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SHANGTEX (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)



LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

JOINT ANNOUNCEMENT

**(1) PRE-CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
ON BEHALF OF THE
OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES
IN THE CAPITAL OF THE COMPANY
FROM THE SHAREHOLDERS
(OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)**

**(2) THE DISPOSAL AGREEMENT CONSTITUTING
A MAJOR TRANSACTION
AND A CONNECTED TRANSACTION, THE POSSIBLE CCT
CONSTITUTING CONTINUING CONNECTED TRANSACTIONS
AND THE DISPOSAL AGREEMENT AND
THE POSSIBLE CCT AS SPECIAL DEALS**

AND

(3) POSSIBLE SPECIAL INTERIM DIVIDENDS

Financial adviser to the Offeror and the Offeror Parent

HSBC 

THE OFFER

The Offeror and the Company jointly announce that HSBC, on behalf of the Offeror, firmly intends, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a voluntary conditional cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at an offer price of HK\$1.80 per Share.

Assuming full acceptance of the Offer (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares) in respect of 828,337,264 Shares (being all the Shares excluding the Remaining Shares), the aggregate cash consideration payable by the Offeror under the Offer will amount to HK\$1,492,498,083.20 (inclusive of buyer's ad valorem stamp duty (based on the Offer Price)). HSBC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares).

It is intended that following completion of the Offer the Company will maintain its listing on the Stock Exchange.

Further details of the Offer are set out in Part A of this Announcement.

THE IRREVOCABLE UNDERTAKING

On 26 October 2016, the Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking. Pursuant to the Irrevocable Undertaking, each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, among others, (a) each of the Selling Shareholders will accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the date of this Announcement); (b) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares, being 205,775,402 Shares (representing approximately 19.90% of the issued share capital of the Company as at the date of this Announcement)) held by it other than the IU Shares; and (c) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period.

THE DISPOSAL AGREEMENT

On 25 October 2016 (after trading hours), the Disposal Vendor (a wholly-owned subsidiary of the Company) and the Disposal Purchaser entered into the Disposal Agreement pursuant to which the Disposal Vendor has conditionally agreed to sell (through the sale of all shares in the Disposal Companies) the Disposal Businesses which are currently non-core businesses of the Group, namely, the businesses of (i) retail sales and trading of apparel and accessories and (ii) footwear manufacturing, which are non-profit-contributing businesses of the Group for the financial year ended 31 December 2015 and for the six months ended 30 June 2016 and the businesses of (iii) freight forwarding and logistics and (iv) real estate development, as well as the Disposal Properties, to the Disposal Purchaser at a total consideration of US\$110,344,883 (subject to upward adjustment). Upon Disposal Completion, the principal business of the Remaining Group will continue to be apparel and bags manufacturing.

LISTING RULES IMPLICATIONS OF THE DISPOSAL AGREEMENT

As certain applicable percentage ratios for the Disposal Agreement are more than 25% but less than 75%, the Disposal Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as the Disposal Purchaser is wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

POSSIBLE CCT

On 25 October 2016 (after trading hours), the Disposal Vendor and certain members of the Disposal Group entered into the Possible CCT, namely, (i) the Master Logistics Agreement pursuant to which Disposal Group IV shall provide freight forwarding and logistics services to the Group; (ii) the Master IT Agreement pursuant to which DGLT shall provide information technology services to the Group; and (iii) the Lease Agreement pursuant to which DGLT shall lease back the Factory to the Group. Subject to the Disposal Completion having taken place, the term of the Possible CCT shall commence on the Disposal Completion Date.

LISTING RULES IMPLICATIONS OF THE EXISTING CCT AND THE POSSIBLE CCT

Upon Disposal Completion, members of the Disposal Group will cease to be subsidiaries of the Company and become subsidiaries of the Disposal Purchaser. As the Disposal Purchaser is wholly-owned by Helmsley which is in turn beneficially owned as to 55% by Mr. Tan, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules; and members of the Disposal Group, being subsidiaries of the Disposal Purchaser upon the Disposal Completion, will also be connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Possible CCT will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As disclosed in the Company's announcements dated 22 December 2014 and 15 December 2015, the Group has historically entered into the Existing CCT, namely, the Existing Shipping Agreement, the Existing Freight Master Agreement, the Existing Technological Support Services Agreement and the Existing Lease Arrangements Agreement.

As the transactions under the Existing Shipping Agreement and the Existing Freight Master Agreement are between Disposal Group IV and companies controlled by Mr. Tan (which are not members of the Group) and the companies comprising Disposal Group IV will cease to be subsidiaries of the Company upon Disposal Completion, the transactions under the Existing Shipping Agreement and the Existing Freight Master Agreement will cease to be continuing connected transactions of the Company upon Disposal Completion.

Given the nature of the transactions under the Existing Technological Support Service Agreement is similar to that under the Master IT Agreement and the relationships of the parties involved as set out in this Announcement, the annual caps for these two agreements would be aggregated for the purpose of Chapter 14A of the Listing Rules. Further, given the nature of the transactions under the Existing Lease Arrangements Agreement is similar to that under the Lease Agreement and the relationship of the parties involved as set out in this Announcement, the annual caps for these two agreements would be aggregated for the purpose of Chapter 14A of the Listing Rules.

As certain applicable percentage ratios for the respective aggregate annual caps for (i) the Existing Technological Support Services Agreement and the Master IT Agreement and (ii) the Existing Lease Arrangements Agreement and the Lease Agreement exceed 0.1% but are below 5%, the Existing Technological Support Services Agreement, the Existing Lease Arrangements Agreement and the Possible CCT are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS OF THE DISPOSAL AGREEMENT AND THE POSSIBLE CCT

Each of the Disposal and the Possible CCT also constitutes a special deal in relation to the Offer under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent to proceed with the transactions contemplated under the Disposal Agreement and the Possible CCT. Such consent, if granted, will be subject to (i) the opinion of the Independent Financial Adviser that the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT are fair and reasonable; and (ii) the approval of the transactions contemplated under the Disposal Agreement and the Possible CCT by the Disinterested Shareholders by way of poll at the EGM.

It is proposed that, subject to approval from the Independent Shareholders in accordance with the Listing Rules and satisfaction of all the conditions precedent of the Disposal Agreement, Disposal Completion shall take place and subject to the Disposal Completion having taken place, the term of Possible CCT shall commence upon the Disposal Completion Date regardless of whether the Offer is made or not and regardless of the results of the Offer.

VOTING ON THE BOARD RESOLUTIONS IN RELATION TO THE DISPOSAL AGREEMENT AND POSSIBLE CCT

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they abstained from voting on the relevant Board resolutions.

DISPOSAL SPECIAL DIVIDEND AND OFFER SPECIAL DIVIDEND

Subject to Disposal Completion having taken place and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of not less than HK\$0.82 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Disposal Special Dividend Record Date. The payment of the Disposal Special Dividend will be funded by the net proceeds of the Disposal and will be out of the Company's retained earnings and share premium.

Subject to the Offer having become unconditional and having been declared to be unconditional and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of HK\$0.749 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Offer Special Dividend Record Date. The payment of the Offer Special Dividend will be funded by the Group's excess cash and will be out of the Company's retained earnings and share premium.

EGM

The EGM will be convened (i) for the Disinterested Shareholders to consider and, if thought fit, to approve the Disposal Agreement and the Possible CCT both as special deals under the Takeovers Code in relation to the Offer; (ii) for the Independent Shareholders to consider and, if thought fit, to approve the Disposal Agreement as a notifiable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, regardless of whether the resolution in (i) above is approved by the Disinterested Shareholders at the EGM; (iii) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Disposal Special Dividend subject to the Disposal Completion; and (iv) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Offer Special Dividend subject to the Offer having been made and declared to be unconditional. For the avoidance of doubt, in the event that the resolution in (i) above is not approved by the Disinterested Shareholders at the EGM and the resolution in (ii) above is approved by the Independent Shareholders at the EGM, Disposal Completion shall take place subject to the fulfillment of the other Disposal Conditions notwithstanding that the Offer may have lapsed.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they and their respective concert parties and associates will abstain from voting at the EGM on the relevant resolutions.

As at the date of this Announcement, Dr. Tan Siu Lin, Mr. Tan, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny together with their respective concert parties and associates control in aggregate 726,625,000 Shares (representing approximately 70.27% of the issued share capital of the Company).

CIRCULAR

Pursuant to the Listing Rules and the Takeovers Code, a circular containing, among others, (i) details of the Disposal Agreement and the Possible CCT; (ii) the recommendation of the Independent Board Committees in respect of the Disposal Agreement and, in the case of the Code Independent Board Committee, also the Possible CCT; (iii) the advice from the Independent Financial Adviser in respect of the Disposal Agreement and the Possible CCT; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 16 November 2016.

ENTITLEMENTS OF THE SHAREHOLDERS

Assuming the Offer is made and becomes unconditional, each Shareholder:

- (a) will receive a payment of HK\$1.80 in cash for every Share in respect of which that Shareholder validly accepts the Offer (which will be paid to that Shareholder net of seller's ad valorem stamp duty arising therefrom);
- (b) in respect of that Shareholder's Shares for which the Offer is not accepted, will have the opportunity of retaining an interest in the Company which it is the intention of the Offeror will maintain the listing of the Shares on the Stock Exchange, and which will become a member of the Offeror Group;
- (c) if its name appears on the register of members of the Company on the Disposal Special Dividend Record Date, will be entitled to the Disposal Special Dividend of not less than HK\$0.82 in cash for every Share which that Shareholder holds as at the Disposal Special Dividend Record Date (if the Disposal Special Dividend is declared and becomes unconditional), whether or not the Offer is made or becomes unconditional and whether or not that Shareholder accepts the Offer in respect of any or all of his Shares; and
- (d) if its name appears on the register of members of the Company on the Offer Special Dividend Record Date, will be entitled to the Offer Special Dividend of HK\$0.749 in cash for every Share which that Shareholder holds as at the Offer Special Dividend Record Date (if the Offer Special Dividend is declared and becomes unconditional), whether or not that Shareholder accepts the Offer in respect of any or all of his Shares.

COMPOSITE DOCUMENT

It is expected that the Composite Document containing, amongst other things, (i) the full terms and details of the Offer; (ii) the recommendation from the Code Independent Board Committee in respect of the Offer; and (iii) the letter from the Independent Financial Adviser in respect of the Offer, and enclosing the Form of Acceptance will be despatched to the Shareholders within seven days after the satisfaction or waiver (as applicable) of the Pre-Conditions. The Offeror will apply to the Executive for consent under Rule 8.2 of the Takeovers Code to permit the Composite Document to be posted within the timeframe described above.

INDEPENDENT BOARD COMMITTEES OF THE COMPANY

The LR Independent Board Committee has been established to consider the terms of the Disposal Agreement and to advise the Independent Shareholders on whether the Disposal Agreement is in the interests of the Company and the Shareholders as a whole and whether the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. The LR Independent Board Committee comprises all the independent non-executive Directors.

The Code Independent Board Committee has been established for the purpose of making a recommendation to (i) the Disinterested Shareholders as to whether the terms of the Disposal Agreement and the Possible CCT are fair and reasonable and the voting action that should be taken; and (ii) the Shareholders as to whether the Offer is fair and reasonable and as to acceptance. The Code Independent Board Committee comprises all the non-executive Directors (other than Mr. Tan Willie) and all the independent non-executive Directors. Mr. Tan Willie, being a member of the same family as Mr. Tan, is considered to be materially interested in the Disposal Agreement and the Possible CCT and is therefore excluded from the Code Independent Board Committee.

INDEPENDENT FINANCIAL ADVISER

An independent financial adviser will be appointed by the Company (with approval from the Independent Board Committees) to advise the LR Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement as a notifiable transaction and a connected transaction under the Listing Rules and to advise the Code Independent Board Committee in relation to the Offer and the Disposal Agreement and the Possible CCT as special deals under the Takeovers Code.

TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 26 October 2016 pending the release of this Announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 27 October 2016.

WARNING: AS THE MAKING OF THE OFFER IS SUBJECT TO THE SATISFACTION OR WAIVER (AS APPLICABLE) OF THE PRE-CONDITIONS, THE OFFER IS A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE. THE MAKING OF THE OFFER DEPENDS ON THE SATISFACTION OR WAIVER (AS APPLICABLE) OF THE PRE-CONDITIONS.

