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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)**

## **CONNECTED TRANSACTION AND ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

### **CONNECTED TRANSACTION AND ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On September 18, 2016, the Company and the Investor entered into the Investment Agreement pursuant to which the Company agreed to issue and the Investor agreed to subscribe for the Convertible Bonds in the aggregate principal amount up to HK\$1,500,000,000 for a total consideration equal to the principal amount of such Convertible Bonds. At any time during the Availability Period, the Company may deliver a Subscription Request to the Investor requesting the Investor to subscribe for Convertible Bonds in the principal amount as specified in the Subscription Request for a consideration of an amount equal to the principal amount of the Convertible Bonds requested. On the Closing Date of each such Subscription, the Company shall issue Convertible Bonds in the principal amount as specified in the Subscription Request and the Investor shall subscribe for such Convertible Bonds. The Subscription is subject to certain conditions as set out in the paragraph headed “Conditions Precedent” of this announcement below. Detailed terms of the Convertible Bonds are set out in the paragraph headed “Principal Terms of the Convertible Bonds” below.

As at the date of this announcement, the Company has a total of 825,000,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$1.18 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 1,271,186,440 Conversion Shares, representing approximately 154.08% of the existing issued share capital of the Company as at the date of this announcement and approximately 60.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to the independent Shareholders' approval at the EGM.

The net proceeds from the issuance of the Convertible Bonds are estimated to be approximately HK\$1,498 million. The Company will only request the Investor to subscribe for the Convertible Bonds when there is an appropriate acquisition identified, and the substantial portion of the net proceeds from such subscription will be applied to the relevant acquisition.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, the Investor, being the direct Shareholder of 430,334,000 Shares (representing approximately 52.16% of the issued share capital of the Company), is a substantial shareholder of the Company. Accordingly, the Investor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Accordingly, the Subscription is a non-exempt connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of the Subscription, including but not limited to seeking independent Shareholders' approval for the Subscription at the EGM.

#### **GENERAL**

The EGM will be convened for the independent Shareholders to consider and, if thought fit, to approve, *inter alia*, the Investment Agreement and the transactions contemplated thereunder. Mr. Zhao, Mr. Wang XL and Mr. Wang YZ abstained from voting on the resolutions passed by the Board to approve the Investment Agreement, the Specific Mandate and the transactions contemplated thereunder. The Investor and its associates shall abstain from voting at the EGM.

An Independent Board Committee will be established to make recommendation to the independent Shareholders regarding the Investment Agreement and the transactions contemplated thereunder. An independent financial adviser will also be appointed to advise the Independent Board Committee and the independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder.

A circular is expected to be despatched by the Company to the Shareholders on or before October 7, 2016 containing, among others, further information on (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee regarding the Investment Agreement and transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Investment Agreement and transactions contemplated thereunder and the Specific Mandate; and (v) a notice of the EGM.

## **INVESTMENT AGREEMENT**

On September 18, 2016, the Company entered into the Investment Agreement with the Investor pursuant to which, among other things, the Company agreed to issue, and the Investor agreed to subscribe for the Convertible Bonds in the aggregate principal amount up to HK\$1,500,000,000 for a total consideration equal to the principal amount of such Convertible Bonds.

Principal terms of the Investment Agreement are set out below.

### **Date**

September 18, 2016

### **Parties**

- (1) The Company; and
- (2) The Investor.

### **Subscription**

Subject to the fulfillment or, if applicable, waiver of the conditions precedent set out below, the Investor shall subscribe for, and the Company shall issue, the Convertible Bonds in the aggregate principal amount up to HK\$1,500,000,000.

At any time during the Availability Period, the Company may deliver a Subscription Request to the Investor requesting the Investor to subscribe for Convertible Bonds in the principal amount as specified in the Subscription Request for a consideration of an amount equal to the principal amount of the Convertible Bonds requested. On the Closing Date of each such Subscription, the Company shall issue Convertible Bonds in the principal amount as specified in the Subscription Request and the Investor shall subscribe for such Convertible Bonds.

### **Conditions Precedent**

The obligations of the Company to issue and the Investor to subscribe for the Convertible Bonds at an aggregate amount up to HK\$1,500,000,000 in accordance with Investment Agreement is subject to the satisfaction of each of the following conditions:

- (a) the Stock Exchange having approved the listing of, and granted permission to deal in, the Conversion Shares;
- (b) the Company having obtained from the Shareholders all necessary approvals required under the Articles, applicable law and the Listing Rules:
  - (i) to issue the Convertible Bonds subscribed for under the Investment Agreement to the Investor;
  - (ii) to issue the Conversion Shares; and
- (c) no court or other governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restricts, enjoins or otherwise prohibits consummation of the Subscription or any of the other transactions contemplated under the Investment Agreement.

