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## **LEE & MAN HANDBAGS HOLDING LIMITED**

### **理文手袋集團有限公司**

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

*Website: <http://www.leemanhandbags.com>*

**(Stock Code: 01488)**

## **MAJOR TRANSACTION**

### **ACQUISITION OF 60% EQUITY INTEREST OF THE TARGET COMPANY**

#### **THE ACQUISITION**

On September 15, 2016, the Buyer (a wholly owned subsidiary of the Company) and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Buyer conditionally agreed to purchase and the Seller conditionally agreed to sell 60% equity interest of the Target Company as at the date of the Sale and Purchase Agreement, for a total consideration of RMB117,410,000, subject to downward adjustment.

The Target Group is principally engaged in Chinese fast food restaurants chain business under “Hehegu” brand in the PRC. More than 80 restaurants in Beijing, Tianjin and Hebei province are directly operated by the Target Group, and 14 restaurants in Beijing and Shanxi province are operated by franchisees. Hehegu brand is recognized as Top 10 Fast Food Brand in Beijing. Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company.

#### **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio for the Company in respect of the Acquisition is 25% or more but is less than 100%, the Acquisition 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.

As at the date of this announcement, Sonic Tycoon Limited held 430,334,000 Shares, representing approximately 52.16% of the total number of the issued Shares. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval of the Acquisition from Sonic Tycoon Limited. As such, the Company is not required to convene a general meeting to consider and approve the Sale and Purchase Agreement and the Acquisition.

A circular containing, among other things, further details of the Acquisition is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before October 7, 2016.

**Shareholders and potential investors of the Company should note that the Acquisition is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.**

On September 15, 2016, the Buyer (a wholly owned subsidiary of the Company) and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Buyer conditionally agreed to purchase and the Seller conditionally agreed to sell 60% equity interest of the Target Company as at the date of the Sale and Purchase Agreement, for a total consideration of RMB117,410,000, subject to downward adjustment.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

September 15, 2016

### **Parties**

- (a) the Buyer, as buyer of 60% equity interest of the Target Company; and
- (b) the Seller, as seller of 60% equity interest of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### **Subject matter**

60% equity interest of the Target Company as at the date of the Sale and Purchase Agreement.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company.

## **Consideration**

The Consideration under the Sale and Purchase Agreement is RMB117,410,000, subject to downward adjustment and will be satisfied in the following manner upon Completion:

- (a) at Completion, the Buyer shall pay to the Seller an amount of RMB93,120,000; and
- (b) on the first anniversary of the Completion Date, the Buyer shall pay to the Seller an amount of RMB24,290,000, subject to downward adjustment.

The Consideration was determined after arm's length negotiations between the Buyer and the Seller after taking into account, among other things, (i) the recent profitable track records of the Target Group; (ii) the brand name of the Target Group; (iii) the business development and future prospects of the Target Group; and (iv) comparable trading and transaction multiples.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

## **Conditions**

Completion is subject to the following Conditions being satisfied (or waived):

- (a) the Buyer has completed due diligence on the Target Group and obtained internal approval on the Acquisition;
- (b) the relevant parties have signed a joint venture agreement and the new article of the Target Company;
- (c) the Buyer and the Seller have signed the Sale and Purchase Agreement;
- (d) the Target Company has duly appointed and re-elected its board of directors, general manager and supervisor;
- (e) the representations and warranties given by the Seller in the Sale and Purchase Agreement continue to be true, accurate and enforceable in all material aspects;
- (f) the Buyer and the Seller have obtained all necessary government approvals and consent from third parties in relation to the Acquisition, including but not limited to the relevant approvals from the approval on the Acquisition by the relevant department of the Ministry of Commerce of the PRC, and the Certificate of Sino-foreign joint venture enterprise in respect of the Target Company;

- (g) the Target Company has filed the industrial and commercial registration of changes in respect of the Acquisition and obtained the new business license in relation to the Acquisition;
- (h) the Seller has opened an asset realization account (if applicable) and provided the account details to the Buyer;
- (i) there is no material adverse change on the Target Group up to the Completion Date;
- (j) up to the Completion Date, there is no dispute over the equity interests of the Target Company owned by the Seller (including but not limited to any litigation, arbitration proceeding, prosecution, other legal proceeding by any third party or written or oral lawyer's request or threat issued by any third party against the equity interests of the Target Company); and
- (k) (i) no relevant law or regulatory requirements (either PRC or overseas); and (ii) no relevant government or regulatory authority or body, court or agency having granted any order or made any decision that has or is reasonably expected to have restricted or prohibited the performance and/or Completion of the Acquisition contemplated under the Sale and Purchase Agreement.