COMPLETION OF THE OFFER WILL BE SUBJECT TO THE CONDITIONS BEING FULFILLED OR WAIVED (AS APPLICABLE) AND THE OFFER BECOMING UNCONDITIONAL. ACCORDINGLY, THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE OFFER WILL BE CLOSED. THE TRANSACTIONS CONTEMPLATED BY THE DISPOSAL AGREEMENT AND THE POSSIBLE CCT MAY OR MAY NOT PROCEED.

SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

NOTICE TO U.S. HOLDERS OF SHARES

The Offer is being made for the securities of a company incorporated in the Cayman Islands with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this announcement has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer will be made in the United States pursuant to the applicable U.S. tender offer rules and otherwise in accordance with the requirements of the SFO. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror Parent, the Offeror and the Company is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

PART A: THE OFFER

The Offeror and the Company jointly announce that HSBC, on behalf of the Offeror, firmly intends, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a voluntary conditional cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders on the following basis:

For each Share HK\$1.80 in cash

The Offer will be made in compliance with the Takeovers Code.

1. Pre-Conditions to the Offer

The making of the Offer is subject to the satisfaction or waiver (as applicable) of the Pre-Conditions being:

- (a) all filings having been made in connection with the Offer or any aspect of the Offer and the expiration or termination of all or any applicable waiting periods (including any extensions thereof) under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder;
- (b) the submission by the Offeror to the German Bundeskartellamt (Federal Cartel Office) (“**FCO**”), under the Act against Restraints of Competition of 1958 (“**GWB**”), in respect of the Offer and the clearance or deemed clearance (through the expiration of the relevant waiting periods (including any extensions thereof)) by the FCO under the **GWB** of the Offer, on terms reasonably acceptable to the Offeror;
- (c) the submission by the Offeror to, and acceptance by the Japan Fair Trade Commission (“**JFTC**”), under the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade (“**FTA**”), in respect of the Offer and the clearance or deemed clearance (through the expiration of the relevant waiting periods (including any extensions thereof)) by the JFTC under the **FTA** of the Offer, on terms reasonably acceptable to the Offeror;
- (d) the submission by the Offeror to, and acceptance by the Philippine Competition Commission (“**PCC**”), under the Philippine Competition Act 2015 and the implementing rules and regulations thereunder (“**PCA**”), in respect of the Offer and the clearance or deemed clearance (through the expiration or termination of the relevant waiting periods (including any extensions thereof)) by the PCC under the **PCA** of the Offer, on terms reasonably acceptable to the Offeror; and
- (e) the making of filings with, and the receipt by the Offeror of all consents, permissions, approvals and clearances required from, in terms satisfactory to it, all other Relevant Authorities in respect of the transactions contemplated under the Offer.

As at the date of this Announcement, based on information in the Offeror’s possession, except for the filings required to be made with the Shanghai SASAC and the Committee of the PRC (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區管理委員會), the Offeror is not aware of any filings required to be made or any consents, permissions, approvals or clearances as required under Pre-Condition (e).

The Offeror reserves the right to waive Pre-Condition (e), whether in whole or in part, and whether generally or in respect of any particular matter. None of the other Pre-Conditions may be waived by the Offeror. If any of the Pre-Conditions is not satisfied or waived (as applicable) on or before the Long Stop Date, the Offer will not be made.

The Offeror will issue a further announcement as soon as practicable after the Pre-Conditions have been satisfied or waived (as applicable).

WARNING: The Pre-Conditions must be satisfied or waived (as applicable) before the making of the Offer. The making of the Offer is therefore a possibility only. Accordingly, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.

2. Conditions of the Offer

The Offer will be subject to the fulfilment of the following Conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offer, would result in the Offeror holding more than 50% of the voting rights in the Company;
- (b) consent from the Executive in respect of the Disposal Agreement and the Possible CCT as special deals in relation to the Offer;
- (c) approval by the Independent Shareholders of the Disposal Agreement in accordance with the Listing Rules;
- (d) approval by the Disinterested Shareholders of the Disposal Agreement and the Possible CCT both as special deals in relation to the Offer in accordance with the Takeovers Code;
- (e) Disposal Completion having taken place in accordance with the terms and conditions of the Disposal Agreement;
- (f) no filings or approvals in relation to any anti-trust law being required in any jurisdictions other than those mentioned in (a) to (d) of the Pre-Conditions above;
- (g) no event having occurred or existing which would make the Offer or the acquisition of any of the Shares void, unenforceable or illegal or would prohibit implementation of the Offer; and
- (h) no Relevant Authorities in any jurisdiction having (i) taken or instituted any action, proceeding, suit, investigation or enquiry, or (ii) enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order, in each case that would make the Offer or the implementation of the Offer in accordance with its terms void, unenforceable or illegal or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms.

The Offeror reserves the right to waive Conditions (e) to (h), whether in whole or in part, and whether generally or in respect of any particular matter. None of the other Conditions may be waived by the Offeror.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any of the Conditions as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any of the Conditions are of material significance to the Offeror in the context of the Offer.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Offer is declared unconditional in all respects on or before the 7th day after the posting of the Composite Document and remains open for acceptance for 14 days thereafter, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Offer is declared unconditional in all respects later than the 7th day after the posting of the Composite Document, then the Final Closing Date would be at least 14 days after the date of such declaration.

WARNING: The Offer, if made, may or may not become unconditional and will lapse if it does not become unconditional. Completion of the Offer is therefore a possibility only. Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

3. Offer Price

The Offer Price of HK\$1.80 per Share under the Offer represents:

- (a) a discount of approximately 2.70% to the closing price of HK\$1.85 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 2.70% to the average closing price of HK\$1.85 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 1.69% over the average closing price of HK\$1.77 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 14.65% over the average closing price of HK\$1.57 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date; and
- (e) a premium of approximately 34.33% over the average closing price of HK\$1.34 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date.

4. Highest and lowest closing prices of the Shares

During the period commencing six months preceding the date of this Announcement (being the commencement of the Offer Period) and ending on the date of this Announcement, the highest closing price of Shares as quoted on the Stock Exchange was HK\$1.87 per Share on 24 October 2016, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$1.05 per Share on 22 June 2016.

5. Total consideration under the Offer

As at the date of this Announcement, there are 1,034,112,666 Shares in issue. The Offer, based on the Offer Price of HK\$1.80 per Share, is valued at HK\$1,491,007,075.20 (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares). On the basis of the Offer Price of HK\$1.80 per Share, the entire issued share capital of the Company is valued at HK\$1,861,402,798.80.

As at the date of this Announcement, the Company does not have in issue any outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

6. Confirmation of financial resources

Assuming full acceptance of the Offer (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares) in respect of 828,337,264 Shares (being all the Shares excluding the Remaining Shares), the aggregate cash consideration payable by the Offeror under the Offer will amount to HK\$1,492,498,083.20 (inclusive of the buyer's ad valorem stamp duty (based on the Offer Price)). The funds required by the Offeror to satisfy the consideration payable under the Offer will be financed by a combination of a loan facility granted by HSBC (in its capacity as lender) and the internal resources of the Offeror.

HSBC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer in accordance with its terms (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares).

7. Information on the Offeror and the Offeror Parent

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Offeror Parent, a company established under the laws of the PRC, in which the Shanghai SASAC directly and indirectly holds a controlling interest.

Incorporated in 2001, the Offeror Parent has a leading textile manufacturing and trading business in China.

8. Offeror's reasons for the Offer

The Offeror Parent is committed to building a leading global supply chain for textile and apparel products. Its strategy is to gain customers in developed markets in Europe and the U.S. and to acquire quality manufacturing capability. The Offeror Parent seeks to implement such strategy through business collaboration and capital investments.

The Offeror Parent intends to develop and manage its overseas businesses through Hong Kong, a leading trading centre for clothing with a worldwide reputation for quality and expertise. The Offeror Parent considers the Company to be one of the key platforms on which it will develop and manage its overseas businesses on a long term basis.

9. Intentions of the Offeror with regard to the Company

If the Offer becomes unconditional and is completed, the Offeror intends that the Company will continue to carry on its existing businesses. The Offeror expects that the Offeror Parent's and the Company's respective businesses will significantly complement each other. The Offeror Parent, being a leading textile manufacturer and trader, and the Company, being a leading OEM (as defined below) manufacturer, are expected to benefit from each other's clientele and capabilities. Except for the changes in the board composition of the Company contemplated in the paragraph headed "Proposed changes to the board composition of the Company" below, the Offeror currently has no intention to change the management of the Company in any material respect.

Proposed changes to the board composition of the Company

It is expected that there will be changes in the board composition of the Company at or after the earliest time permitted under the Takeovers Code or by the Executive. Any such changes will only take effect in accordance with the applicable laws and regulations including the Takeovers Code (or as permitted by the Executive) and the Listing Rules.

Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following completion of the Offer.

There is a possibility that the public will hold less than 25% of the Shares upon completion of the Offer depending on the level of acceptances under the Offer. If that happens, the Offeror will, after the end of the Offer Period, take appropriate steps to ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. Such steps may involve the Offeror's sale of some of the Shares acquired pursuant to the Offer. If the Offeror decides to restore the public float by selling some of its Shares, it intends (subject to compliance with the applicable requirements under the Takeovers Code, the Listing Rules and other applicable laws and regulations) to identify potential independent third party investors (being potential investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules) for such sale after the end of the Offer Period with a view to restoring the public float of the Company to 25% in compliance with the Listing Rules upon completion of such sale. In the event that the Offeror decides to restore the public float by selling some of its Shares, subject to market conditions at the relevant time and agreement with the relevant independent third party investors, the Offeror intends to enter into definitive agreements in relation to such sale as soon as reasonably practicable after the end of the Offer Period.

If less than 25% of the Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of Shares or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in Shares. In such connection, the

directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the end of the Offer Period.

As at the date of this Announcement, none of the Selling Shareholders is considered to be a member of the public for the purposes of the public float requirements under the Listing Rules.

The Offeror does not intend to exercise any rights to acquire compulsorily any Shares in respect of which the Offer is not accepted.

10. Other terms of the Offer

The full terms and conditions of the Offer will be set out in the Composite Document and the Form of Acceptance.

11. Effect of accepting the Offer

By validly accepting the Offer, Shareholders will sell to the Offeror their tendered Shares free from all encumbrances and together with all rights and benefits at any time accruing and attaching thereto including all rights to any dividend or other distributions declared, made or paid on or after the Final Closing Date (excluding the Special Dividends). The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Final Closing Date, including the Special Dividends, in respect of the Shares as regards which the Offer is accepted. Any such dividends or other distributions will be paid to the Shareholders who are qualified to receive such dividends or distributions.

12. Irrevocable Undertaking

Pursuant to the Irrevocable Undertaking, each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, among others, (a) each of the Selling Shareholders will accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the date of this Announcement); (b) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares, being 205,775,402 Shares (representing approximately 19.90% of the issued share capital of the Company as at the date of this Announcement)) held by it other than the IU Shares; and (c) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period.

Further information on the Irrevocable Undertaking is set out in Part B of this Announcement.

As at the date of this Announcement, apart from the Irrevocable Undertaking, neither the Offeror nor any person acting in concert with it has received any indication or irrevocable commitment from any Shareholder to accept or reject the Offer.

13. Hong Kong stamp duty

Seller's ad valorem stamp duty at the rate of 0.1% of (i) the value of the consideration arising on acceptance of the Offer or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) will be payable by the Shareholders who accept the Offer. The relevant amount of stamp duty payable by the Shareholders will be deducted from the consideration payable to the Shareholders under the Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares as regards which the Offer is accepted.

14. Overseas shareholders

The making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders may be affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror, the Company and their respective advisers that all applicable laws and requirements have been complied with by such Shareholder and that the Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

In the event that the despatch of the Composite Document to overseas Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waiver, the Composite Document will not be despatched to such overseas Shareholders. The Offeror will apply for such waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Composite Document to such overseas Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Composite Document is made available to such overseas Shareholders. If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of overseas Shareholders in relation to the terms of the Offer. Such arrangements may include notifying any matter in connection with the Offer to such overseas Shareholders by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given despite any failure causing difficulty for overseas Shareholders to receive or see that notice.