The obligation of the Investor to consummate a Subscription is further subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Company set out under the Investment Agreement being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date;

- (b) the Company shall have performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by it prior to the respective Closing Date;
- (c) the Company shall have delivered to the Investor a certificate, dated the respective Closing Date, signed by a Director, confirming or certifying as to the satisfaction of the conditions specified in paragraphs (a) and (b) above and (e) below;
- (d) the Investor having obtained the Cayman Legal Opinion; and
- (e) since the date of the Investment Agreement, there shall not have been any development, fact, circumstance, condition, event, change, occurrence or effect, individually or in the aggregate, that would have or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of the Group taken as a whole.

The obligation of the Company to consummate a Subscription is further subject to the satisfaction or waiver (where permissible) of each of the following additional conditions:

- (a) the representations and warranties of the Investor set out under the Investment Agreement being true and correct in all material respects as of the respective Closing Date as though made on and as of such date except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date; and
- (b) the Investor shall have performed or complied with, in all material respects, all agreements and covenants required by the Investment Agreement to be performed or complied with by it prior to the respective Closing Date.

### **Closing**

Closing of each Subscription will take place on the respective Closing Date.

### **Termination of the Investment Agreement**

The Investment Agreement may be terminated as follows:

- (a) upon occurrence of an event of Change of Control;
- (b) by mutual written consent of the parties;

(c) by any party if:

- (i) the other party shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Investment Agreement, which breach or failure to perform (A) would give rise to the failure of a Condition Precedent set forth above, and (B) if capable of being cured, has not been cured by the breaching party within fifteen (15) Business Days after its receipt of written notice of such breach from the non-breaching party; or
- (ii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final or non-appealable, that restrains, enjoins or otherwise prohibits the subscription of the Convertible Bonds.

### **Covenants of the Company**

The Company has covenanted with the Investor that:

- (a) it shall pay any stamp, issue, registration, documentary or other taxes and duties payable in connection with the creation and issue of the Convertible Bonds, the issue and allotment of the Conversion Shares on the conversion of the Convertible Bonds or the execution or delivery of the Investment Agreement, the Bond Instrument and the Bond Certificate;
- (b) it shall promptly notify the Investor (and the Investor shall also promptly notify the Company) in writing of (i) any notice from any governmental authority in connection with the Investment Agreement or any Subscription or any person alleging that consent of such person is or may be required in connection with such Subscription; (ii) the discovery of any fact or circumstance that would reasonably be expected to cause or result in any Condition Precedent not being satisfied or the satisfaction of any Condition Precedent being materially delayed; or (iii) any change affecting any of its representations, warranties, agreements and indemnities in the Investment Agreement and take such steps as may be reasonably requested by the other party to remedy the same; and

- (c) as long as the Convertible Bonds remain outstanding (in part or in full), the Company will use its commercially reasonable endeavours to take all action necessary to maintain the listing of its Shares on the Stock Exchange.

### **Indemnity**

Each of the Investor and the Company shall indemnify and keep indemnified the other party against any loss, liability, damages, costs or expenses (including legal expenses) suffered or incurred by the other party as a result of or in connection with, directly or indirectly, any breach of the representations, warranties and undertakings under the Investment Agreement.

### **Specific Mandate**

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Shareholders at the EGM. The Investor (together with its associates) will abstain from voting on resolutions in respect of the Specific Mandate.

### **Application for listing**

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Completion of the Subscription contemplated under the Investment Agreement is subject to the fulfillment of the conditions precedent in the Investment Agreement. As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are set out below:

Principal amount:	an amount to be specified in the Subscription Request.
Issue price:	100% of the principal amount.
Interest:	The Convertible Bonds shall bear interest at the rate of 3% per annum on the principal amount of the Convertible Bonds outstanding from time to time, payable annually.
Maturity:	Unless previously redeemed, converted or purchased and cancelled, the Company shall repay to the Bondholders an amount equal to the principal amount on the fifth anniversary of the Issue Date, or, subject to the agreement of the Bondholders, the seventh anniversary of the Issue Date.
Conversion rights:	The Bondholder(s) have the right to convert the Convertible Bonds into Shares at any time on or before the Maturity Date.
Conversion Price:	Conversion Price of the Convertible Bonds shall be HK\$1.18 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds.
Adjustments to the Conversion Price:	The Conversion Price is subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, dividend or distribution and other events which may have a similar dilutive effect on the Bondholders.
Conversion period:	The Bondholders have the right to convert any Convertible Bond into Shares at any time on or after the Issue Date up to and including the Maturity Date.



