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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

VOLUNTARY ANNOUNCEMENT IN RELATION TO ENTERING INTO JOINT VENTURE AGREEMENT AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF ASSETS

On 6 November 2019, On Time (a wholly-owned subsidiary of the Company), the Indian Parties, Texport and the JV Company entered into a JV Agreement in relation to the investment of On Time and the Indian Parties into the JV Company and the operation of the JV Company. The JV Company will carry out the business of manufacturing garments for customers in India and foreign markets and to service order from customers. Simultaneously to the execution of the JV Agreement, the JV Company and Texport entered into an Asset Transfer Agreement in relation to among other things, Texport has agreed to sell, and JV Company has agreed to purchase the Assets subject to the terms contained therein.

Pursuant to the JV Agreement, On Time will invest INR 193,800,000 (equivalent to approximately HK\$21,486,000) into the JV Company and the Indian Parties will invest in aggregate INR 186,200,000 (equivalent to approximately HK\$20,643,000) into the JV Company. Upon completion of the investment by On Time and the Indian Parties respectively, the JV Company will be held as to 51% of Partnership Interest by On Time and 49% Partnership Interest by the Indian Parties in aggregate respectively. The transactions under the Asset Transfer Agreement will complete after the completion of the investment by On Time and the Indian Parties into the JV Company in accordance with the JV Agreement and the fulfilment of other conditions precedents as provided under the Asset Transfer Agreement.

IMPLICATIONS OF THE LISTING RULES

JV Agreement

As all of the applicable percentage ratios (as defined under the Listing Rules) are less than 5%, the JV Agreement does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Asset Transfer Agreement

Upon Completion, the JV Company will be a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results. The Asset Transfer Agreement by the JV Company will constitute an acquisition of assets by the Company under the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) are more than 5% but all of such ratios are less than 25%, the Asset Transfer Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 6 November 2019, On Time (a wholly-owned subsidiary of the Company), the Indian Parties, Texport and the JV Company entered into a JV Agreement in relation to among other things, the investment of INR 193,800,000 (equivalent to approximately HK\$21,486,000) by On Time and an aggregate of INR 186,200,000 (equivalent to approximately HK\$20,643,000) by the Indian Parties into the JV Company. Upon completion of the investment by each of the JV Parties respectively, the JV Company will be held as to 51% of Partnership Interest by On Time and 49% Partnership Interest by the Indian Parties in aggregate respectively. The JV Company will carry out the business of manufacturing garments for customers in India and foreign markets and to service orders from customers.

JV AGREEMENT

The principal terms of the JV Agreement are set out below:

Date

6 November 2019

Parties:

- (1) On Time;
- (2) Indian Parties;

(3) Texport; and

(4) JV Company

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

Texport was incorporated in India and it is principally engaged in the business of manufacturing and exporting of woven and knitted apparel and knitted fabric.

The JV Company was incorporated in India and it is principally engaged in the business of manufacturing garments for customers in India and foreign markets and to service orders received from customers. The JV Company has no operation as at the date of this announcement.

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

Investment

Pursuant to the JV Agreement, On Time will invest INR 193,800,000 (equivalent to approximately HK\$21,486,000) into the JV Company and the Indian Parties will invest INR 186,200,000 (equivalent to approximately HK\$20,643,000) (i.e. each of the Indian Parties will invest INR 46,550,000 (equivalent to approximately HK\$5,160,750)) into the JV Company. Upon completion of the investment by On Time and the Indian Parties respectively, the JV Company will be held as to 51% of Partnership Interest by On Time and 49% Partnership Interest by the Indian Parties in aggregate respectively (i.e. each of the Indian Parties will hold 12.25%).

On Time will finance its investment into the JV Company by the internal resources of the Group.

The amount of investments into the JV Company were determined after arm's length negotiation between the parties on normal commercial terms with reference to the expected initial working capital, funding need for the future business development of the JV Company.

Completion

Completion shall take place on the Completion Date. Upon Completion, the JV Company will be a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

Upon completion, the Indian Parties will become connected persons at subsidiary level.

Management Committee Composition

Upon the transfer of the Partnership Interest, the JV Company shall have six Designated Partners in total, with three to be nominated by On Time, and three to be nominated jointly by the Indian Parties. The Designated Partners will act as members of the management committee of the JV Company and will manage the business and affairs of the JV Company.

