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LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE SUBSCRIPTION AND THE PROVISION OF GUARANTEE TO A JOINT VENTURE COMPANY

THE SUBSCRIPTION AGREEMENT

The Board announced that on 18 February 2014, Sunny Force, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the JV Company, pursuant to which the JV Company shall allot and issue and Sunny Force shall subscribe for the Subscription Shares for a consideration of VND189 billion (equivalent to approximately US\$9 million or HK\$70 million).

PROVISION OF GUARANTEE

As a Condition Precedent under the Subscription Agreement, the Amended JVC shall be entered into among Sunny Force and the JV Remaining Shareholders. Under the Amended JVC, Sunny Force and certain JV Remaining Shareholders shall provide guarantee for the loans of the JV Company borrowed from financial institutions on a several basis with the total loan amount not exceeding US\$50 million (equivalent to approximately HK\$389 million). The Guarantee will be provided on a several basis and in proportion to the shareholding of Sunny Force in the JV Company.

IMPLICATION UNDER THE LISTING RULES

The Subscription, on a stand alone basis, does not constitute a discloseable transaction for the Company on the basis that none of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5%. The Subscription, when aggregated with the provision of Guarantee, constitutes a discloseable transaction for the Company on the basis that the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5% but is below 25%.

A. THE SUBSCRIPTION AGREEMENT

The Board announced that on 18 February 2014, Sunny Force, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the JV Company. The main terms of the Subscription Agreement are set out below.

Date: 18 February 2014

Parties: (a) Sunny Force

(b) JV Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the JV Company and its ultimate beneficial owners are Independent Third Parties.

The Subscription Shares:

Pursuant to the Subscription Agreement, Sunny Force shall subscribe for and the JV Company shall allot and issue to Sunny Force the Subscription Shares, representing approximately 33.34% of the Increased Charter Capital (including the Subscription).

As at the date of this announcement, the charter capital of the JV Company is VND252 billion (equivalent to approximately HK\$93 million) and is divided into 25,200,000 ordinary shares and is owned as to 40%, 40%, 10% and 10% by Thien Nam Investment and Development Joint Stock Company ("Thien Nam"), Sunrise (Shengzhou) Textiles Co., Ltd. ("Sunrise"), Itochu Textile Prominent (Asia) Co., Ltd. ("Itochu") and Ms. Tran Yen Linh ("Ms. Linh"), respectively. As a Condition Precedent under the Subscription Agreement, the Amended Charter shall be entered into among Sunny Force and the JV Remaining Shareholders, pursuant to which, amongst other things, the charter capital of the JV Company will be increased to VND567 billion (equivalent to approximately HK\$210 million) by way of issuance of 31,500,000 new ordinary shares of the JV Company. Apart from the Subscription, each of Thien Nam and Smart Shirts Limited ("Smart Shirts") will subscribe 6,300,000 shares of JV Company respectively. Upon Completion, the JV Company shall be owned as to approximately 33.34%, 28.89%, 17.78%, 4.44%, 4.44% and 11.11% by Sunny Force, Thien Nam, Sunrise, Itochu, Ms. Linh and Smart Shirts, respectively (the "New Shareholding Structure").

Consideration:

The Consideration shall be VND189 billion (equivalent to approximately US\$9 million or HK\$70 million).

The Consideration shall be deposited into the Escrow Account within 7 Business Days as from the date of fulfilment of the Conditions Precedent set out in paragraphs (a) to (f) as referred to in the section headed "Conditions Precedent" below. The Consideration shall be released in one-off payment to the JV Company within 5 Business Days as from the Unconditional Date subject to the terms and conditions of the Escrow Agreement.

The Consideration will be satisfied by internal resources of the Group.

The Consideration was determined after arm's length negotiations between Sunny Force and the JV Company on normal commercial terms, having taking into account of various factors, including but not limited to, (i) historical performance and future prospects of the JV Company's business and (ii) benefits of the Subscription as discussed in the section headed "Reasons for and benefits of the Subscription" below.