Redemption and purchases: Unless previously redeemed, purchased, cancelled or converted, the outstanding Convertible Bonds will only be redeemed by the Company on the Maturity Date at an amount equal to its principal amount plus accrued interest and all other amounts accrued or outstanding under the Convertible Bond which remain unpaid on the Maturity Date.

Following the occurrence of a Change of Control, each Bondholder will have the right at such Bondholder's option, to require the Company to redeem in whole but not in part such Bondholder's Convertible Bonds at the Hong Kong Dollar equivalent of their Early Redemption Amount.

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right to require the Company to redeem, in whole but not in part only, such Bondholder's Convertible Bonds on the 20th Business Day after the notice to the Company of such request for redemption, at the Early Redemption Amount.

The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations upon which such Convertible Bonds shall be cancelled.

Events of default: The Bondholders may, acting by ordinary resolution, declare the relevant Convertible Bonds immediately due and payable at the Early Redemption Amount if an event of default as specified in the terms and conditions of the Convertible Bonds occurs.

Limitation on conversion: The Bondholders shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to an extent that would result in the Company in breach of the public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Transferability:	The Convertible Bonds may be transferred or exchanged at any time, provided that prior approval of the Stock Exchange shall be obtained (if required) for any transfer or exchange to any person who the transferor knows to be a connected person (as defined in the Listing Rules) to the Company.
Voting:	The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being Bondholders.
Ranking of the Convertible Bonds:	The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions provided by mandatory provisions of applicable laws under the terms and conditions of the Convertible Bonds, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each. A certificate will be issued to each Bondholder in respect of its registered holding of the Convertible Bonds.
Listing:	No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.
Default interest:	If the Company fails to pay any sum in respect of the Bonds when it becomes due and payable, interest shall accrue on the overdue sum at the rate of 5% per annum.

### **Number of Conversion Shares**

As at the date of this announcement, the Company has a total of 825,000,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$1.18 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 1,271,186,440 Conversion Shares, representing approximately 154.08% of the existing issued share capital of the Company as at the date of this announcement and approximately 60.64% of the issued share capital of the

Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to the independent Shareholders' approval at the EGM.

### **The Conversion Price**

The initial Conversion Price for each Conversion Share is set at HK\$1.18. This represents:

- (i) a discount of approximately 5.6% to the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.8% to the average closing price of approximately HK\$1.27 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 7.9% to the average closing price of approximately HK\$1.28 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- (iv) a discount of approximately 12.9% to the average closing price of approximately HK\$1.36 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiation between the Company and the Investor with reference to a number of factors, including, among other things, the offer price paid by the Investor as offeror under the mandatory unconditional cash offer of the Company (further details of which are set out in the composite document jointly issued by the Investor, as the offeror, and the Company, as offeree, dated July 12, 2016), the recent trading price and trading volume of the Shares on the Stock Exchange, as well as the assets, liabilities, financial performance and business condition of the Company.

### **Application for listing**

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Completion of the Subscription contemplated under the Investment Agreement and the issue of the Convertible Bonds are subject to the fulfillment of the conditions precedent in the Investment Agreement. As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **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.

## **USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT**

As mentioned in the composite document of Investor, 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 Investor (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.

According to the interim report of the Company for the six months ended June 30, 2016, the Group had HK\$278,877,000 cash and cash equivalent as at June 30, 2016. The Directors consider that the Company should increase its funding available for future acquisitions. The net proceeds from the issuance of the Convertible Bonds are estimated to be approximately HK\$1,498 million. On such basis, the net price received by the Company for each Conversion Share is approximately HK\$1.1784. The Company will only request the Investor to subscribe for the Convertible Bonds when there is an appropriate acquisition identified, and the substantial portion of the net proceeds from such subscription will be applied to the relevant acquisition. As such, the Directors are of the view that the proposed issue of the Convertible Bonds (i) represents a good opportunity for the Company to raise a substantial amount of funds for its future acquisitions with no immediate costs impact and (ii) will facilitate the Company to better structure its acquisitions in a more efficient and cost effective way.