15. Settlement of consideration

Settlement of the consideration under the Offer will be made as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) of (i) the date of receipt of a complete and valid acceptance in respect of the Offer or (ii) the date on which the Offer becomes or is declared unconditional in all respects, whichever is the later.

16. Interests in Shares and derivatives

As at the date of this Announcement:

- (i) there is no existing holding of voting rights and rights over Shares which the Offeror owns or over which it has control or direction;
- (ii) there is no existing holding of voting rights and rights over Shares which is owned or controlled or directed by any person acting in concert with the Offeror;
- (iii) there is no existing holding of voting rights and rights over Shares in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;
- (iv) there is no outstanding derivative in respect of securities in the Company entered into by the Offeror or any person acting in concert with it;
- (v) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Shares and which might be material to the Offer;
- (vi) there is no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a Pre-Condition or a Condition except that under the terms of the loan facility (the “**Facility**”) granted by HSBC (as lender under the Facility) (the “**Lender**”) to the Offeror to finance part of the Offer, the Offeror has undertaken to the Lender to take or not to take certain action which may require it to invoke or not to invoke a Pre-Condition or Condition and in particular, the Offeror must not:
 - (a) declare the Offer unconditional as to acceptances until valid acceptances have been received (and not withdrawn) in respect of more than 50 per cent. of the Shares;
 - (b) waive or amend (and use reasonable endeavours to ensure that there is no waiver of or amendment to) or declare, accept or treat as satisfied any Pre-Condition or Condition where such waiver, amendment, declaration, acceptance or treatment would be materially prejudicial to the interests of the Lender unless (A) the Lender has given its prior written consent; or (B) it is required by law or regulation (including the Takeovers Code), the Executive, the Stock Exchange or an order of the court;
 - (c) agree to any arrangements with any governmental, regulatory or similar authority in order to satisfy any term or condition of the Offer which would be materially prejudicial to the interests of the Lender unless (A) the Lender has

given its prior written consent; or (B) it is required by law or regulation (including the Takeovers Code), the Executive, the Stock Exchange or an order of the court; and

(d) waive or treat as fulfilled any Pre-Condition or Condition (and must declare the Offer lapsed or withdrawn at the earliest opportunity) where (A) an event has occurred that would entitle the Offeror to treat the Offer as having lapsed or to withdraw the Offer, (B) the Lender has informed the Offeror that in its opinion the event could reasonably be expected to have a material adverse effect on the Offeror, its ability to perform its obligations under the Facility or the validity or enforceability of the Facility and its related documents, and (C) the Executive has confirmed that it will not object to the lapse or withdrawal of the Offer as a result of the non-satisfaction of the relevant condition; and

(vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent.

The Offeror has not, and no party acting in concert with it has, acquired any Share during the six months prior to the commencement of the Offer Period, that is, prior to 26 October 2016, being the date of this Announcement.

17. Effect of the Offer on the shareholding structure of the Company

Set out below is the shareholding structure of the Company as at the date of this Announcement and upon completion of the Offer (i) assuming that the Offer is accepted in respect of only the IU Shares (being 520,849,598 Shares); and (ii) assuming that all Shareholders accept the Offer in respect of all of their Shares (except the Remaining Shares) for acceptance under the Offer:

	As at the date of this Announcement		Upon completion of the Offer (assuming the Offer is accepted in respect of only the IU Shares)		Upon completion of the Offer (assuming all Shareholders accept the Offer in respect of all of their Shares (except the Remaining Shares))	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Offeror and its concert parties (Note 1)	0	0%	520,849,598	50.37%	828,337,264	80.10%
The Selling Shareholders (Note 2)	726,625,000	70.27%	205,775,402	19.90%	205,775,402	19.90%
Public (as defined in the Listing Rules) (Note 3)	307,487,666	29.73%	307,487,666	29.73%	0	0.00%
Total	1,034,112,666	100%	1,034,112,666	100%	1,034,112,666	100%

Notes:

(1) HSBC is the financial adviser to the Offeror and the Offeror Parent in respect of the Offer. Accordingly HSBC and relevant members of the HSBC group which hold Shares are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of acting in concert under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised as such for the purpose of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the HSBC group). Details of holdings or borrowings or lendings of, and dealings in, Shares or derivatives in respect of them by other parts of the HSBC group will be obtained as soon as possible after this Announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made if the holdings, borrowings, lendings or dealings of the other

parts of the HSBC group are significant. The statements in this Announcement as to the holdings or borrowings or lendings of, or dealings in, Shares or derivatives in respect of Shares by parties acting in concert with the Offeror are subject to the holdings, borrowings, lendings, or dealings (if any) of the HSBC group.

- (2) None of the Selling Parties holds any convertible securities, warrants, options or derivatives in respect of any Shares. None of the Selling Parties has dealt in any Shares within the six months before the date of this Announcement (other than a transfer of Shares between two companies controlled (as defined in the Takeovers Code) by one of the Selling Parties, Mr. Tan).
- (3) As at the date of this Announcement, none of the Selling Shareholders is considered to be a member of the public for the purposes of the public float requirements under the Listing Rules.

18. Composite Document

It is expected that the Composite Document containing, among others, (i) the full terms and details of the Offer; (ii) the recommendation from the Code Independent Board Committee in respect of the Offer; and (iii) the letter from the Independent Financial Adviser in respect of the Offer, and enclosing the Form of Acceptance will be despatched to Shareholders within seven days after the satisfaction or waiver (as applicable) of the Pre-Conditions. The Offeror will apply to the Executive for its consent under Note 2 to Rule 8.2 of the Takeovers Code to permit the Composite Document to be posted within the timeframe described above.

PART B: THE IRREVOCABLE UNDERTAKING

1. Principal Terms of the Irrevocable Undertaking

Date: 26 October 2016

Parties:

- (1) Capital Glory Limited;
- (2) Hanium Industries Limited;
- (3) Double Joy Investments Limited;
- (4) Wincare International Company Limited;
- (5) Tan Siu Lin Foundation Limited;
- (6) Ms. Cynthia Yiu (being the spouse of Mr. Tan Cho Lung, Raymond, an executive Director);
- (7) Mr. Justin Tan (being the son of Ms. Cynthia Yiu and Mr. Tan Cho Lung, Raymond);
- (8) Hampton Asset Limited (a wholly owned company of Ms. Rosalina Tan (being the spouse of Mr. Tan Willie, a non-executive Director));
- (9) Mr. Sunny Tan (being Mr. Tan's brother);
- (10) Mr. Tan;
- (11) the Offeror; and

(12) the Offeror Parent.

Irrevocable undertaking to accept the Offer in respect of the IU Shares

On 26 October 2016, the Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking, pursuant to which each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure, among others, each of the Selling Shareholders, (a) to accept the Offer in respect of the IU Shares, being 520,849,598 Shares (representing approximately 50.37% of the issued share capital of the Company as at the date of this Announcement), not later than three days after the Despatch Date and (b) not to withdraw such acceptance.

Consideration

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure, that the Offer will be accepted by the Selling Shareholders in respect of their respective IU Shares at the Offer Price of HK\$1.80 per IU Share.

If the Offer becomes unconditional in all respects, the Selling Shareholders will, pursuant to the Irrevocable Undertaking, sell 520,849,598 Shares. The total consideration for such sale will accordingly be HK\$937,529,276.40 (before deducting seller's ad valorem stamp duty).

Irrevocable undertaking not to accept the Offer in respect of any other Shares and not to dispose of any Shares

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, (a) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares) held by it other than the IU Shares; and (b) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period.

Restrictive covenants

Under the Irrevocable Undertaking, none of the Selling Shareholders shall prior to the earlier of the completion or lapse of the Offer:

- (a) sell, transfer, charge, encumber, grant any option over or otherwise dispose of all or any of the Shares held by any of them or interest in such Shares, or accept any other offer in respect of all or any of their Shares (except tendering for acceptance of the Offer in respect of the IU Shares); or

- (b) (other than pursuant to the Offer) enter into any agreement or arrangement or permit any agreement or arrangement to be entered into or incur any obligation or permit any obligation to arise:
 - (i) in relation to, or operating by reference to, shares or other securities of the Company; or
 - (ii) for the purpose of doing all or any of the acts referred to in sub-paragraph (a) above; or
 - (iii) which would or might restrict or impede the completion of the Offer or the Offer becoming unconditional or otherwise preclude any of the Selling Parties from complying with its obligations under the Irrevocable Undertaking; or
- (c) acquire any shares or relevant securities (as defined under the Takeovers Code) of the Company (or any interest therein).

Under the Irrevocable Undertaking, so long as the Offeror together with its concert parties is a controlling shareholder of the Company, none of the Selling Parties will (and each of the Selling Parties shall procure that no person acting in concert with any of them will) acquire any voting rights in the Company:

- (a) during the 12 month period from the date of the completion of the Offer; or
- (b) if such acquisition will cause the public float of the Company to fall below 25% while (1) (if necessary) the Offeror and its concert parties have complied with their undertakings to sell Shares in order to remedy any shortfall in the public float which might arise upon completion of the Offer; and (2) neither the Offeror nor any of its close associates (as defined in the Listing Rules) will, without the consent of the Selling Parties, acquire further Shares. The restriction on the Selling Parties in this paragraph will not apply if and to the extent that any shortfall in the public float is caused by any act of the Offeror or its close associates (as defined in the Listing Rules).

The Selling Parties have jointly and severally agreed to procure that, between the date of the Irrevocable Undertaking and completion of the Offer, each member of the Group will carry on its business in the ordinary and usual course in the same manner as carried on during the six months preceding the date of the Irrevocable Undertaking and without the consent in writing of the Offeror, not do anything which is not of an ordinary nature (save for the Disposal).

Lock-up undertaking

Under the Irrevocable Undertaking, so long as the Offeror (together with its concert parties) is a controlling shareholder of the Company, none of Capital Glory Limited, Hanium Industries Limited, Wincare International Company Limited and Tan Siu Lin Foundation Limited (being some of the Selling Shareholders) shall sell, transfer, charge, encumber, grant any option over or otherwise dispose of any of its Shares during the Lock-up Period. The total number of Shares subject to such undertaking is 200,444,286, representing approximately 19.38% of the issued share capital of the Company.

Non-compete undertaking

Each of the Selling Parties has unconditionally and irrevocably undertaken that, so long as any of the Selling Parties is a shareholder of the Company, none of the Selling Parties and their respective affiliates will:

- (a) establish or be engaged in original equipment manufacturing (“**OEM**”) business and original design manufacturing (“**ODM**”) business in relation to apparels and handbags (the “**Restricted Business**”) or any business which competes with the Restricted Business or directly or indirectly interested in any business which competes with the Restricted Business provided that where any of the Selling Parties or their respective affiliates is a licensed distributor of any brand of apparels or handbags, that Selling Party or, as the case may be, affiliate is not prohibited from being the OEM and/or ODM manufacturer of apparels or handbags for such brand; or
- (b) solicit or entice away from the employment of the Group any person at present an employee of the Group.

Representations and warranties and indemnities

The Selling Parties have represented and warranted to the Offeror certain matters (including but not limited to the ownership of the IU Shares and accuracy of information of the Company published in the Stock Exchange’s website for a limited period). The Selling Parties have also given indemnities to the Offeror in relation to tax matters and legal compliance of the Group, subject to certain limitations on the Selling Parties’ liabilities under the Irrevocable Undertaking.

Termination

The Irrevocable Undertaking will terminate and the parties’ obligations thereunder will cease if the Offer lapses or is withdrawn in circumstances permitted under the Takeovers Code.

PART C: DISPOSAL AGREEMENT AND POSSIBLE CCT

The Disposal Agreement

On 25 October 2016 (after trading hours), the Disposal Vendor (a wholly-owned subsidiary of the Company) and the Disposal Purchaser entered into the Disposal Agreement pursuant to which the Disposal Vendor has conditionally agreed to sell (through the sale of all shares in the Disposal Companies) the Disposal Businesses which are currently non-core business of the Group, namely, the businesses of (i) retail sales and trading of apparel and accessories and (ii) footwear manufacturing, which were non-profit-contributing businesses of the Group for the financial year ended 31 December 2015 and for the six months ended 30 June 2016 and the businesses of (iii) freight forwarding and logistics and (iv) real estate development, as well as the Disposal Properties, to the Disposal Purchaser at a total consideration of US\$110,344,883 (subject to upward adjustment). Upon Disposal Completion, the principal business of the Remaining Group will continue to be apparel and bags manufacturing.