JV Conditions Precedent

The investment into the JV Company is conditional upon the satisfaction of the following Conditions unless otherwise waived by On Time and the Indian Parties:

- (a) the Asset Transfer Agreement having been entered into by the JV Company and Texport;
- (b) the Sale Deed having been finalised in form and substance among On Time and each of the Indian Parties;
- (c) all parties to the JV Agreement having obtained all necessary consents and approval, including from relevant governmental authorities and third parties, for carrying out the transactions contemplated under the JV Agreement and for the business to be operated by the JV Company; and
- (d) where there are any revisions made to the Disclosure Schedule by either On Time or the Indian Parties after the signing of the JV Agreement, such party having addressed and resolved all concerns raised by the other party in relation to such revisions.

The parties to the JV Agreement will take all steps to promptly fulfil the Conditions by the Long Stop Date. If one or more Conditions have not been fulfilled or waived prior to the Long Stop Date, then either On Time or the Indian Parties (not being a party responsible for the non-fulfillment of the Conditions) shall be entitled to terminate the JV Agreement.

ASSET TRANSFER AGREEMENT

Date: 6 November 2019

Parties:

- (1) Texport (as seller); and
- (2) JV Company (as purchaser).

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

Assets to be transferred

Pursuant to the Asset Transfer Agreement, Texport has agreed to sell, and JV Company has agreed to purchase the Assets subject to the terms contained therein.

Consideration

The JV Company shall pay a sum of approximately INR 351,600,000 (equivalent to approximately HK\$38,980,000) in cash to Texport at Completion. The consideration for the Asset Transfer Agreement was determined by parties after arm's length negotiation with reference to a valuation report prepared by an independent valuer. The appraised value of the Assets by the independent valuer by using the market approach as at 18 January 2019 was approximately INR 351,600,000 (equivalent to approximately HK\$38,980,000). The consideration for the Asset Transfer Agreement will be funded by the initial capital contributed by On Time and the Indian Parties into the JV Company pursuant to the JV Agreement.

Asset Transfer Conditions Precedent

The completion of Asset Transfer Agreement is conditional upon the satisfaction of the following conditions and the JV Company and Texport shall use their best endeavours to comply with their respective conditions precedent on or before the Long Stop Date:

- (a) The JV Company shall satisfy the following conditions:
- a. the Designated Partners having passed the necessary resolutions approving the transactions contemplated under the Asset Transfer Agreement and authorising the execution of the Asset Transfer Agreement;
 - b. On Time having invested in the JV Company and holding at least 51% of partnership interest of the JV Company on the completion date of the Asset Transfer Agreement;
 - c. Narendra Goenka and Neeraj Goenka together with other family members having invested in the JV Company and holding at least 49% of the partnership interest of the JV Company;

- (b) Texport shall satisfy the following conditions:
- a. the board of directors and shareholders of Texport having passed the necessary resolutions approving the transactions contemplated under the Asset Transfer Agreement and authorising the execution of the Asset Transfer Agreement;
 - b. Texport having procured and obtained all necessary consents from relevant contracting parties for the transactions contemplated under the Asset Transfer Agreement as required by any loans, financing arrangements, or contracts entered into by Texport;
 - c. Texport obtained the necessary licenses and approval from relevant governmental authorities for the transactions contemplated under Asset Transfer Agreement; and
 - d. Texport having addressed and resolved all concerns raised by the JV Company in relation to any updates made to the Disclosure Schedule after the date of the Asset Transfer Agreement.

Completion of Asset Transfer Agreement

Completion of the Asset Transfer Agreement shall take place within 1 Business Day of the JV Company and Texport issuing a compliance notice to the other party, and such compliance notice should be issued forthwith upon compliance of their respective conditions referred to under the paragraph headed “Asset Transfer Conditions Precedent” above.

REASONS AND BENEFITS OF ENTERING INTO THE JV AGREEMENT AND ASSETS TRANSFER AGREEMENT

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

The Group has been actively seeking new investment opportunities that could create operating synergies and enhance its earning capability and potential. The Board considers that the investment into the JV Company will enable the Group to further diversify its production bases and broaden its income stream. Furthermore, by partnering with the Indian Parties, the Group can benefit from the Indian Parties’ extensive experience and resources in the garment manufacturing industry in the India. The Board considers that this mutual cooperation is in line with the Group’s business strategies and development and that the investment into the JV Company would be beneficial for the Group’s development in the long run.