Having considered all the relevant factors, the Directors (including the independent non-executive Directors) consider that the Investment Agreement was entered into on normal commercial terms following arm's length negotiation between the Company and the Investor, and the terms of the Investment Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE INVESTOR

The Investor is a company incorporated in the British Virgin Islands with limited liability and is an indirect non-wholly owned subsidiary of Hony Capital Fund VIII (Cayman), L.P., an exempted limited partnership which is ultimately managed and controlled by Exponential Fortune Group Limited. As of the date of this announcement, Exponential Fortune Group Limited is held as to 49% by Mr. Zhao, and the remaining 51% is held by two individuals equally. The series of private equity investment funds, together with their respective management companies/general partners was founded in the early 2000s to capture investment opportunities as a private equity platform. As at the date of this announcement, the Investor, being the direct Shareholder of 430,334,000 Shares (representing approximately 52.16% of the issued share capital of the Company), is a substantial shareholder of the Company. Accordingly, the Investor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the change in shareholding structure of the Company upon completion of the transactions as contemplated under the Investment Agreement:

Shareholders	Capacity/Nature of Interest	As at the date of this announcement		Upon full conversion of the Convertible Bonds (assuming full conversion at the initial conversion price of HK\$1.18)	
		Number of Shares	Approximate %	Number of Shares	Approximate %
The Investor ( <i>Note 1</i> )	Beneficial owner	430,334,000	52.16%	1,701,520,440	81.17%
Wise Triumph Limited ( <i>Note 2</i> )	Beneficial owner	138,300,000	16.76%	138,300,000	6.60%
Other public Shareholders		<u>256,366,000</u>	<u>31.08%</u>	<u>256,366,000</u>	<u>12.23%</u>
Total		<u>825,000,000</u>	<u>100%</u>	<u>2,096,186,440</u>	<u>100%</u>

*Notes:*

- (1) The Investor directly holds 430,334,000 Shares. The Investor is held as to 74.84% by Forture Eight Alps Limited, which is wholly-owned by Hony Capital Fund VIII (Cayman), L.P. The general partner of Hony Capital Fund VIII (Cayman), L.P. is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, which is held as to 80% by Hony Managing Partners Limited. Hony Managing Partners Limited is wholly-owned by Exponential Fortune Group Limited, which is held as to 49% by Mr. Zhao, and the remaining 51% is held by two individuals equally. Therefore, each of Forture Eight Alps Limited, Hony Capital Fund VIII (Cayman), L.P., Hony Capital Fund VIII GP (Cayman), L.P., Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited, Exponential Fortune Group Limited and Mr. Zhao are deemed to be interested in the same Shares as the Investor under the SFO.
- (2) Wise Triumph Limited directly holds 256,366,000. Wise Triumph Limited is wholly-owned by Mr. Chen Haining. Therefore, Mr. Chen Haining is deemed to be interested in the same Shares as Wise Triumph Limited under the SFO.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the date of this announcement.

## **SPECIFIC MANDATE**

The Company will seek the approval of the Specific Mandate from the independent Shareholders at the EGM to allot and issue the Conversion Shares. No application will be made by the Company to the Listing Committee for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Based on the initial Conversion Price of HK\$1.18 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price under the Investment Agreement, the Convertible Bonds will be convertible into 1,271,186,440 Conversion Shares, representing approximately 154.08% of the issued share capital of the Company as at the date of this announcement and approximately 60.64% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, the Investor, being the direct Shareholder of 430,334,000 Shares (representing approximately 52.16% of the issued share capital of the Company), is a substantial shareholder of the Company. Accordingly, the Investor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Accordingly, the Subscription is a non-exempt connected transaction of the Company subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of the Subscription, including but not limited to seeking independent Shareholders' approval for the Subscription at the EGM.

## **GENERAL**

The EGM will be convened for the independent Shareholders to consider and, if thought fit, to approve, *inter alia*, the Investment Agreement and the transactions contemplated thereunder. Mr. Zhao, Mr. Wang XL and Mr. Wang YZ have abstained from voting on the resolutions passed by the Board to approve the Investment Agreement, the Specific Mandate and the transactions contemplated thereunder. The Investor and its associates shall abstain from voting at the EGM.

An Independent Board Committee will be established to make recommendation to the independent Shareholders regarding the Investment Agreement and the transactions contemplated thereunder. An independent financial adviser will also be appointed to advise the Independent Board Committee and the independent Shareholders in relation to the Investment Agreement and the transactions contemplated thereunder.