Date

25 October 2016

Parties

- (1) Disposal Vendor: Luen Thai Overseas Limited, a wholly-owned subsidiary of the Company
- (2) Disposal Purchaser: Torpedo Management Limited, a limited company incorporated in the British Virgin Islands and wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan

Assets to be disposed of

The entire issued share capital of each of the Disposal Companies.

Disposal Consideration

The initial Disposal Consideration is US\$110,344,883 (subject to any upward adjustment as set out below). The initial Disposal Consideration has been determined after arm's length negotiations among the parties based on the estimated fair value of the Disposal Group with reference to the unaudited management accounts of members of the Disposal Group as at 30 June 2016 and the unaudited net assets value of the Disposal Group of approximately US\$42 million as at 30 June 2016.

Adjustment to Disposal Consideration

At Disposal Completion, the Disposal Purchaser shall pay to the Disposal Vendor the initial Disposal Consideration of US\$110,344,883 plus any amount by which the Valuation exceeds the Estimated Value (“**Upward Adjustment**”), provided that the final Consideration payable by the Disposal Purchaser shall not exceed US\$120,344,883. The final Consideration payable by the Disposal Purchaser shall be no less than US\$110,344,883. For the purpose of calculating the Upward Adjustment, the amount by which the Valuation exceeds the Estimated Value in respect of any of Disposal Company II, Disposal Group III and Disposal Group IV shall be set off by the amount by which the Estimated Value exceeds the Valuation in respect of any of Disposal Company II, Disposal Group III and Disposal Group IV.

Disposal Conditions

Disposal Completion is conditional upon the following conditions (“**Disposal Conditions**”) being satisfied or complied with on or before the Disposal Conditions Fulfilment Date:

- (a) all applicable laws, rules and regulations (including without limitation to the Listing Rules) for entering into and implementing the transaction(s) contemplated under the Disposal Agreement and the Possible CCT having been complied with;
- (b) the approval by the Independent Shareholders at the EGM having been obtained for: (i) entering into the Disposal Agreement and the transaction(s) contemplated thereunder; (ii) the declaration and payment of the Disposal Special Dividend; (iii) the declaration of the Disposal Special Dividend, the record date for determining the Shareholders and the identity of the Shareholders who are entitled to receive such Disposal Special Dividend having been determined; and (iv) (if required) the Possible CCT having been obtained;
- (c) the Reorganisation having been completed; and
- (d) the Possible CCT having been duly executed.

None of the Disposal Conditions can be waived by either party.

If one or more of the Disposal Conditions remains not satisfied at the end of Disposal Conditions Fulfilment Date or becomes impossible to satisfy on or before Disposal Conditions Fulfilment Date, the Disposal Agreement shall automatically terminate and the parties' rights and obligations under the Disposal Agreement shall cease immediately and no party shall have any rights to claim against the other party, save that the provisions relating to confidentiality shall survive save and except in respect of antecedent breach.

Disposal Completion

Disposal Completion shall take place on the third business day after the date on which all the Disposal Conditions have been fulfilled or on such later date as the Disposal Vendor and the Disposal Purchaser may agree in writing.

Reorganisation

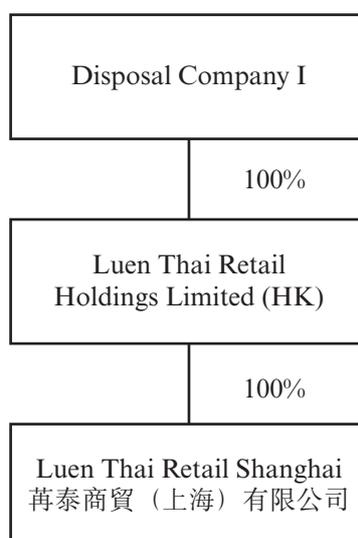
Pursuant to the Disposal Agreement, the Disposal Vendor shall implement a reorganisation of the shareholding structure of the Disposal Companies. Upon completion of the Reorganisation, the Disposal Group, comprising all the subsidiaries to be disposed of by the Group, will be formed.

Information on Disposal Group I

As at the date of this Announcement and upon completion of the Reorganisation, Disposal Group I comprises and will comprise the companies as set out in below.

- (1) Disposal Company I, a wholly-owned subsidiary of Luen Thai Overseas Limited incorporated in the BVI with limited liability. Save for holding the 100% equity interest in Luen Thai Retail Holdings Limited, Disposal Company I is not engaged in any business.
- (2) Luen Thai Retail Holdings Limited, a company incorporated in Hong Kong with limited liability. It is principally engaged in retail and distribution business.
- (3) Luen Thai Retail Shanghai, a company established in the PRC with limited liability and is principally engaged in retail business.

The following chart shows the structure of Disposal Group I as at the date of this Announcement and upon completion of the Reorganisation:



Disposal Group I has entered into certain license and distribution agreements with a branded customer to manufacture or purchase products bearing the relevant branded customer's trademarks for distribution through directly operated retail stores and wholesale and concession channels in China, Hong Kong, Macau, Taiwan, Thailand, Vietnam, Singapore, Philippines, Cambodia, Malaysia, Brunei, Laos and Indonesia. The licenses also include distribution on pre-approved online accounts for shipment within the PRC. Distribution for all networks started on January 2016. Disposal Group I has also entered into certain footwear design services agreement with this branded customer which grants certain rights to use the relevant branded customer's trademark in connection with the design, development, manufacture, marketing, promotion, importation, distribution and wholesale sale of footwear products.

Disposal Group I operates seven self-operated retail stores in Shanghai, one self-operated retail outlet in Beijing, and 10 franchisees stores located in Shenyang, Suzhou, Harbin, Chongqing, Qingdao, Nanjing, Changsha, Hangzhou and Gansu.

For the six months ended 30 June 2016, the business line of retail sales and trading of apparel and accessories currently conducted by Disposal Group I recorded revenue of about US\$870,000 (unaudited) and a net loss of about US\$1,951,000 (unaudited).

Information on Disposal Company II

Disposal Company II is a wholly-owned subsidiary of the Company and is incorporated in the BVI with limited liability. Save for holding the 24% equity interest in Chang Jia International Limited, Disposal Company II is not engaged in any business.

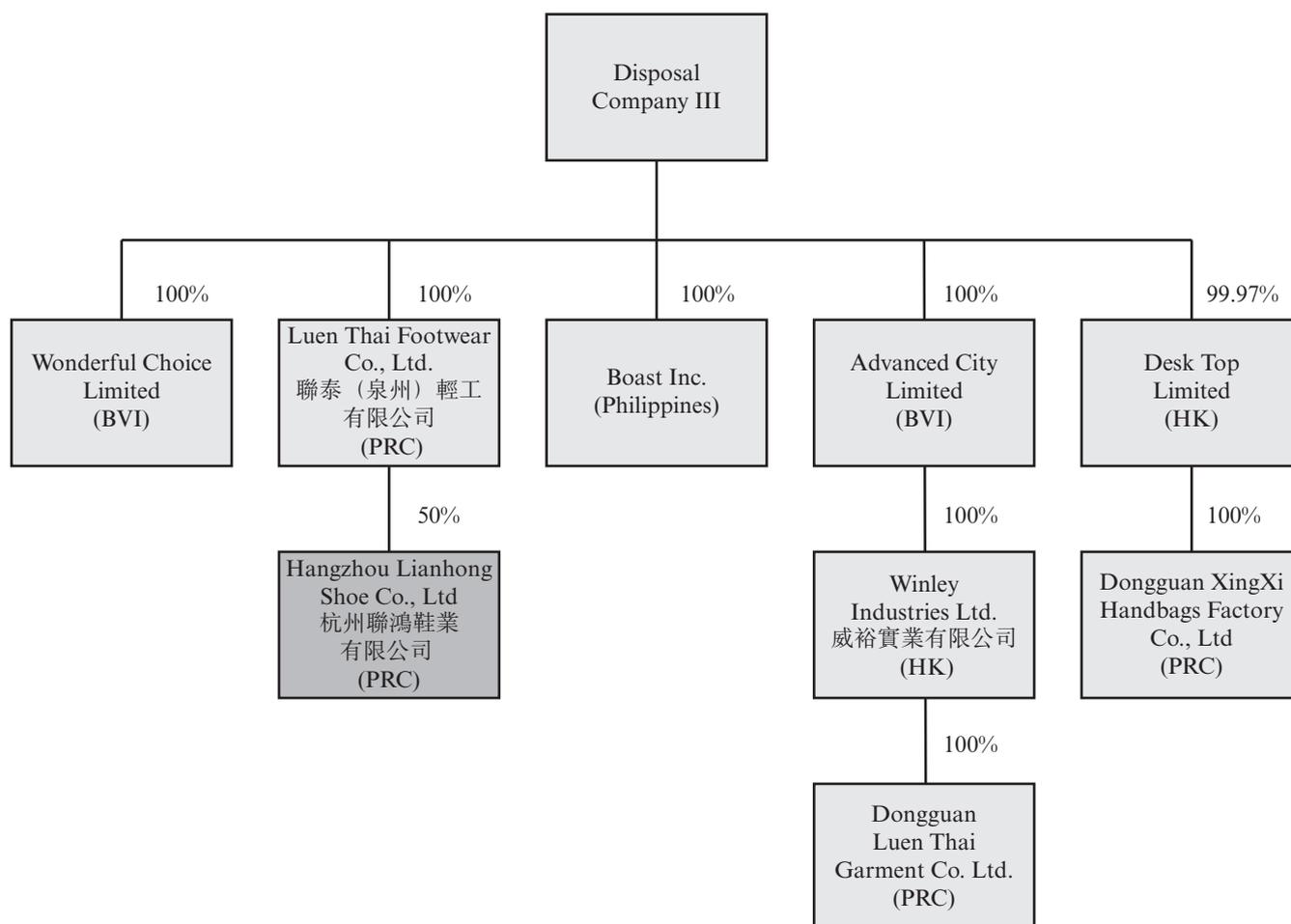
Chang Jia International Limited is incorporated in the BVI. As at the date of this Announcement, it is owned as to 55% by Keyasia Investments Limited (an independent third party to the Company), 24% by Disposal Company II and 21% by Shan Ying Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Luen Thai Land Limited, which is ultimately controlled by Dr. Tan Siu Lin, a Director. Chang Jia International Limited beneficially owns the project companies which are engaged in real estate development in Qingyuan, the PRC, which are currently operated by the Group's joint venture partner.

Information on Disposal Group III

Upon completion of the Reorganisation, Disposal Group III will comprise the companies as set out below.

- (1) Disposal Company III, a wholly-owned subsidiary of Luen Thai Overseas Limited incorporated in the BVI with limited liability. Save for holding the 100% equity interest in each of Wonderful Choice Limited, Luen Thai Footwear Co., Ltd, Boast Inc., Advanced City Limited and Desk Top Limited, Disposal Company III is not engaged in any business.
- (2) Wonderful Choice Limited, a company incorporated in the BVI with limited liability which was principally engaged in trading of footwear and is now dormant.
- (3) Luen Thai Footwear Co., Ltd, a company established in the PRC with limited liability which is principally engaged in footwear manufacturing.
- (4) Hangzhou Lianhong Shoe Co., Ltd, a company established in the PRC with limited liability which is currently dormant.
- (5) Boast Inc., a company incorporated in the Philippines which is principally engaged in footwear manufacturing in the Philippines.
- (6) Advanced City Limited, a company incorporated in the BVI which is not engaged in any business save for holding the 100% equity interest in Winley Industries Ltd.
- (7) Winley Industries Ltd, a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding.
- (8) DGLT, a company established in the PRC with limited liability which is principally engaged in holding of factory premises for rental income.
- (9) Desk Top Limited, a company incorporated in Hong Kong with limited liability which is not engaged in any business, save for holding the 100% equity interest in Dongguan Xingxi Handbags Factory Co., Ltd..
- (10) Dongguan Xingxi Handbags Factory Co. Ltd., a company established in the PRC which is principally engaged in holding of factory premises for rental income.

