer in the industry, it has also been continuously exploring appropriate location in Southeast Asian countries for establishment of a new production base and development of new technology with a view to improving our competitive edge and diversifying the geographical location.

The Board will closely review the Group's operations and strategies with a view to improving its business performance and the Company's shareholders' return in the long run. As disclosed in the latest annual report, the strategic acquisition of Universal Group was completed last year. Such acquisition allows the Group to own production facilities in four Generalized System of Preference ("GSP") beneficiary countries (i.e. Philippines, Cambodia, Myanmar and Thailand) and enables the Group to increase its production capacity immediately to meet the growing demand of accessories products produced in those GSP countries. Hence, the Group's competitiveness in the production of bags was further enhanced.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from CHFT Advisory And Appraisal Ltd., an independent qualified valuer, in connection with its valuation as at 30 November 2019 of the property interests to be disposed by the Company.



華坊諮詢評估有限公司
CHFT ADVISORY AND APPRAISAL LTD.
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1502, 15/F, 40 Bonham Strand, Sheung Wan, HK
電話 Main +852 2301 4080
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Date of Report: 20 January 2020

The Board of Directors

Luen Thai Holdings Limited

Rooms 1001–1005, 10/F,
Nanyang Plaza, 57 Hung To Road,
Kwun Tong, Kowloon,
Hong Kong

Dear Sirs/Madams,

Re: Valuation of An Industrial Complex located at No. 91 Qiaojiao West Road, Tangxia Town, Dongguan, Guangdong Province, the People’s Republic of China

In accordance with an instruction for us to value the captioned property interests held by a subsidiary of “**Luen Thai Holdings Limited**” (the “**Company**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 November 2019 (the “**Date of Valuation**”) for the purpose of **Public Circular in relation to a disposal by the Company** only.

VALUATION BASIS

Our valuation is carried out on a Market Value basis, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

This valuation complies with “The HKIS Valuation Standards (2017 Edition)” published by The Hong Kong Institute of Surveyors (“**HKIS**”), and the “International Valuation Standards” published by the International Valuation Standards Council as well as the requirements set out in Chapter 5 and Practice Note 12 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuations neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of onerous nature which could affect its value.

VALUATION METHODOLOGY

We have adopted market approach which is made by comparing similar assets to the subject property and price information is available. We have applied direct comparison method of valuation whereby comparisons based on offering of comparable properties have been made. Comparable properties with similar characters, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the property in order to arrive at the fair comparison of value.

SOURCE OF INFORMATION

In the course of valuations, we have relied on the legal opinion provided by the Company's PRC legal adviser, Guangdong Guhan Law Firm and we have been provided with copy of certain title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Company, in particular, but not limited to planning approvals, statutory notices, easements, floor areas, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspection of the property were carried out on 20 November 2019 by Mr. Gary Lau, who has over six years' property valuation experience in the PRC. We have not inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in reasonable conditions. We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and/or official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring lands, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists.

We have assumed that transferable land use rights of the property for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the owners have enforceable titles to the property and has free and uninterrupted rights to occupy, use, transfer, lease or assign the property for the whole of the respective unexpired terms as granted.

LIMITATION OF LIABILITIES

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of value of the property in this report is valid only for the stated purpose and at the Date of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding Five Hundred Thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

Unless otherwise stated, all monetary amounts stated herein are denoted in Renminbi (“**RMB**”), the lawful currency of the PRC; and the floor and site areas are quoted in square meter (“**sqm**”).

We enclose herewith Valuation Report.

Yours faithfully,
For and on behalf of
CHFT Advisory And Appraisal Ltd.
Alex PW Leung MHKIS
Senior Director

Mr. Alex PW Leung is a member of the Hong Kong Institute of Surveyors. Mr. Leung has over 20 years' post qualified experience in valuing properties in the PRC.

Property held for investment

VALUATION REPORT

Property	Description and Tenure	Occupancy Details	Market Value as at the Date of Valuation
An Industrial Complex located at No. 91 Qiaojiao West Road, Tangxia Town, Dongguan, Guangdong Province, The PRC	<p>The property is located at the northeast side of Qiaojiao West Road close to its junction with Gao'erfu North Avenue in Tangxia Town. The locality is dominated by various industrial developments as well as low to medium-rise residential buildings.</p> <p>The subject property comprises two blocks of 2-storey factories and three blocks of 6-storey dormitories completed in 2000 and 2001. The gross floor area of the property is about 72,218.26 sqm.</p> <p>In additions, there are extensions of the factories, one more block of dormitory and a staff training block (the “Additional Structures”) with a total gross floor area of about 39,011 sqm built in the subject industrial complex. These additional structures, however, have not been granted with construction approval.</p> <p>The buildings and structures are erected on two parcels of land with an aggregate site area of about 71,095.80 sqm.</p> <p>The property is held under granted land use rights for the same term to be expired on 13 April 2054 for industrial use.</p>	<p>According to the information provided by the Company, some 88,401.0 sqm in the property (including certain portions in the structure without construction approval) has been leased out for various terms with the last expiry date on 30 June 2024. The total current monthly rent is RMB1,313,996 exclusive of value-added tax, utility charges and other outgoings.</p> <p>The remaining portion of the property was vacant as at the Date of Valuation.</p>	RMB103,000,000 (RENMINBI ONE HUNDRED AND THREE MILLION)