Conditions Precedent:

Completion of the Subscription is conditional upon the fulfillment of the following Conditions Precedent on or before the Long Stop Date:

- (a) the Amended JVC has been signed between Sunny Force and the JV Remaining Shareholders;
- (b) the Amended Charter has been signed between Sunny Force, the JV Company and the JV Remaining Shareholders;
- (c) the GMS has passed a resolution to appoint a new member of the management board of the JV Company nominated by Itochu in accordance with the Charter;
- (d) the GMS has passed a resolution to approve the Increased Charter Capital, the New Shareholding Structure, the Subscription and the Amended Charter;
- (e) the management board of the JV Company has approved the Subscription for the matters under its authority in accordance with the Charter and the laws of Vietnam;
- (f) the management board of the JV Company has passed a resolution to appoint the current vice chairman nominated by Sunrise in accordance with the JVC and the Charter;
- (g) the GMS has passed a resolution to appoint the new members of the management board of the JV Company nominated by Sunny Force in accordance with the Amended JVC and the Amended Charter;
- (h) the management board of the JV Company has passed a resolution to appoint the second vice chairman and other personnel (as the case maybe), who are nominated by Sunny Force in accordance with the Amended JVC and the Amended Charter;
- (i) the general director of the JV Company has appointed certain personnel nominated by Sunny Force under its authority in accordance with the Amended JVC and the Amended Charter, if any; and
- (j) the Amended IC has been issued to the JV Company.

The Subscription Agreement may be terminated, amongst other things, upon the expiry of the Long Stop Date, and the Subscription cannot be completed due to any reasons whatsoever. In the event the Subscription Agreement is terminated as aforesaid, Sunny Force and the JV Company shall incur all its losses at its own expenses, if any, and have no right to claim compensation from each other.

Completion:

Completion shall take place on the 7 Business Days after the Unconditional Date or an earlier date as may be agreed between the JV Company and Sunny Force (provided that all the Conditions Precedent remain fulfilled at that date or any of those Conditions Precedent is waived by Sunny Force).

B. PROVISION OF GUARANTEE

As a Condition Precedent under the Subscription Agreement, the Amended JVC shall be entered into among Sunny Force and the JV Remaining Shareholders. Under the Amended JVC, Sunny Force and certain JV Remaining Shareholders shall provide guarantee for the loans of the JV Company borrowed from financial institutions on a several basis with the total loan amount not exceeding US\$50 million (equivalent to approximately HK\$389 million). The Guarantee will be provided on a several basis and in proportion to the shareholding of Sunny Force in the JV Company.

C. OTHER TERMS:**Put Option:**

Under the Amended JVC, Sunny Force will be granted with a put option (the “Put Option”) to sell its entire shareholding interests in the JV Company, i.e. 18,900,000 shares in the JV Company, to certain JV Remaining Shareholders. The exercisable period (the “Exercisable Period”) of the Put Option and the Extended Put Option (as defined below) will be thirty days from the third anniversary of Completion. The exercise price of the Put Option shall be the higher of: (a) 33.33% x 80% x net asset value of the JV Company as recorded in the latest audited financial statements of the JV Company; or (b) 80% of the total investment of US\$9 million paid by Sunny Force to the Company, but in any event, the exercise price shall not exceed US\$9 million (the “Investment Amount”). Upon completion of the exercise of the Put Option, any Guarantee shall be cancelled.

In case that Sunny Force makes any additional capital contribution to the charter capital of the JV Company in excess of the Investment Amount after Completion but before the expiration of the Exercisable Period and such additional capital contribution is solely invested to increase the monthly woven production up to such capacity at such time after Completion but before the expiration of the Exercisable Period as required under the Amended JVC (the “Additional Capital”), the Put Option granted to Sunny Force shall be extended to cover the Additional Capital (the “Extended Put Option”) with the same terms and conditions, but in any event, the exercise price of the Extended Put Option shall not exceed US\$3 million.