The following chart shows the structure of Disposal Group III upon completion of the Reorganisation:



Disposal Group III is engaged in footwear manufacturing and it currently has one manufacturing facility with about 530 staff in Fujian, the PRC and one manufacturing facility with about 1,600 staff in the Philippines for its original equipment manufacturer (OEM) operations.

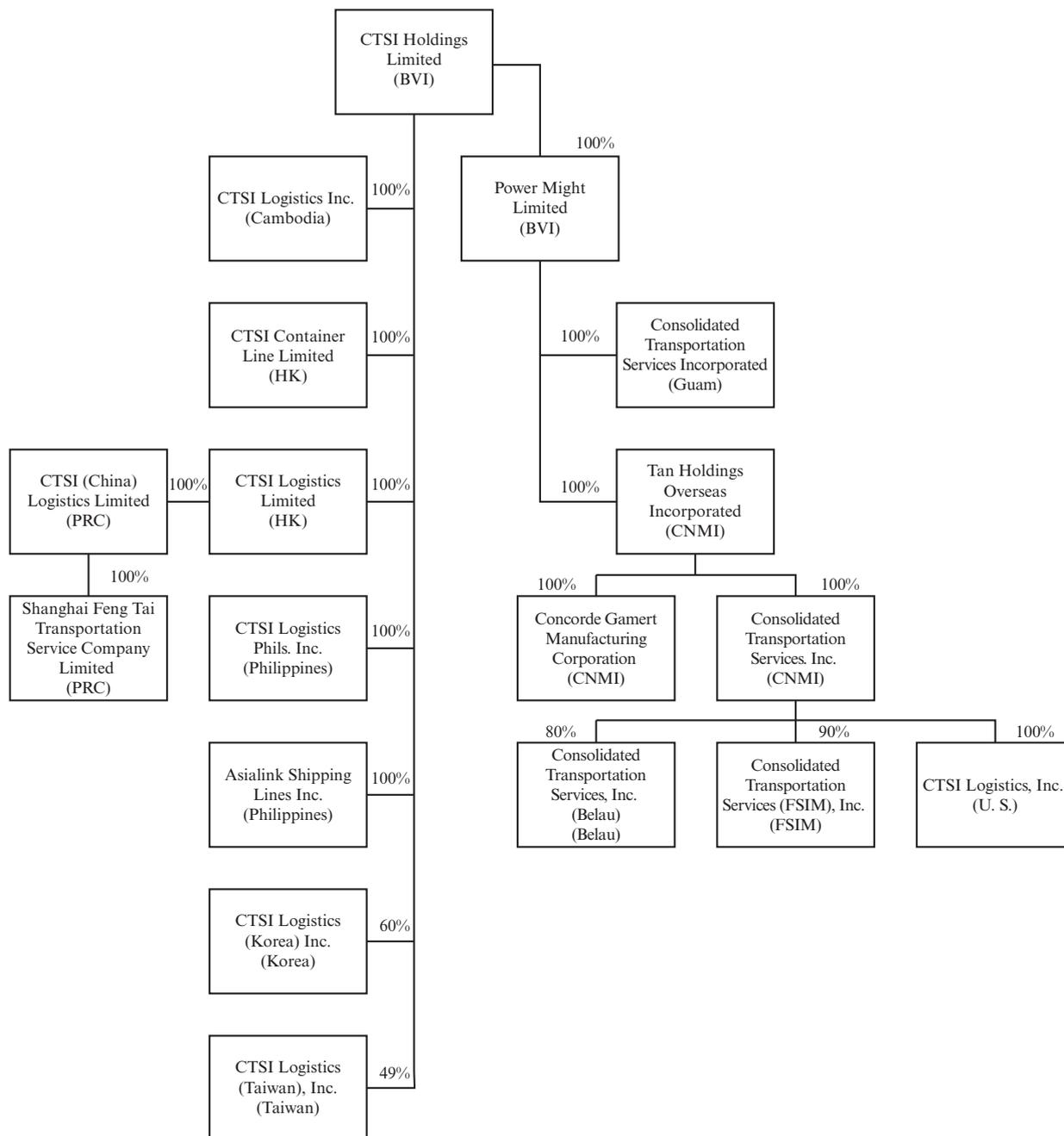
Information on Disposal Group IV

Upon completion of the Reorganisation, Disposal Group IV will comprise the companies as set out below.

- (1) Disposal Company IV, a company incorporated in the BVI with limited liability. Save for holding the equity interest in each of CTSI Logistics Inc., CTSI Container Line Limited, CTSI Logistics Limited, CTSI Logistics Phils., Inc, Asialink Shipping Lines Inc., CTSI Logistics (Korea) Inc., CTSI Logistics (Taiwan), Inc. and Power Might Limited, Disposal Company IV is not engaged in any business.
- (2) CTSI Logistics Inc., a company incorporated in Cambodia which is principally engaged in the businesses of freight forwarding and logistics.
- (3) CTSI Container Line Limited, a company incorporated in Hong Kong with limited liability which is currently dormant.
- (4) CTSI Logistics Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in the businesses of freight forwarding and logistics.

- (5) CTSI (China) Logistics Limited, a company established in the PRC with limited liability which is principally engaged in the businesses of freight forwarding and logistics.
- (6) Shanghai Feng Tai Transportation Service Company Limited, a company established in the PRC with limited liability which is principally engaged in the businesses of freight forwarding and logistics business.
- (7) CTSI Logistics Phils., Inc., a company incorporated in the Philippines which is principally engaged in the businesses of freight forwarding and logistics business.
- (8) Asialink Shipping Lines Inc., a company incorporated in the Philippines which is currently dormant.
- (9) CTSI Logistics (Korea) Inc., a company incorporated in Korea which is principally engaged in the businesses of freight forwarding and logistics business.
- (10) CTSI Logistics (Taiwan) Inc., a company incorporated in Taiwan which is principally engaged in the businesses of freight forwarding and logistics business.
- (11) Power Might Limited, a company incorporated in the BVI with limited liability which is not engaged in any business, save for holding the 100% equity interests in Consolidated Transportation Services Incorporated (Guam) and Tan Holdings Overseas Incorporated.
- (12) Consolidated Transportation Services Incorporated (Guam), a company incorporated in Guam which is principally engaged in the businesses of freight forwarding and logistics business.
- (13) Tan Holdings Overseas Incorporated, a company incorporated in the Commonwealth of the Northern Mariana Islands which is principally engaged in investment holding.
- (14) Concorde Garment Manufacturing Corporation, a company incorporated in the Commonwealth of the Northern Mariana Islands which is currently dormant.
- (15) Consolidated Transportation Services, Inc., a company incorporated in the Commonwealth of the Northern Mariana Islands which is principally engaged in the businesses of freight forwarding and logistics.
- (16) Consolidated Transportation Services, Inc. (Belau), a company incorporated in Palau which is principally engaged in the businesses of freight forwarding and logistics.
- (17) Consolidated Transportation Services (FSM), Inc., a company incorporated in the Federated States of Micronesia which is principally engaged in the businesses of freight forwarding and logistics.
- (18) CTSI Logistics, Inc., a company incorporated in the United States which is principally engaged in the businesses of freight forwarding and logistics.

The following chart shows the structure of Disposal Group IV upon completion of the Reorganisation:



Disposal Group IV is engaged in the provision of services of international freight forwarding, warehousing, distribution, cargo consolidation and household goods transport. It has about 25 stations in about 12 countries which provide a full range of logistics and support services, including logistics consultancy and training as well as customised information technology solutions which support service integration, real time information and efficient operations.

Information on the Disposal Properties

The Disposal Group currently owns the Disposal Properties as set out below. Under the Disposal, the Disposal Vendor will sell the Disposal Properties to the Disposal Purchaser through the sale of all shares in the Disposal Companies.

Owner of the Disposal Property	Disposal Property	Area	Current Use
DGLT (a member of Disposal Group III)	The Factory, i.e. Industrial Complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Funggang Town, Dongguan, Guangdong Province, PRC	Gross floor area of about 238,000 square meters	Used by the Group as factory premises for manufacturing apparel
Luen Thai Footwear Co., Ltd (a member of Disposal Group III)	Industrial Complex erected on Lots A and B, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, PRC	Gross floor area of about 34,000 square meters	Used by the Group as factory premises for manufacturing footwear
Dongguan Xingxi Handbags Factory Co., Ltd. (a member of Disposal Group III)	Industrial complex located at No.87 Industrial Avenue, Shigu Village, Tangxia Town, Dongguan City, PRC	Gross floor area of about 18,200 square meters	Rented to a third party
Consolidated Transportation Services Incorporated (Guam) (a member of Disposal Group IV)	Building Element of Block 2/ Area 1, Central Avenue, Tiyuan, City of Tamuning, Guam, United States of America	Gross floor area of about 35,000 square feet	Used by the Group as a warehouse
Boast Inc. (a member of Disposal Group III)	Industrial premises in Phase 1, Second Avenue, Freeport Area of Bataan, Marivekesm Bataan, the Philippines	Gross floor area of about 21,000 square meters	Used by the Group for footwear manufacturing

Financial effects of the Disposal

The respective unaudited net losses (before and after taxation) of the Disposal Group for the year ended 31 December 2014 and the year ended 31 December 2015 are as set out below:

	Net loss (before taxation)	Net loss (after taxation)
	<i>US\$</i>	<i>US\$</i>
	(unaudited)	(unaudited)
FY2014	2,821,000	3,191,000
FY2015	1,664,000	1,854,000

The unaudited net asset value of the Disposal Group as at 30 June 2016 was approximately US\$42 million.

As a result of the Disposal, the Company expects to record a total gain of approximately US\$14 million, which represents a gain on disposal of approximately US\$9 million and a release of an exchange reserve to the profit and loss account of approximately US\$5 million. Such estimated gain on disposal is calculated by reference to the initial Disposal Consideration of US\$110,344,883 of which approximately US\$59 million shall be used to settle the balances between the Disposal Group and the Group, and the unaudited net asset value of the Disposal Group as at 30 June 2016. This estimated gain is for illustration purpose only and is subject to the review by the Company's independent auditors and will be reflected in the annual report of the financial year in which the completion of the Disposal takes place.

Pursuant to Rule 10 of the Takeovers Code, the unaudited net losses (before and after taxation) of the Disposal Group, the unaudited net asset value of the Disposal Group and the estimated gain from the Disposal as set out above, which are required to be disclosed pursuant to Rule 14.58 of the Listing Rules ("**Required Financial Information**") constitute a profit forecast and must be reported on by the Company's financial adviser and its auditors or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code.

As additional time is required for the Company to appoint a financial adviser and for that financial adviser and the Company's auditors or accountants to report on the Required Financial Information in compliance with the requirements of Rule 10 of the Takeovers Code, the Required Financial Information disclosed in this Announcement does not meet the standard and has not been prepared as required by Rule 10 of the Takeovers Code. According to practice note 2 to the Takeovers Code on issues relating to profit forecasts under Rule 10 of the Takeovers Code dated 31 March 2015, as the only reason for the disclosure of these unaudited figures is the requirement of the Listing Rules, the Executive is prepared to permit publication of the Required Financial Information in this Announcement without full compliance with Rule 10 of the Takeovers Code.

Shareholders and potential investors should, however, exercise caution in placing reliance on the Required Financial Information in assessing the merits and demerits of the Disposal, the Special Dividends and the Offer. The Required Financial Information will be reported on as soon as possible and the relevant reports will be contained in the next document to be sent to the Shareholders (i.e. the Circular) and in compliance with the requirements of Rule 10 of the Takeovers Code.

Reasons for and benefits of the Disposal

The Directors are of the view that the Disposal represents an opportunity for the Group to streamline its business mix, by disposing of the non-core business operations or business operations which have not been and are not expected in the foreseeable future to become profit-contributing to the Group, and assets which are not essential to the Group's principal business operations, and thereby focus the Group's resources on the key business of apparel and bags manufacturing which has generated a better financial return for the Company for the two and a half years ended 30 June 2016. For the year ended 31 December 2015 and the six months ended 30 June 2016, the Disposal Group contributed about 6.00% and 7.42% of the Group's total turnover respectively and recorded a net loss after taxation of approximately US\$1,854,000 and approximately US\$3,372,000 respectively, whereas the Remaining Group contributed about 94.00% and about 92.58% of the Group's total turnover respectively and recorded a net profit after taxation of approximately US\$15,316,000 and approximately US\$11,664,000 respectively.