Notes:

- (a) Pursuant to five sets of “Certificate of Real Estate Ownership”, the land use rights of the property have been granted for a term to be expired on 13 April 2054 for industrial use; and the building ownership of the property is for factory and dormitory uses. The registered owner is in the name of 東莞星浩手袋有限公司 (Dongguan DT Bags Company Limited, “**Dongguan DT Bags**”). The details of the certificates are listed below.

Portion of the property	Certificate No.	Gross Floor Area (sqm)
Factory (Phase 1)	Yue Fang Di Zheng Zi No. C2880822	34,218.00
Dormitory (Phase 1)	Yue Fang Di Zheng Zi No. C2880823	11,508.16
Factory (Phase 3)	Yue Fang Di Zheng Zi No. C3741222	15,067.00
Dormitory A	Yue Fang Di Zheng Zi No. C3741223	5,712.55
Dormitory B	Yue Fang Di Zheng Zi No. C3741224	5,712.55

- (b) As informed, Dongguan DT Bags is a subsidiary of the Company.
- (c) We have been provided with a legal opinion on the property interests by the Company’s PRC legal adviser, which contains, *inter alia*, the following:
- (i) Dongguan DT Bags is legally owned the land and buildings with Certificate of Real Estate Ownership;
 - (ii) Dongguan DT Bags can legally occupy, use, lease out, mortgage, and transfer the property;
 - (iii) The building ownership of the property is subject to mortgage; and
 - (iv) The property is not subject to any seizure.
- (d) As inspected and advised by the Company, there are extensions of factories, one block of dormitory and staff training block with a total gross floor area of about 39,011 sqm in the subject industrial complex. As such areas are without entitled construction approval, we have ascribed no commercial value to such portions in our valuation above.
- (e) For reference purpose only, if all the existing buildings and structures were granted with proper approval and title documents, the value of the whole property would be RMB150,900,000. An additional value of RMB47,900,000 reflects the additional floor areas gained from the Additional Structures. The additional value is based on direct comparison method and reference was made to comparable evidences which were granted with proper title permits and approvals.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) where required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company referred to therein (“**Register of Directors and Chief Executive**”); or (c) where required to be notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company (“**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were disclosed as follows:

Long position in the Shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of Interests in the Company (Note a)
Dr. TAN Siu Lin	Trustee (Note b)	1,840,757	0.18%
	Interest of controlled corporation (Note b)	10,752,986	1.04%
Mr. TAN Cho Lung, Raymond	Interest of controlled corporation (Note c)	15,655,639	1.51%
	Interest of spouse (Note c)	2,050,000	0.20%
Ms. MOK Siu Wan, Anne	Beneficial owner (Note d)	2,000,000	0.19%

Notes:

- (a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.
- (b) Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 1,840,757 Shares. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 10,752,986 Shares.
- (c) Mr. Tan Cho Lung, Raymond wholly owns Flying Base Limited, which directly owns 15,655,639 Shares. A total of 2,050,000 Shares was held by an associate of Mr. Tan Cho Lung, Raymond. Mr. Tan is therefore deemed under Part XV of the SFO to be interested in all of the 2,050,000 Shares acquired by his associate.
- (d) Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 Shares was disposed of up to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and Stock Exchange.

(ii) Interests of Substantial Shareholders under the SFO

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of Interests in the Company (Note a)
Shangtex (Hong Kong) Limited	Beneficial owner (Note b)	730,461,936	70.64%
Shangtex Investment Co., Ltd.	Interest of controlled corporation (Note b)	730,461,936	70.64%

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of Interests in the Company (Note a)
Shangtex Holdings Co., Ltd.	Interest of controlled corporation (Note b)	730,461,936	70.64%
Orient International (Holding) Co., Ltd.	Interest of controlled corporation (Note b)	730,461,936	70.64%
Shanghai Guosheng Group Co., Ltd.	Interest of controlled corporation (Note b)	730,461,936	70.64%
Double Joy Investments Limited	Beneficial owner (Note c)	71,975,726	6.96%
Dr. Tan Henry	Interest of controlled corporation (Note d)	89,179,725	8.62%
Ms. Tan Chiu Joise	Interest of controlled corporation (Note d) Interest of spouse (Note d)	89,179,725	8.62%

Notes:

- (a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.
- (b) Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited directly holds 730,461,936 Shares. Shangtex (Hong Kong) Limited is 100% directly owned by Shangtex Investment Co., Ltd. Shangtex Investment Co., Ltd. is 100% directly owned by Shangtex Holding Co., Ltd. Orient International (Holding) Co., Ltd. directly holds 76.33% in Shangtex Holding Co., Ltd. Shanghai Guosheng Group Co., Ltd directly holds 34% in Orient International (Holding) Co., Ltd.
- (c) Double Joy Investments Limited (“**Double Joy**”) is a company incorporated in the British Virgin Islands with limited liability and is owned by Ms. Tan Chiu Joise and Dr. Tan Henry in equal shares. Each Ms. Tan Chiu Joise and Dr. Tan Henry is deemed to be interested in the 71,975,726 Shares held by Double Joy.