Save and except for the Additional Capital, in case that Sunny Force makes any additional capital contribution to the charter capital of the JV Company in excess of the Investment Amount after Completion but before the expiration of the Exercisable Period, the Put Option together with the Extended Put Option (if applicable), will be automatically and immediately terminated.

No premium is paid or payable by the Group for the grant of the Put Option and the Extended Put Option. The exercise of the Put Option and the Extended Put Option is at the discretion of Sunny Force. The Company will comply with the then applicable Listing Rules when the Put Option and/or the Extended Put Option are exercised.

Management board composition of the JV Company and the GMS:

Under the Amended JVC, Sunny Force may nominate three members to the management board of the JV Company which comprises nine members. In order to pass a resolution of the GMS, at least 80 percent of the total voting shares of all shareholders of the JV Company is required.

D. INFORMATION ON THE GROUP, SUNNY FORCE AND THE JV COMPANY

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding, logistics services and real estate development.

Sunny Force is principally engaged in investment holding.

The JV Company is a joint stock company incorporated under the laws of Vietnam on 27 December 2012. The JV Company is principally engaged in fabric manufacturing in Vietnam.

The unaudited net loss before and after tax and extraordinary item of the JV Company for the financial year ended 31 December 2013 was approximately US\$145,730. The unaudited consolidated net asset value of the JV Company as at 31 December 2013 was approximately US\$11,845,000.

Upon Completion, the JV Company will be a jointly controlled entity of the Group.

E. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Vietnam is a member of The Association of Southeast Asian Nations (ASEAN) and fabrics made from Vietnam is considered as ASEAN Fabrics. Apparel products manufactured in certain ASEAN countries using ASEAN Fabrics are entitled to import duties saving into Japan and the European Union. Given that the JV Company is incorporated under the laws of Vietnam and principally engaged in fabric manufacturing, the Board believes that the Group can gain market share with the ASEAN Fabrics by investing into the JV Company.

The Board considers that the terms of the Subscription Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

F. REASONS FOR THE PROVISION OF GUARANTEE

To support the future development of the investment projects of the JV Company, the JV Company may require loans to be borrowed from financial institutions, thus guarantee from shareholders of the JV Company may be required from financial institutions.

After considering that (i) Sunny Force, after Completion, will hold approximately 33.34% shareholding interests in the JV Company; (ii) the Guarantee will be on a several basis; and (iii) the reason for the provision of the Guarantee as mentioned above, the Board considers that the Guarantee are fair and reasonable and in the interests of the Company and its shareholders as a whole.

G. IMPLICATION UNDER THE LISTING RULES

The Subscription, on a stand alone basis, does not constitute a discloseable transaction for the Company on the basis that none of the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5%. The Subscription, when aggregated with the provision of Guarantee, constitutes a discloseable transaction for the Company on the basis that the applicable percentage ratio(s) under Rule 14.07 of the Listing Rules exceeds 5% but is below 25%.

H. DEFINITIONS

- “Amended Charter”** means the amended and supplemented Charter on organization and operation of the JV Company to record: (i) the Increased Charter Capital; (ii) the Increased Investment Capital; (iii) Sunny Force as a shareholder of the JV Company subscribing the Subscription Shares; and (iv) other relevant agreements, signed between Sunny Force, the JV Company and the JV Remaining Shareholders;
- “Amended IC”** an amended investment certificate issued by the Licensing Authority to the JV Company to approve: (i) the Increased Charter Capital; (ii) the Increased Investment Capital; and (iii) the New Shareholding Structure including Sunny Force as a shareholder of the JV Company holding the Subscription Shares;
- “Amended JVC”** an agreement addendum to the signed JVC to record: (i) the Increased Charter Capital; (ii) the Increased Investment Capital; (iii) Sunny Force as a shareholder of the JV Company subscribing the Subscription Shares; and (iv) other relevant agreements, signed between Sunny Force and the JV Remaining Shareholders concerning the investment and operation of the JV Company;
- “Board”** the board of directors of the Company;
- “Business Day”** a business day other than a Saturday, Sunday, or national holidays in Vietnam;
- “Charter”** the charter on organization and operation of the JV Company dated 5 November 2012, including its amendment and supplementation from time to time;
- “Company”** Luen Thai Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange;
- “Completion”** completion of the allotment and issue of the Subscription Shares under the Subscription Agreement;
- “Condition(s) Precedent”** condition(s) precedent to Completion under the Subscription Agreement;