The Board (excluding the members of the Independent Board Committees who will provide their views after considering the advice of the Independent Financial Adviser) considers that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Upon Disposal Completion, the principal business of the Remaining Group will be apparel and bags manufacturing, and all existing manufacturing facilities of the Group will remain in operation other than the footwear manufacturing facilities in the PRC and the Philippines which will be operated by Disposal Group III.

Listing Rules implications of the Disposal Agreement

As certain applicable percentage ratios for the Disposal Agreement are more than 25% but less than 75%, the Disposal Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

In addition, as the Disposal Purchaser is wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Possible CCT

On 25 October 2016 (after trading hours), the Disposal Vendor and certain members of the Disposal Group entered into the Possible CCT, namely, (i) the Master Logistics Agreement pursuant to which Disposal Company IV and its subsidiaries shall provide freight forwarding and logistics services to the Group; (ii) the Master IT Agreement pursuant to which DGLT shall provide information technology services to the Group; and (iii) the Lease Agreement pursuant to which DGLT shall lease back the Factory to the Group. Subject to the Disposal Completion having taken place, the term of the Possible CCT shall commence on the Disposal Completion Date.

1. Master Logistics Agreement

The principal terms of the Master Logistics Agreement are as follows:

Parties: Disposal Vendor; and

Disposal Company IV

Term: Subject to Disposal Completion having taken place, the term of the Master Logistics Agreement shall commence on the Disposal Completion Date for a term of three years. A party may terminate the Master Logistics Agreement by giving the other party not less than three months written notice in advance.

Subject matter: Disposal Company IV and its subsidiaries (“**CTSI Group**”) shall provide freight forwarding and logistics services including but not limited to operations, pick-up services and transportations services (“**Logistics Services**”) to the Group from time to time.

The fees to be charged by CTSI Group for the Logistics Services shall be on normal commercial terms and shall be determined by the Group and CTSI Group on a case-by-case basis and on an arm’s length basis. Such fees shall be determined based on industry practice and shall be comparable to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

Definitive terms of each transaction as contemplated under the Master Logistics Agreement shall be governed by the provisions of written agreements to be entered into by relevant members of the Group and CTSI Group.

Annual caps: The aggregate fees payable by the Group for the Logistics Services shall not exceed US\$260,000 for the three months ending 31 December 2016 and shall not exceed US\$924,289, US\$1,152,903 and US\$1,383,349 for the year ending on 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

Proposed annual caps in respect of the Master Logistics Agreement

The proposed annual caps as set out above have been determined with reference to the historical transactions between CTSI Group and the other members of the Group and based on industry practice with reference to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

Reasons for and benefits of the Master Logistics Agreement

The Group currently uses the freight forwarding and logistics services provided by Disposal Group IV for transportation of its products. Upon Disposal Completion, the Remaining Group would be principally engaged in apparel and bags manufacturing and the Directors propose to continue to use the freight forwarding and logistics services to be provided by Disposal Group IV for the purpose of transporting its apparel and bags products in Hong Kong, the Philippines, Cambodia, Vietnam and the United States of America, etc., subject to the relevant terms of such services being more favourable than or at least the same as those provided by other parties.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees who will provide their views after considering the advice of the Independent Financial Adviser) considers that: (i) the terms of the Master Logistics Agreement are fair and reasonable and on normal commercial terms; (ii) the Master Logistics Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Master Logistics Agreement

by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Master Logistics Agreement and have abstained from voting in the Board resolutions approving the same.

2. *Master IT Agreement*

The principal terms of the Master IT Agreement are as follows:

Parties: The Disposal Vendor; and

DGLT

Term: Subject to Disposal Completion having taken place, the term of the Master IT Agreement shall commence on the Disposal Completion Date for a term of three years. A party may terminate the Master IT Agreement by giving the other party not less than three months written notice in advance.

Subject matter: DGLT shall provide information technology services including but not limited to leasing of computers and telephones, technical support on network and email system, web and server hosting, and data and telephone lease line management ("**IT Services**") to the Group from time to time.

The fees to be charged by DGLT for the IT Services shall be on normal commercial terms and shall be determined by the Group and DGLT on a case-by-case basis and on an arm's length basis. Such fees shall be determined based on the costs involved and the actual amount of work done.

Definitive terms of each transaction as contemplated under the Master IT Agreement shall be governed by the provisions of written agreements to be entered into by relevant members of the Group and DGLT.

Annual caps: The aggregate fees payable by the Group for the IT Services shall not exceed US\$64,000 for the three months ending 31 December 2016 and shall not exceed US\$255,000 for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

Proposed annual caps in respect of the Master IT Agreement

The proposed annual caps as set out above have been determined with reference to the historical transactions between DGLT and the other members of the Group and based on industry practice with reference to the prevailing market rates, having regard to the costs involved and the actual amount of work done.

Reasons for and benefits of the Master IT Agreement

The computers, telephones, network and email system, web and server hosting, and data and telephone lease line currently used by the Group (collectively, the “**System and Lease Line**”) are owned/leased by DGLT, being a member of the Disposal Group III, pursuant to certain lease line agreements between DGLT and the lease line service providers. Upon Disposal Completion, DGLT will cease to be a subsidiary of the Company and the Remaining Group will continue to use the System and Lease Line pursuant to the Master IT Agreement.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees who will provide their views after considering the advice of the Independent Financial Adviser) considers that: (i) the terms of the Master IT Agreement are fair and reasonable and on normal commercial terms; (ii) the Master IT Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Master IT Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan’s brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Master IT Agreement and have abstained from voting in the Board resolutions approving the same.

3. Lease

The Lease Agreement shall take effect subject to and upon the Disposal Completion. The Disposal Vendor (“**Tenant**”) and DGLT (“**Landlord**”) shall, as soon as practicable after signing of the Lease Agreement, enter into any formal or supplemental lease agreement(s) in respect of the leasing of the Factory contemplated under the Lease Agreement as required by any applicable laws, rules and regulations in the PRC (“**Lease**”).

The principal terms of the Lease shall be as follows:

Landlord:	DGLT
Tenant:	The Disposal Vendor
Property:	Factory nos. 3, 4 and 6 of the Factory with a total area of approximately 57,624 square meters
Dormitory:	Dormitory located in the Factory
Shared facilities:	Canteen, restaurant, medical room and recreational room of approximately 6,483 square meters located in the Factory (“ Shared Facilities ”)
Term:	Subject to the Disposal Completion having taken place, the term of the Lease shall commence on Disposal Completion Date for a term of three years. The Tenant or the Landlord may terminate the Lease by giving the other party not less than six months written notice in advance.

Rent and Management fee: The Tenant shall pay the Landlord monthly rent of RMB11 per square meter and monthly management fee for the leasing of the Factory.

The rent and management fee and fees for usage of the dormitory and Shared Facilities payable by the Remaining Group would be determined by reference to the market rate for similar premises in similar location.

Utilities: The Tenant shall pay the Landlord all actual charges for utilities consumed on or in the premises occupied by the Tenant as set out in the invoices to be provided by the Landlord to the Tenant and the Landlord shall pay such charges to the utilities providers.

Proposed annual caps in respect of the Lease Agreement

The aggregate rent payable by the Group under the Lease Agreement shall not exceed US\$810,000 for the three months ending 31 December 2016 and shall not exceed US\$3,240,000 for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

The proposed annual caps as set out above have been determined with reference to the historical rent paid by the Group in respect of the Factory and with reference to the prevailing market rent for similar properties in similar location.

Reasons for and benefits of the Lease Agreement

The Factory is currently used by the Group as manufacturing premises and is owned by DGLT. Upon Disposal Completion, DGLT will cease to be a subsidiary of the Company.

Given that the relocation of the existing manufacturing facilities and staff would involve costs and potential loss of labour, the Directors propose to continue its manufacturing operations in the Factory subject to the terms of the relevant leases being more favourable than or at least the same as those offered by other landlords and subject to the Group's needs and operation plans in the future.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees who will provide their views after considering the advice of the Independent Financial Adviser) considers that: (i) the terms of the Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the Lease Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Lease Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Lease Agreement and abstained from voting on the Board resolutions approving the same.

Existing CCT

1. Existing Shipping Agreement and Existing Freight Master Agreement

As disclosed in the Company's announcement dated 22 December 2014, the Group has entered into the Existing Shipping Agreement with MELL relating to Disposal Group IV's provision of shipping agency services to MELL; and the Existing Freight Master Agreement with Tan Holdings and Helmsley in respect of Disposal Group IV's provision of freight services to Tan Holdings and Helmsley and their respective subsidiaries other than the Company and its subsidiaries. MELL is owned as to 45% by Luen Thai Enterprises Limited, which is in turn controlled by Mr. Tan. Tan Holdings is owned as to 20% by Mr. Tan and as to 39% by Leap Forward Limited. Mr Tan together with his father Dr. Tan Siu Lin, an executive Director, control the board of directors of Leap Forward Limited. Helmsley is beneficially owned as to 55% by Mr. Tan. Each of MELL, Tan Holdings and Helmsley is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the transactions under the Existing Shipping Agreement and Existing Freight Master Agreement are between Disposal Group IV and companies controlled by Mr. Tan (which are not members of the Group) and the companies comprising Disposal Group IV will cease to be subsidiaries of the Company upon Disposal Completion, the transactions under the Existing Shipping Agreement and Existing Freight Master Agreement will cease to be continuing connected transaction of the Company upon Disposal Completion.

2. Existing Technological Support Services Agreement

As disclosed in the Company's announcement dated 15 December 2015, the Group has entered into the Existing Technological Support Services Agreement with Helmsley (for itself and on behalf of the Helmsley Group) in respect of Helmsley Group's provision of technological support services to the Group. The aggregate fees to be paid by the Group for each of the three years ending on 31 December 2018 is expected to amount to US\$2,400,000, US\$2,400,000 and US\$2,400,000 respectively. Helmsley is beneficially owned as to 55% by Mr. Tan. Helmsley is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the nature of the transactions under the Existing Technological Support Services Agreement is similar to that under the Master IT Agreement and given the relationships of the relevant parties as set out above, the annual caps of the Existing Technological Support Services Agreement would be aggregated with those of the Master IT Agreement for the purpose of Chapter 14A of the Listing Rules.

3. Existing Lease Arrangements Agreement

As disclosed in the Company's announcement dated 15 December 2015, the Group has entered into the Existing Lease Arrangements Agreement with Tan Holdings (for itself and on behalf of the Tan Holdings Group) and Helmsley (for itself and on behalf of the Helmsley Group) in respect of the leasing of properties between the Group and members of the Tan Private Group, namely, L&T Group, L&T Guam, Quanzhou Luen Thai Real Estate Development Co Ltd and LTID. The aggregate annual rental payable by the Group to the Tan Private Group under the Existing Lease Arrangements Agreement for each of the three years ending on 31 December 2018 is expected to amount to US\$1,900,000, US\$1,900,000 and US\$1,900,000 respectively; and the aggregate annual

rental payable by the Tan Private Group to the Group under the Existing Lease Arrangements Agreement for each of the three years ending on 31 December 2018 is expected to amount to US\$100,000, US\$100,000 and US\$100,000 respectively.

L&T Group is a wholly-owned subsidiary of Tan Holdings. In turn, Tan Holdings is owned as to 20% by Mr. Tan and as to 39% by Leap Forward Limited, a company incorporated in the Bahamas. Mr. Tan together with his father Dr. Tan Siu Lin, an executive Director, control the board of directors of Leap Forward Limited. L&T Group is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

L&T Guam is a wholly-owned subsidiary of Tan Holdings. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited, which is in turn wholly-owned by Helmsley. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

LTID is indirectly owned by Dr. Tan Siu Lin, an executive Director. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the nature of the transactions under the Existing Lease Arrangements Agreement is similar to that under the Lease Agreement and given the relationships of the relevant parties as set out above, the annual caps of the Existing Lease Arrangements Agreement would be aggregated with those of the Lease Agreement for the purpose of Chapter 14A of the Listing Rules.

