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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

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

#### **THE DISPOSAL**

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

#### **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Disposal are more than 25% but all of such ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

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

A circular containing, amongst other things, further details of the Disposal and the other information is expected to be despatched to Shareholders on or before 8 January 2020 in compliance of the Listing Rules.

**As the Completion is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.**

## **THE DISPOSAL**

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

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **Date**

13 December 2019

### **Parties:**

- (1) The Seller (as seller); and
- (2) The Purchaser (as purchaser).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, each of the Purchaser and its UBO is an independent third party not connected with the Company and its connected persons.

### **Assets to be disposed of**

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

The Target is a company incorporated under the laws of British Virgin Islands and it is principally engaged in investment holding.

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

The principal assets of the Target Group are the Properties. The Properties comprise the land use right of approximately 71,095 square meters of state-owned industrial land and ownership of approximately 111,229 square meters of a main factory and several buildings situated at Tangxia, Dongguan, Guangdong Province of the PRC. Currently, certain portion of the properties are leased to an independent third party by the Target Group for rental income.

### **Consideration**

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

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

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

### **Condition Precedents**

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

- (i) all necessary approvals (if any) for the Agreement and all the transactions contemplated hereunder from the relevant governmental, statutory and regulatory authorities have been received by the Seller;

- (ii) approval of the Agreement and all the transaction contemplated hereunder by the respective board of directors (and where necessary, shareholders) of the Seller, Purchaser and the Target;

If any of the Conditions have not been satisfied on or before the Long Stop Date, then the Seller and Purchaser may (but without prejudice to any other right or remedy it may have) (a) waive the Conditions then unsatisfied in whole or in part and with or without condition, provided that any such waiver shall not result in a contravention of any applicable Laws; (b) postpone the Long Stop Date to a date (being a Business Day) falling not more than 30 Business Days after Long Stop Date; or (c) terminate the Agreement.

### **Completion**

The Completion shall take place on the Completion Date.

### **INFORMATION OF THE SELLER, GROUP AND THE PURCHASER**

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

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

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

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

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

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors consider that the Disposal represents an opportunity for the Group to realize cash flows and reduce the Group's debt ratio. The Directors are also of the view that the Disposal is in line with the intention of the Group to focus its resources to develop new production capabilities in diversified geographical locations.

Having taken into account the above reasons and benefits, the Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

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

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

## **INTENDED USE OF PROCEEDS**

The Directors expect that the net proceeds from the Disposal will be used as general working capital of the Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, as at the date of this announcement, no Shareholder has a material interest in the Disposal which would require it to abstain from voting at the EGM if it were convened to approve the Disposal. In lieu of holding an EGM, the Company has obtained written Shareholder's approval in respect of the Disposal from Shangtex which holds 730,461,936 Shares, representing approximately 70.64% of the

issued share capital of the Company as at the date of the written Shareholder's approval. Accordingly, no EGM is required to be convened for the purpose of approving the Disposal in accordance with Rule 14.44 of the Listing Rules.

A circular containing, amongst other things, further details of the Disposal and the other information is expected to be despatched to Shareholders on or before 8 January 2020 in compliance of the Listing Rules.

**As the Completion is subject to the satisfaction and/or waiver, where applicable, of the Conditions, the Disposal may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any securities of the Company.**

## **DEFINITIONS**

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

“Agreement”	the sale and purchase agreement dated 13 December 2019 entered into between the Seller and the Purchaser relating to the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“Company”	Luen Thai Holdings Limited (stock code: 311), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares
“Completion Date”	the second Business Day after the first date on which all the Conditions have been satisfied or waived
“Conditions”	the conditions stated under Condition Precedents
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of the sale and purchase of the Sale Shares, being RMB27,920,000 together with the repayment of the Loan, being approximately RMB142,400,000
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Sale Shares by the Seller to the Purchaser pursuant to the terms and conditions of the Agreement

“EGM”	an extraordinary general meeting of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the sum of approximately RMB142,400,000 owed by the Target Group to the Group as at 31 July 2019
“Long Stop Date”	31 December 2019
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Properties”	the land use right of approximately 71,095 square meters of state-owned industrial land and ownership of approximately 111,229 square meters of a main factory and several buildings situated at Tangxia, Dongguan, Guangdong Province of the PRC
“Purchaser”	SPRING EASE LIMITED, a company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target
“Seller”	Trinew Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“Shangtex”	Shangtex (Hong Kong) Limited, the controlling Shareholder
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Target”	Desk Top Bags (Mfg) Ltd, a company incorporated in the British Virgin Islands
“Target Group”	the Target and its subsidiaries
“UBO”	Wong Sze Ying, Chloe, being the ultimate beneficial owner of the Purchaser
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 13 December 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:*

Seing Nea Yie

Chan Henry

Wang Ching

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