“Consideration”	a sum of VND189 billion (equivalent to approximately US\$9 million or HK\$70 million), being the consideration for the subscription of the Subscription Shares pursuant to the Subscription Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company for the time being;
“Escrow Account”	an investment capital account of Sunny Force opened at the Escrow Bank for the purpose of the Subscription in accordance with the terms and conditions of the Escrow Agreement;
“Escrow Agreement”	an escrow agreement in relation to the creation and the operation of the Escrow Account to be executed between the JV Company, the Escrow Bank and Sunny Force;
“Escrow Bank”	a commercial bank licensed to operate in Vietnam, which is mutually selected by the JV Company and Sunny Force;
“GMS”	the general meeting of shareholders of the JV Company;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee to be provided by Sunny Force under the Amended JVC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Increased Charter Capital”	the increased charter capital of the JV Company, which is VND567 billion (equivalent to approximately HK\$210 million) and divided into 56,700,000 ordinary shares of the JV Company with a par value of VND10,000 per share;
“Increased Investment Capital”	the increased investment capital for the projects of the JV Company, which is VND1,617 billion (equivalent to approximately HK\$599 million);
“Independent Third Parties”	third parties who are independent of the Company and its Connected Persons;
“JVC”	the joint venture contract dated 5 November 2012 signed and/or ratified by the shareholders of the JV Company, including its amendment and supplementation from time to time;
“JV Company”	Thien Nam Sunrise Textile Joint Stock Company, a joint stock company incorporated under the laws of Vietnam;
“JV Remaining Shareholders”	the shareholders of the JV Company after Completion, including: Thien Nam, Sunrise, Itochu, Ms. Linh and Smart Shirts (except Sunny Force);

“Licensing Authority”	the People’s Committee of Nam Dinh Province and/or any other competent State authorities having the authority to approve the Subscription;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	a date not later than the date falling on the expiration date of the three-month period of time from the date of the Subscription Agreement or extended to such other date as agreed in writing by the parties;
“Subscription”	the subscription of the Subscription Shares by Sunny Force pursuant to the Subscription Agreement;
“Subscription Agreement”	a share subscription agreement dated 18 February 2014 and entered into between Sunny Force and the JV Company in relation to the Subscription;
“Subscription Shares”	18,900,000 new ordinary shares to be allotted and issued by the JV Company with par value of VND10,000 per share, representing approximately 33.34% of the Increased Charter Capital;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sunny Force”	Sunny Force Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“Unconditional Date”	the first Business Day on or by which all the Conditions Precedent have been fulfilled (or waived by Sunny Force in writing);
“US\$”	United States dollars, the lawful currency of the United States of America;
“VND” or “Vietnam Dong”	the lawful currency of the Socialist Republic of Vietnam;

For reference only, (i) an exchange rate of HK\$1 to VND2,699 has been used for the conversion of Hong Kong dollars into Vietnam Dong; (ii) an exchange rate of US\$1 to HK\$7.78 has been used for the conversion of US\$ into Hong Kong dollars; and (iii) an exchange rate of US\$1 to VND21,000 has been used for the conversion of US\$ into Vietnam Dong for the purpose of this announcement.

By order of the Board
Chiu Chi Cheung
Company Secretary

Dated 18 February 2014

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

Executive Directors:

Tan Siu Lin (*Chairman*)
Tan Henry
Tan Cho Lung, Raymond
Mok Siu Wan, Anne

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

Non-executive Directors:

Tan Willie
Lu Chin Chu

Company's website: www.luenthai.com