Listing Rules Implications of the Existing CCT and the Possible CCT

Upon Disposal Completion, members of the Disposal Group will cease to be subsidiaries of the Company and will become subsidiaries of the Disposal Purchaser. As the Disposal Purchaser is wholly-owned by Helmsley which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and members of the Disposal Group, being subsidiaries of the Disposal Purchaser upon Disposal Completion, will also be connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Possible CCT will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the respective aggregate annual caps for (i) the Existing Technological Support Services Agreement and the Master IT Agreement and (ii) the Existing Lease Arrangements Agreement and the Lease Agreement exceeds 0.1% but is less than 5%, the Existing Technological Support Services Agreement, the Existing Lease Arrangements Agreement and the Possible CCT are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Takeovers Code Implications of the Disposal Agreement and the Possible CCT

Each of the Disposal Agreement and the Possible CCT also constitutes a special deal in relation to the Offer under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent to proceed with the transactions contemplated under the Disposal Agreement and the Possible CCT. Such consent, if granted, will be subject

to (i) the opinion of the independent financial adviser that the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT are fair and reasonable; and (ii) the approval of the transactions contemplated under the Disposal Agreement and the Possible CCT by the Disinterested Shareholders by way of poll at the EGM.

It is proposed that, subject to approval from the Independent Shareholders in accordance with the Listing Rules and satisfaction of all the conditions precedent, Disposal Completion shall take place and subject to the Disposal Completion having taken place, the term of the Possible CCT shall commence regardless of whether the Offer is made or not and regardless of the results of the Offer.

Voting on Board Resolutions in Relation to the Disposal Agreement and the Possible CCT

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they abstained from voting on the relevant Board resolutions.

PART D: SPECIAL DIVIDENDS

Subject to Disposal Completion having taken place and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of not less than HK\$0.82 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Disposal Special Dividend Record Date which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects. The payment of the Disposal Special Dividend will be funded by the net proceeds of the Disposal and will be out of the Company's retained earnings and share premium.

As the Disposal Special Dividend Record Date will be a date prior to the date when the Offer becomes or is declared unconditional in all respects, (a) Shareholders who accept the Offer will continue to be entitled to the Disposal Special Dividend in respect of the Shares held by them on the Disposal Special Dividend Record Date, and (b) the Offeror will not be entitled to the Disposal Special Dividend in respect of any Shares as regards which the Offer is accepted. An announcement will be made by the Company of the date to be fixed for the meeting of the Board at which the Disposal Special Dividend is proposed to be declared.

Subject to the Offer having been made and declared to be unconditional and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of HK\$0.749 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Offer Special Dividend Record Date which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects. The payment of the Offer Special Dividend will be funded by the Group's excess cash and will be out of the Company's retained earnings and share premium.

As the Offer Special Dividend Record Date will be a date prior to the date when the Offer becomes or is declared unconditional in all respects, (a) Shareholders who accept the Offer will continue to be entitled to the Offer Special Dividend in respect of the Shares held by them on the Offer Special Dividend Record Date, and (b) the Offeror will not be entitled to the Offer

Special Dividend in respect of any Shares as regards which the Offer is accepted. An announcement will be made by the Company of the date to be fixed for the meeting of the Board at which the Offer Special Dividend is proposed to be declared.

Any person who purchases Shares intending to become entitled to the Special Dividends is reminded that they will need to ensure that his or her name is registered on the register of members of the Company on or before the relevant record dates for those dividends.

PART E: ENTITLEMENTS OF THE SHAREHOLDERS

Assuming the Offer is made and becomes unconditional, each Shareholder:

- (a) will receive a payment of HK\$1.80 in cash for every Share in respect of which that Shareholder validly accepts the Offer (which will be paid to that Shareholder net of seller's ad valorem stamp duty arising therefrom);
- (b) in respect of that Shareholder's Shares for which the Offer is not accepted, will have the opportunity of retaining an interest in the Company which it is the intention of the Offeror will maintain the listing of the Shares on the Stock Exchange, and which will become a member of the Offeror Group;
- (c) if its name appears on the register of members of the Company on the Disposal Special Dividend Record Date, will be entitled to the Disposal Special Dividend of not less than HK\$0.82 in cash for every Share which that Shareholder holds as at the Disposal Special Dividend Record Date (if the Disposal Special Dividend is declared and becomes unconditional), whether or not the Offer is made or becomes unconditional and whether or not that Shareholder accepts the Offer in respect of any or all of his Shares; and
- (d) if its name appears on the register of members of the Company on the Offer Special Dividend Record Date, will be entitled to the Offer Special Dividend of HK\$0.749 in cash for every Share which that Shareholder holds as at the Offer Special Dividend Record Date (if the Offer Special Dividend is declared and becomes unconditional), whether or not that Shareholder accepts the Offer in respect of any or all of his Shares.

PART F: GENERAL

1. EGM

The EGM will be convened (i) for the Disinterested Shareholders to consider and, if thought fit, to approve the Disposal Agreement and the Possible CCT both as special deals under the Takeovers Code in relation to the Offer; (ii) for the Independent Shareholders to consider and, if thought fit, to approve the Disposal Agreement as a notifiable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, regardless of whether the resolution in (i) above is approved by the Disinterested Shareholders at the EGM; (iii) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Disposal Special Dividend subject to Disposal Completion; and (iv) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Offer Special Dividend subject to the Offer having been made and declared to be unconditional. For the avoidance of doubt, in the event that the resolution in (i) above is not approved by the Disinterested Shareholders at the EGM and the

resolution in (ii) above is approved by the Independent Shareholders at the EGM, Disposal Completion shall take place subject to the fulfillment of the other Disposal Conditions notwithstanding that the Offer may have lapsed.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they and their respective concert parties and associates will abstain from voting at the EGM on the relevant resolutions.

As at the date of this Announcement, Dr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny together with their respective concert parties and associates controlled in aggregate 726,625,000 Shares (representing approximately 70.27% of the issued share capital of the Company).

2. Independent Board Committees

The LR Independent Board Committee has been established to consider the terms of the Disposal Agreement and to advise the Independent Shareholders on whether the Disposal Agreement is in the interests of the Company and the Shareholders as a whole and whether the terms of the Disposal Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. The LR Independent Board Committee comprises all the independent non-executive Directors.

The Code Independent Board Committee has been established for the purpose of making a recommendation to (i) the Disinterested Shareholders as to whether the terms of the Disposal Agreement and the Possible CCT are fair and reasonable and the voting action that should be taken; and (ii) the Shareholders as to whether the Offer is fair and reasonable and as to acceptance. The Code Independent Board Committee comprises all the non-executive Directors (other than Mr. Tan Willie) and all the independent non-executive Directors. Mr. Tan Willie, being a member of the same family as Mr. Tan, is considered to be materially interested in the Disposal Agreement and the Possible CCT and is therefore excluded from the Code Independent Board Committee.

3. Independent Financial Adviser

An independent financial adviser will be appointed by the Company (with approval from the Independent Board Committees) to advise the LR Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement as a notifiable transaction and a connected transaction under the Listing Rules and to advise the Code Independent Board Committee in relation to the Offer and the Disposal Agreement and the Possible CCT as special deals under the Takeovers Code.

4. Information of the Group

The Group is principally engaged in apparel and accessories manufacturing, retail sales and trading of apparel and accessories and the business of freight forwarding and logistics and real estate development.

5. Trading halt and resumption of trading

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 26 October 2016 pending the release of this Announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 27 October 2016.

6. Dealings disclosure

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 to the Takeovers Code)) of the Company and the Offeror are hereby reminded to disclose their dealings in Shares pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNING: AS THE MAKING OF THE OFFER IS SUBJECT TO THE SATISFACTION OR WAIVER (AS APPLICABLE) OF THE PRE-CONDITIONS, THE OFFER IS A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE. THE MAKING OF THE OFFER DEPENDS ON THE SATISFACTION OR WAIVER (AS APPLICABLE) OF THE PRE-CONDITIONS.

COMPLETION OF THE OFFER WILL BE SUBJECT TO THE CONDITIONS BEING FULFILLED OR WAIVED (AS APPLICABLE) AND THE OFFER BECOMING UNCONDITIONAL. ACCORDINGLY, THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE OFFER WILL BE CLOSED. THE TRANSACTIONS CONTEMPLATED BY THE DISPOSAL AGREEMENT AND THE POSSIBLE CCT MAY OR MAY NOT PROCEED.

SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

DEFINITIONS

In this Announcement, the following terms have the meanings set out below, unless the context requires otherwise:

“acting in concert”	has the meaning given to it in the Takeovers Code
“Announcement”	this joint announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday or Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Circular”	the circular to be despatched to the Shareholders containing, among others, (i) details of the Disposal Agreement and the Possible CCT; (ii) the recommendation of the Independent Board Committees in respect of the Disposal Agreement and, in the case of the Code Independent Board Committee, also the Possible CCT; (iii) the advice from the Independent Financial Adviser in respect of the Disposal Agreement and the Possible CCT; and (iv) a notice convening the EGM
“Code Independent Board Committee”	the independent committee of the Board (comprising Mr. Lu Chin Chu, Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the non-executive Directors (excluding Mr. Tan Willie) and all the independent non-executive Directors) established for the purpose of advising the Shareholders in respect of the Offer and the Disinterested Shareholders in respect of the Disposal Agreement and the Possible CCT pursuant to the requirements of the Takeovers Code
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 311)
“Composite Document”	the composite offer and response document to be issued, subject to satisfaction or waiver (as applicable) of the Pre-Conditions, by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, details of the Offer and enclosing the acceptance and transfer forms in respect of the Offer, as may be revised or supplemented as appropriate
“concert parties”	in respect of a person, persons acting in concert with such a person
“Conditions”	the conditions of the Offer, as set out under the section headed “Conditions of the Offer” in Part A of this Announcement
“connected person”	has the meaning given to it under the Listing Rules

“controlling shareholder”	has the meaning given to it under the Listing Rules
“Despatch Date”	the date of despatch of the Composite Document to the Shareholders as required by the Takeovers Code
“DGLT”	Dongguan Luen Thai Garment Co. Ltd. (東莞聯泰製衣有限公司), a company established in the PRC
“Director(s)”	director(s) of the Company
“Disinterested Shareholders”	the Shareholders other than (i) the Offeror and persons acting in concert with it (for the avoidance of doubt, Disinterested Shareholders include any member of the HSBC group in respect of Shares (1) of its non-discretionary investment clients when such client (a) has control over whether to vote and/or accept the Offer in regards to those Shares (as applicable), (b) if those Shares are to be voted and/or if the Offer is to be accepted in regards to those Shares, gives instructions to vote them and/or accept the Offer in regards to them (as applicable), and (c) is not the Offeror or a person acting in concert with it; and (2) held by exempt fund managers recognised as such for the purpose of the Takeovers Code); and (ii) those who are involved or interested in the Disposal Agreement or the Possible CCT (including Mr. Tan, Dr. Tan Siu Lin, Mr. Tan Willie, Mr. Tan Cho Lung Raymond and Mr. Sunny Tan together with their respective concert parties and associates)
“Disposal”	sale of the entire issued share capital of each of the Disposal Companies by the Disposal Vendor to the Disposal Purchaser as contemplated under the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement relating to the Disposal, dated 25 October 2016 and entered into between the Disposal Vendor and the Disposal Purchaser
“Disposal Businesses”	the businesses of (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics and (iv) real estate development currently conducted by the Group through the Disposal Companies
“Disposal Companies”	Disposal Company I, Disposal Company II, Disposal Company III and Disposal Company IV
“Disposal Company I”	Wisely Global Limited, a company incorporated in the BVI with limited liability
“Disposal Company II”	Shiny New Limited, a company incorporated in the BVI with limited liability
“Disposal Company III”	Luen Thai Industrial Company Limited, a company incorporated in the BVI with limited liability