The acquisition of the Assets also provides a favorable condition for the JV Company to commence its business, as the production facilities are ready for use upon the completion of the Asset Transfer Agreement.

The Board considers that the JV Agreement and the Asset Transfer Agreement were arrived after arm's length negotiations between the parties thereto, and is of the view that the terms of the JV Agreements and Asset Transfer Agreement are on normal commercial term and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at 31 March 2018, the unaudited net book value of the Assets was approximately INR 345,500,000 (equivalent to approximately HK\$38,304,000).

LISTING RULES IMPLICATIONS

JV Agreement

As all of the applicable percentage ratios (as defined under the Listing Rules) are less than 5%, the JV Agreement does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Asset Transfer Agreement

Upon Completion, the JV Company will be a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results. The Asset Transfer Agreement by the JV Company will constitute an acquisition of assets by the Company under the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) are more than 5% but all of such ratios are less than 25%, the Asset Transfer Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Asset Transfer Agreement”	the agreement to be entered into between Texport and the JV Company for the sale of the Assets owned by Texport to the JV Company
“Assets”	the Land, Factory and certain plant and equipment as stipulated in the Asset Transfer Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day of the year, other than Saturdays and Sundays and days when the banks located in Anantapur, Andhra Pradesh, India are closed for business

“Company”	Luen Thai Holdings Limited (stock code: 311), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the JV Agreement pursuant to the terms and conditions thereof on the Completion Date
“Completion Date”	such date as the parties to the JV Agreement shall mutually agree (and shall be within 10 business days from the receipt of notice of satisfaction issued by the JV Company according to the JV Agreement that all Conditions have been fulfilled, and such business day shall mean any days of the week (excluding Saturdays, Sundays and public holidays) on which commercial banks are open for business in Hyderabad, India, Mumbai, India and Hong Kong)
“Conditions”	the conditions stated under JV Conditions Precedent
“connected person”	has the meaning ascribed to it under the Listing Rules
“Designated Partners”	the partners to be designated by the JV Parties pursuant to the JV Agreement
“Director(s)”	the director(s) of the Company
“Disclosure Schedule”	the schedule separately provided by On Time and the Indian parties, expressly disclosing any exception to the representations and warranties provided by On Time and the Indian Parties respectively in the Asset Transfer Agreement
“Factory”	factory building erected at the Land
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“India”	the Republic of India
“Indian Parties”	Narendra Goenka, Neeraj Goenka, Arunkumar S. Goenka and Shailesh S. Goenka
“INR”	Indian Rupee, the lawful currency of India

“JV Agreement”	a Joint Venture Agreement dated 6 November 2019 entered into by On Time, Indian Parties, Texport and JV Company in relation to the investment into and the management of JV Company
“JV Company”	Unit 15 Apparels LLP, a limited liability partnership was incorporated under the laws of India
“JV Party”	On Time and the Indian Parties, individually and the term “ <i>JV Parties</i> ” shall mean On Time and the Indian Parties, collectively
“Land”	plot of land 261 situated at APIIC Industrial Growth Centre, Hindupur, Anantapur, Andhra Pradesh, bearing survey nos. 132-1 and 136-2, India
“Long Stop Date”	31 January 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“On Time”	On Time International Limited, a company incorporated in the British Virgin Islands with limited liability
“Partner”	a partner in the JV Company
“Partnership Interest”	the rights, title and interest of a Partner in the JV Company
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Sale Deed”	the agreement to be executed between Texport and the JV Company for the sale of the Factory by Texport to the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“subsidiary”	has the meaning ascribed to it under the Listing Rules

“Texport” Texport Industries Private Limited, a company incorporated in India with limited liability which are beneficially owned as to 34.15% by the Indian Parties and as to 65.85% by the family members of the Indian Parties

For reference only, an exchange rate of HK\$1 to INR 9.02 has been used for the conversion of Hong Kong dollars into Indian Rupee for the purpose of this announcement.

By Order of the Board
Chiu Chi Cheung
Company Secretary

Hong Kong, 6 November 2019

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

Executive Directors:

Shen Yaoqing (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

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

Qu, Zhiming

Mok Siu Wan, Anne

Non-executive Director:

Huang Jie

Independent Non-executive Directors:

Chan Henry

Seing Nea Yie

Wang Ching

Company's website: www.luenthai.com