## **Completion**

Completion shall take place on the Completion Date.

## **INFORMATION ON TARGET GROUP**

The Target Group is principally engaged in Chinese fast food restaurants chain business under “Hehegu” brand in the PRC. More than 80 restaurants in Beijing, Tianjin and Hebei province are directly operated by the Target Group, and 14 restaurants in Beijing and Shanxi province are operated by franchisees. Hehegu brand is recognized as Top 10 Fast Food Brand in Beijing.

Set out below is the unaudited financial information of the Target Group for the two financial years ended December 31, 2014 and 2015:

	<b>For the financial year ended</b>	
	<b>December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>
Net profit before taxation	4,214,000	9,381,000
Net profit after taxation	3,069,000	7,006,000

The unaudited total and net asset values of the Target Group as at June 30, 2016 are RMB133,350,000 and RMB45,889,000, respectively.

## **INFORMATION ON THE GROUP**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on Stock Exchange since June 27, 2011. The principal activity of the Company is investment holding. As of the date of this announcement, the Group is principally engaged in the business of manufacturing and sale of handbags.

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

Reference is made to the composite document of Sonic Tycoon Limited, as the offeror, and the Company, as the offeree, dated July 12, 2016 in relation to the mandatory unconditional cash offer. It is the intention of Sonic Tycoon Limited (i) that the Group will continue with its existing principal activities after the close of the offer and will maintain the listing status of the Company and (ii) to consider any suitable acquisition opportunities in the mass market focused consumables sector including, without limitation, the food and beverage industry, to diversify the Group's business and broaden its income stream.

The Directors consider that a sustainable development potential will remain in the food and beverage sector in the mass market along with the increase of per capita income and disposal income. Given the established scale of operation of the Target Group, its historical financial results and continuous growth potential, the Directors consider that the Acquisition provides a good opportunity for the Group to step up its investment in the Target Group, which will enable the Group to diversify its investment and development and will in return broaden its income source, improve its financial performance, as well as provide better return to the Shareholders in the long run.

The Directors are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATION

As the highest applicable percentage ratio for the Company in respect of the Acquisition is 25% or more but is less than 100%, the Acquisition 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.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the Acquisition.

As at the date of this announcement, Sonic Tycoon Limited held 430,334,000 Shares, representing approximately 52.16% of the total number of issued Shares.

Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval of the Acquisition from Sonic Tycoon Limited. As such, the Company is not required to convene a general meeting to consider and approve the Sale and Purchase Agreement and the Acquisition.

A circular containing, among other things, further details of the Acquisition is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e., on or before October 7, 2016.

**Shareholders and potential investors of the Company should note that the Acquisition is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.**

## DEFINITIONS

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

“Acquisition”	the acquisition of 60% equity interest of the Target Company and the transactions contemplated under the Sale and Purchase Agreement;
“Board”	the board of Directors;
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong when banks in Hong Kong are open for business;

“Buyer”	Delightful Year Holdings Limited, a company incorporated in Hong Kong with limited liability and is wholly owned by the Company;
“close associate(s)”, “connected person(s)”, “percentage ratio(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules;
“Company”	Lee & Man Handbags Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 01488);
“Completion”	completion of the sale and purchase of 60% equity interest of the Target Company in accordance with the terms of the Sale and Purchase Agreement;
“Completion Date”	date of Completion;
“Conditions”	the Conditions to Completion, as more particularly described under the paragraph “Conditions” in this announcement;
“Consideration”	the consideration payable by the Buyer to the Seller pursuant to the Sale and Purchase Agreement, as more particularly described under the paragraph “Consideration” in this announcement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“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;

“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated September 15, 2016 entered into between the Buyer and the Seller in relation to the sale and purchase of 60% equity interest of the Target Company;
“Seller”	Ms. CHEN Ying;
“Shareholder(s)”	the shareholder(s) of the Company;
“Share(s)”	the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Beijing HHG Restaurant Management Co., Ltd.* (北京和合谷餐飲管理有限公司), a company incorporated in the PRC with limited liability and is owned as to 60% by the Seller prior to Completion;
“Target Group”	the Target Company and its subsidiary; and
“%”	per cent.

By Order of the Board of  
**Lee & Man Handbags Holding Limited**  
 理文手袋集團有限公司  
**Zhao John Huan**  
*Chairman*

Hong Kong, September 18, 2016

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Wang Yuanzheng and three independent non-executive Directors, namely Mr. Heng Victor Ja Wei, Mr. Tsang Hin Man Terence and Mr. Xian Shunxiang.*

*\* for identification purpose only*