A circular is expected to be despatched by the Company to the Shareholders on or before October 7, 2016 containing, among others, further information on (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee regarding the Investment Agreement and transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser in relation to the Investment Agreement and transactions contemplated thereunder and the Specific Mandate; and (v) a notice of the EGM.

## **DEFINITIONS**

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

“Articles”	the memorandum and articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules

“Availability Period”	a period of two years commencing on the next Business Day of the date when the Conditions Precedents set out in the Investment Agreement are fulfilled, subject to the renewal of another one year upon the Investor’s written consent
“Board”	the board of Directors
“Bond Certificate”	a certificate in respect of a Bondholder’s registered holding of Convertible Bonds issued to each Bondholder pursuant to the terms of the Bond Instrument;
“Bond Instrument”	the instrument to be executed as a deed by the Company constituting the Convertible Bonds
“Bondholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Convertible Bonds
“Business Day”	a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong
“Cayman Legal Opinion”	a legal opinion of legal counsels advising on the laws of Cayman Island addressed to the Investor in respect of, among other things, (i) the corporate authority of the Company entering into the Investment Agreement and executing the Bond Instrument; (ii) performance of the rights and obligations in respect of the Company under the Investment Agreement and the Bond Instrument to issue the Bond Certificate to the Investor in respect of the Convertible Bonds; (iii) the transactions contemplated under the Investment Agreement and other matters customary for transactions of this nature, in a form to the reasonable satisfaction of the Investor and dated as the Closing Date
“Change of Control”	(i) the Investor ceases, directly or indirectly, to be able to exercise or control the exercise of 30% or more of the voting rights attaching to the issued share capital of the Company (a “ <b>Control Stake</b> ”);



- (ii) the Investor ceases to be the single largest shareholder of the Company;
- (iii) any person or persons (other than the Investor), acting individually or together, directly or indirectly, acquires a Control Stake in the Company; or
- (iv) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring a Control Stake in the Company or the successor entity

“Closing”	the completion of each Subscription in accordance with the terms of the Investment Agreement
“Closing Date”	a Business Day to be determined and agreed by the Company and the Investor as an appropriate date for Closing to take place pursuant to the Investment Agreement following satisfaction (or, to the extent legally permissible, waiver) of all Conditions Precedent (which shall be no later than 21st day from the date of the respective Subscription Notice or such other time and/or later date as the Company and the Investor may agree in writing)
“Company”	Lee & Man Handbags Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Conditions Precedent”	each of the conditions precedent as set out in the paragraph headed “Conditions Precedent” above
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds

“Conversion Share(s)”	the Shares to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$1,500,000,000 to be issued by the Company pursuant to the Investment Agreement
“Director(s)”	the director(s) of the Company
“Early Redemption Amount”	the outstanding principal amount of the Convertible Bonds plus an amount of interest representing an the internal rate of return of 8% over the principal amount from the Issue Date to the date of payment
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Investment Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors which will be established by the Board to advise the independent Shareholders pursuant to the Listing Rules
“Independent Third Party(ies)”	a third party(ies) who is/are independent of and is/are not connected with the Company and any of its connected persons (as defined in the Listing Rules)
“Investment Agreement”	the investment agreement dated September 18, 2016 entered into between the Company and the Investor for the subscription by the Investor of certain new convertible bonds to be issued by the Company
“Investor”	Sonic Tycoon Limited
“Issue Date”	in respect of any Convertible Bond, the date of issue of such Convertible Bond

“Last Trading Day”	September 15, 2016, being the last full trading day immediately prior to the date of this announcement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maturity Date”	in respect of any Convertible Bond, the maturity date of such Convertible Bonds, being the fifth anniversary of the Issue Date, or, subject to the agreement of the Bondholders, the seventh anniversary of the Issue Date
“Mr. Wang XL”	Mr. Wang Xiaolong, an executive Director
“Mr. Wang YZ”	Mr. Wang Yuanzheng, an executive Director
“Mr. Zhao”	Mr. Zhao John Huan, the chairman of the Company and an executive Director
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders for the issue and allotment of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds by the Investor pursuant to the Investment Agreement

“Subscription Request” a notice from the Company to the Investor substantially in the relevant form set out in the Investment Agreement

“%” per cent

By order of the Board  
**Lee & Man Handbags Holding Limited**  
**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.*