“Disposal Company IV”	CTSI Holdings Limited, a company incorporated in the BVI with limited liability
“Disposal Completion”	completion of the sale and purchase of the Disposal Sale Shares pursuant to the Disposal Agreement
“Disposal Completion Date”	the date on which Disposal Completion takes place in accordance with the Disposal Agreement
“Disposal Conditions Fulfilment Date”	31 December 2016 or such other date as the Disposal Vendor and the Disposal Purchaser may agree in writing
“Disposal Consideration”	the total consideration for Disposal Sale Shares
“Disposal Group”	Disposal Group I, Disposal Company II, Disposal Group III and Disposal Group IV
“Disposal Group I”	Disposal Company I and its subsidiaries upon completion of the Reorganisation
“Disposal Group III”	Disposal Company III and its subsidiaries upon completion of the Reorganisation
“Disposal Group IV”	Disposal Company IV and its subsidiaries upon completion of the Reorganisation
“Disposal Properties”	the properties referred to in this announcement under the heading “Information on the Disposal Properties”, which are currently owned by the Disposal Group
“Disposal Purchaser”	Torpedo Management Limited, a company incorporated with limited liability in the BVI and a connected person of the Company
“Disposal Sale Shares”	the entire issued share capital of each of the Disposal Companies
“Disposal Special Dividend”	the conditional special interim cash dividend of not less than HK\$0.82 per Share which it is intended will be declared by the Board, as described in the section headed “Part D Special Dividends” in this Announcement
“Disposal Special Dividend Record Date”	the record date, which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects, for the purpose of determining the entitlement of the Shareholders to receive the Disposal Special Dividend
“Disposal Vendor”	Luen Thai Overseas Limited, a company incorporated in Bahamas with limited liability and a wholly-owned subsidiary of the Company

“EGM”	an extraordinary general meeting of the Company to be convened (i) for the Disinterested Shareholders to consider and, if thought fit, to approve the Disposal Agreement and the Possible CCT both as special deals under the Takeovers Code in relation to the Offer; (ii) for the Independent Shareholders to consider and, if thought fit, to approve the Disposal Agreement as a notifiable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, regardless of whether the resolution in (i) above is approved by the Disinterested Shareholders at the EGM; (iii) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Disposal Special Dividend subject to Disposal Completion; and (iv) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Offer Special Dividend subject to the Offer having been made and declared to be unconditional
“Estimated Value”	the aggregate of (i) the value of the property interest held by Disposal Company II as stated in the unaudited management account of Disposal Company II as at 30 June 2016; (ii) the value of the land and properties held by Disposal Group III as stated in the unaudited management accounts of Disposal Group III, and (iii) the estimated fair value of the business of Disposal Group IV as at 30 June 2016
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing CCT”	the Existing Shipping Agreement, the Existing Freight Master Agreement, the Existing Technological Support Services Agreement and the Existing Lease Arrangements Agreement
“Existing Freight Master Agreement”	the freight master agreement dated 22 December 2014 entered into between the Group, Tan Holdings and Helmsley in respect of Disposal Group IV’s provision of freight services, the details of which are set out in the Company’s announcement dated 22 December 2014
“Existing Lease Arrangements Agreement”	the master agreement dated 15 December 2015 entered into between the Disposal Vendor, Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group, the details of which are set out in the Company’s announcement dated 15 December 2015
“Existing Shipping Agreement”	the master agreement dated 22 December 2014 entered into between certain members of the Group and Helmsley in respect of Disposal Group IV’s provision of shipping agency services, the details of which are set out in the Company’s announcement dated 22 December 2014

“Existing Technological Support Services Agreement”	the master agreement dated 15 December 2015 entered into between the Disposal Vendor and Helmsley pursuant to which Helmsley and its subsidiaries agreed to provide technological support services to the Group, the details of which are set out in the Company’s announcement dated 15 December 2015
“Factory”	the industrial complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Funggang Town, Dongguan, Guangdong Province, the PRC
“Final Closing Date”	the date which is (i) the 14th day after the date on which the Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Offer will be open for acceptance for at least 21 days following the Despatch Date
“First Closing Date”	the date to be stated in the Composite Document as the first closing day of the Offer, which shall be at least 21 days following the date on which the Composite Document is posted, or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code
“Forms of Acceptance”	the forms of acceptance and transfer in respect of the Offer accompanying the Composite Document
“Group”	the Company and its subsidiaries (excluding, following Disposal Completion, the Disposal Companies) and the terms “Group Company” and “member of the Group” shall be construed accordingly
“Guam”	a Pacific Island and an unincorporated territory of the United States of America
“Helmsley”	Helmsley Enterprises Limited, a company incorporated in the Bahamas with limited liability
“Helmsley Group”	Helmsley and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and the Offeror Parent in relation to the Offer, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)

“Independent Board Committees”	the Code Independent Board Committee and the LR Independent Board Committee
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise (i) the Code Independent Board Committee in relation to the Offer and the Disposal Agreement and the Possible CCT as special deals for the purpose of the Takeovers Code; and (ii) the LR Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement as a notifiable transaction and a connected transaction under the Listing Rules
“Independent Shareholders”	the Shareholders other than those who have a material interest in the Disposal Agreement (within the meaning of the Listing Rules) or who are otherwise required to abstain from voting at the EGM under the Listing Rules
“Irrevocable Undertaking”	the irrevocable undertaking dated 26 October 2016 given by the Selling Parties to the Offeror and the Offeror Parent as described in Part B of this Announcement
“IU Shares”	the total of 520,849,598 Shares, comprising (1) 440,298,456 Shares held by Capital Glory Limited, representing approximately 42.58% of the issued share capital of the Company; (2) 43,546,001 Shares held by Hanium Industries Limited, representing approximately 4.21% of the issued share capital of the Company; (3) 10,465,375 Shares held by Double Joy Investments Limited, representing approximately 1.01% of the issued share capital of the Company; (4) 4,659,243 Shares held by Wincare International Company Limited, representing approximately 0.45% of the issued share capital of the Company; (5) 18,852,014 Shares held by Tan Siu Lin Foundation Limited, representing approximately 1.82% of the issued share capital of the Company; (6) 2,080,890 Shares held by Ms. Cynthia Yiu, representing approximately 0.20% of the issued share capital of the Company (among which 200,000 Shares were held in the joint account name of Ms. Cynthia Yiu and her son Mr. Justin Tan); (7) 716,807 Shares held by Hampton Asset Limited, representing approximately 0.07% of the issued share capital of the Company; and (8) 230,812 Shares held by Mr. Sunny Tan, representing approximately 0.02% of the issued share capital of the Company
“Last Trading Date”	25 October 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of this Announcement pursuant to Rule 3.5 of the Takeovers Code
“Lease Agreement”	the lease agreement in respect of the Factory dated 25 October 2016 and entered into by DGLT as landlord and the Disposal Vendor as tenant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Lock-up Period”	the period from the date of completion of the transfer of the IU Shares from the Selling Shareholders to the Offeror to the date of the publication of the third annual report of the Company after completion of such transfer of the IU Shares
“Long Stop Date”	30 June 2017 or any later date as the Offeror may determine and announce
“LR Independent Board Committee”	the independent committee of the Board (comprising Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Disposal Agreement pursuant to the requirements of the Listing Rules
“LTID”	Luen Thai International Development Limited, a company incorporated under the laws of Hong Kong
“L&T Group”	L&T Group of Companies, Ltd., a company incorporated under the laws of Commonwealth of Northern Mariana Islands
“L&T Guam”	L&T (Guam) Corporation, a company incorporated under the laws of Guam
“Master Logistics Agreement”	the agreement in relation to the freight forwarding and logistics services dated 25 October 2016 and entered into by the Disposal Vendor and Disposal Company IV
“Master IT Agreement”	the agreement in relation to the information technology services dated 25 October 2016 and entered into by the Disposal Vendor and DGLT
“MELL”	Mariana Express Lines Ltd., a company incorporated in the BVI with limited liability
“Mr. Tan”	Dr. Tan Henry, an executive Director and controlling shareholder of the Company as at the date of this Announcement
“Offer”	the pre-conditional voluntary cash general offer by HSBC on behalf of the Offeror to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price and any subsequent revision or extension of such offer
“Offer Period”	has the meaning given to it under the Takeovers Code, being the period from the date of this Announcement until the latest of: (1) the date when the Offer closes for acceptances (i.e. the Final Closing Date); (2) the date when the Offer lapses; (3) the time when the Offeror announces that the Offer will not proceed; and (4) the date when an announcement is made of the withdrawal of the Offer
“Offer Price”	the price per Offer Share payable in cash by the Offeror on the terms of the Offer
“Offer Shares”	the Shares which are subject to the Offer

“Offer Special Dividend”	the conditional special interim cash dividend of HK\$0.749 per Share which is intended to be declared by the Board, as described in the section headed “Part D Special Dividends” in this Announcement
“Offer Special Dividend Record Date”	the record date, which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects, for the purpose of determining the entitlement of the Shareholders to receive the Offer Special Dividend
“Offeror”	Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司), a company incorporated in Hong Kong with limited liability and which is an indirect wholly-owned subsidiary of the Offeror Parent
“Offeror Group”	the Offeror Parent and its subsidiaries
“Offeror Parent”	Shangtex Holding Co., Ltd.* (上海紡織(集團)有限公司), a company incorporated in the PRC with limited liability which indirectly holds 100% shareholdings in the Offeror
“percentage ratios”	has the meaning given to it under the Listing Rules
“Possible CCT”	the Master Logistics Agreement, the Master IT Agreement and the Lease Agreement
“Pre-Conditions”	the pre-conditions to the making of the Offer, as set out under the section headed “Pre-Conditions to the Offer” in Part A of this Announcement
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this Announcement, except where the context otherwise requires, does not include Hong Kong, the Macau Special Administrative Region or Taiwan
“Relevant Authorities”	means relevant governments, governmental and/or quasi-governmental bodies, statutory and/or regulatory bodies, courts or institutions
“Remaining Group”	the Company and its subsidiaries upon Disposal Completion
“Remaining Shares”	205,775,402 Shares which are held by the Selling Shareholders and are not the IU Shares
“Reorganisation”	the reorganisation to be effected by the Disposal Vendor for the purpose of forming the Disposal Group
“RMB”	Renminbi, the lawful currency of the PRC
“Selling Parties”	the Selling Shareholders and Mr. Tan

“Selling Shareholders”	(1) Capital Glory Limited; (2) Hanium Industries Limited; (3) Double Joy Investments Limited; (4) Wincare International Company Limited; (5) Tan Siu Lin Foundation Limited; (6) Ms. Cynthia Yiu; (7) Mr. Justin Tan; (8) Hampton Asset Limited; and (9) Mr. Sunny Tan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai SASAC”	the State-owned Assets Supervision and Administration Commission of the Shanghai Municipal Government
“Shareholders”	holders of Shares
“Shares”	ordinary shares of US\$0.01 each in the issued share capital of the Company
“Special Dividends”	the Disposal Special Dividend and the Offer Special Dividend
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it under the Listing Rules
“substantial shareholder”	has the meaning given to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tan Holdings”	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands
“Tan Holdings Group”	Tan Holdings and its subsidiaries
“Tan Private Group”	Helmsley Group and Tan Holdings Group and their respective associates and concert parties (other than the Group)
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended
“Valuation”	the aggregate fair value of (i) the property interest held by Disposal Company II, (ii) the land and properties held by Disposal Group III; and (iii) the business of Disposal Group IV as at 30 June 2016 as stated in the valuation reports issued by an independent professional valuer and to be provided by the Disposal Vendor to the Disposal Purchaser prior to the Disposal Completion
“%”	per cent.

For the purpose of this Announcement, translations of United States dollars into Renminbi or vice versa have been calculated by using an exchange rate of US\$1.00 equal to RMB6.66. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

For the purpose of this Announcement, translations of United States dollars into Hong Kong dollars or vice versa have been calculated by using an exchange rate of US\$1.00 equal to HK\$7.75. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

Directors

As at the date of this Announcement, the executive Directors of the Company are Dr. Tan Siu Lin, Dr. Henry Tan, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne; the non-executive Directors of the Company are Mr. Tan Willie and Mr. Lu Chin Chu; and the independent non-executive Directors of the Company are Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than any information relating to the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than those expressed by the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statements in this Announcement misleading.

As at the date of this Announcement, the directors of the Offeror are Wang Guoming and Wang Liping and the directors of the Offeror Parent are Tong Jisheng, Shen Qing, Ma Yunya, Zhu Yong, Wu Guangyu, Liu Xiaoyun and Xu Wei. The directors of the Offeror and the directors of the Offeror Parent jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than any information relating to the Company or any of its associates or any parties acting in concert with any of them) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than those expressed by the Company or any of its associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statements in this Announcement misleading.

On behalf of the board
Shangtex (Hong Kong) Limited
Wang Guoming
Director

On behalf of the Board
Luen Thai Holdings Limited
Henry Tan
Director

Hong Kong, 26 October 2016

* For identification purpose only