- (d) Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 71,975,726 Shares held by Double Joy as mentioned in note (c) above; and

Dr. Tan Henry wholly owns Hanium Industries Limited, which directly owns 17,203,999 Shares. Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules) was interested in any business apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date,

- (a) none of the Directors had any interest, direct or indirect, in any assets which had, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the businesses of the Group.

7. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group after the date of two years before the Announcement Date and up to and including the Latest Practicable Date:

- (a) The lease agreement dated 30 April 2018 entered into between Dongguan DT Bags Co. Ltd (an indirect wholly-owned subsidiary of the Company) as lessor and Dongguan Hongyuan Supply Chain Co. Ltd as lessee relating to the lease of the property located at Qinghutou, Tangxia, Dongguan, Guangdong Province of the PRC, as disclosed in the announcement of the Company dated 30 April 2018;
- (b) The sale and purchase agreement dated 6 September 2018 entered into among Sunny Force Limited (a wholly-owned subsidiary of the Company) as seller, Sunrise (Shengzhou) Knits Co., Ltd., as purchaser, Smart Shirts Limited as guarantor and Sunrise Luen Thai Textile Joint Stock Company as the target company (i) relating to the sale and purchase of 50% of the issued share capital of Sunrise Luen Thai Textile Joint Stock Company at the consideration of US\$4,300,000; and (ii) pursuant to which Sunrise Luen Thai Textile Joint Stock Company has agreed to repay the shareholder's loan of US\$3,278,500 owed by Sunrise Luen Thai Textile Joint Stock Company to Sunny Force Limited on 25 June 2019, as disclosed in the announcement of the Company dated 6 September 2018;
- (c) The sale and purchase agreement dated 21 September 2018 entered into between Chu Man Chun, Chu Man Lung, Cheung Chi Hing, and Wong Yuk Yin as sellers and Sunny Force Limited (a wholly-owned subsidiary of the Company) as purchaser relating to the sale and purchase of entire issued share capital of Universal Elite Holdings Limited at a consideration of US\$28,000,000, as disclosed in the announcement of the Company dated 21 September 2018;
- (d) The sale and purchase agreement dated 3 October 2019 entered into between Wei Chiu-Yen, Wang Feng-Te and Mingtex Fashion Company Limited as sellers and Eastern City Industries Limited as purchaser (a wholly-owned subsidiary of the Company) relating to the sale and purchase of the (i) entire issued share capital of JCK (Myanmar) International Company Limited from Wei Chiu-Yen, Wang Feng-Te and Mingtex Fashion Company Limited and (ii) the advance share capital of JCK (Myanmar) International Company Limited from Mingtex Fashion Company Limited at a consideration of US\$4,850,000, as disclosed in the announcement of the Company dated 3 October 2019;
- (e) On 6 November 2019, On Time International Limited (a wholly-owned subsidiary of the Company), the Indian Parties, Texport Industries Private Limited and JV Company entered into a Joint Venture Agreement in relation to the investment of On Time International Limited and the Indian Parties into the Unit 15 Apparels LLP and the operation of the JV Company. Pursuant to the Joint Venture Agreement, On Time will invest INR 193,800,000 (equivalent to approximately

HK\$21,486,000) into the JV Company and the Indian Parties will invest in aggregate INR 186,200,000 (equivalent to approximately HK\$20,643,000) into the JV Company.

Simultaneously to the execution of the Joint Venture Agreement, the JV Company and Texport Industries Private Limited entered into an Asset Transfer Agreement in relation to among other things, Texport has agreed to sell, and JV Company has agreed to purchase the Assets subject to the terms contained therein. The JV Company shall pay a sum of approximately INR 351,600,000 (equivalent to approximately HK\$38,980,000) in cash to Texport at completion of the Joint Venture Agreement.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
CHFT Advisory And Appraisal Ltd.	Independent qualified valuer

CHFT Advisory And Appraisal Ltd. has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, CHFT Advisory And Appraisal Ltd. did not have any interest, either direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

- (a) The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island. The principal place of business of the Company is Rooms 1001–1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Chiu Chi Cheung, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The share registrar and transfer office of the Company in Bermuda is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

- (d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the following business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued at Rooms 1001–1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for 14 days from the date of this circular:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the material contracts referred to under the paragraph headed “Material Contracts” in this Appendix III;
- (c) the annual reports of the Company for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- (d) the valuation report on the Properties prepared by CHFT Advisory And Appraisal Ltd. as set out in the Appendix II; and
- (e) this circular.