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(Incorporated in Bermuda with limited liability)
(Stock Code: 999)

DISCLOSEABLE TRANSACTION
ACQUISITION OF LAND USE RIGHT FOR SETTING UP
A LOGISTICS AND DISTRIBUTION CENTER IN THE PRC

Reference is made to the Announcements of the Company dated 9 February 2015, 30 June 2015 and 18 January 2016. Capitalized terms used herein shall have the same meanings as defined in the Announcements unless otherwise defined herein.

ACQUISITION OF LAND USE RIGHT

The Board is pleased to announce that in the Land Listing and Auction completed on 27 April 2017, Kenchart China has successfully bidden for the land use right of the Land at a consideration of RMB32,507,000 (equivalent to approximately HK\$36,733,000). Kenchart China has also obtained the Land Bid Award Confirmation Notice from the Land and Resources Bureau on 27 April 2017. Kenchart China shall sign the Land Bid Award with the Land and Resources Bureau on or before 5 May 2017 and enter into the Contract with the Land and Resources Bureau within ten business days of the signing of the Land Bid Award.

The Land will be used for the construction and development of a logistics and distribution center.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and Development costs and, if the Option is exercised, the costs of acquiring and developing the Optional Land exceed(s) 5% but is / are less than 25%, this constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

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PRINCIPAL TERMS OF THE LAND BID AWARD CONFIRMATION NOTICE

The principal terms of the Land Bid Award Confirmation Notice are summarized below:-

Date

27 April 2017

Parties

1. The Land and Resources Bureau; and
2. Kenchart China.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Land and Resources Bureau is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

Information of the Land

The Land is located at the Southern side of San Jia Road, the Northern side of Xin Wu Street and the Eastern side of the existing river course^{Note 2} (北至三家路, 南至新吳街, 西至現有河道) inside the Kunshan German Industrial Park and listed as the Northern side of Xin Wu Street, Zhangpu Town^{Note 2} (張浦鎮新吳街北側) in the Land Bid Award Confirmation Notice. The Land is of an area of 96,747.6 sq. m. and is for industrial use. The term of the land use right of the Land is 50 years commencing from the date on which the Contract is entered into.

Consideration

The consideration for the Acquisition is RMB32,507,000 (equivalent to approximately

HK\$36,733,000) which was the bid price made by Kenchart China with reference to the market price of comparable land, the prevailing market condition in Kunshan, the location of the Land and the development potential of the Land. The Consideration will be satisfied by the Group's internal resources.

Payment Terms

A deposit in the amount of RMB6,500,000 (equivalent to approximately HK\$7,345,000) was paid before the Land Listing and Auction and this shall be used to settle against the second instalment of the Consideration. The first instalment shall be 50% of the Consideration, being RMB16,256,000 (equivalent to approximately HK\$18,369,000) shall be paid upon the execution of the Contract. The balance of the second instalment of the Consideration, being RMB9,751,000 (equivalent to approximately HK\$11,019,000) shall be paid within two months from the execution of the Contract.

The above payment arrangements of the Consideration shall be subject to the terms and conditions of the Contract.

INFORMATION ON THE GROUP AND KENCHART CHINA

The Group is principally engaged in the sales of fashion wears and accessories. Kenchart China is an indirect wholly-owned subsidiary of the Company established in the PRC and will carry out the Development and thereafter provide logistics support to the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF LAND USE RIGHT

The Group is currently leasing several warehouses which are situated in different cities in the PRC. The Group faces long term rental pressure and limitation in expansion in the existing facilities. The Board opined that a self-owned logistics and distribution center would benefit the Group in automating its inventory management to facilitate the growing scale of the Group's PRC business, and attaining centralized logistics and distribution management in the Kunshan German Industrial Park which is very near to Shanghai, where the Group's PRC headquarters is located.

The Acquisition and Development costs are estimated to be approximately RMB431,228,000 in total (equivalent to approximately HK\$487,288,000). It is currently expected that the Development costs will be funded by the Group's internal cash reserves and/or external bank borrowings.

The construction of the logistics and distribution center is expected to be completed in the second half of the financial year ending 29 February 2020.

The Board considers that the Consideration is fair and reasonable and the Development is in the interests of the Group and its shareholders as a whole.

OPTIONAL LAND

Within a two years' period upon signing the Contract, Kenchart China has an unconditional right to request the People's Government of Zhangpu Town, Kunshan to put up the land use right of the Optional Land for the listing and auction.

The Optional Land is of an area of approximately 33,350 sq. m. located at the North of the Land.

If the Option is exercised, the People's Government of Zhangpu Town, Kunshan will again procure the same processes be undergone for acquiring the land use right of the Optional Land as those applied to the Land's.

THERE IS NO CERTAINTY THAT KUNSHAN CHINA WILL EXERCISE THE OPTION. The Group may only consider exercising the Option in case of increasing demand for logistics support to meet the business growth in the PRC and the costs of acquisition and development of the Optional Land are reasonable.

LISTING RULES IMPLICATION

The Acquisition and Development costs are estimated to be approximately RMB431,228,000 in total (equivalent to approximately HK\$487,288,000). Assuming the Option is to be exercised, the costs of acquiring the land use right and development of the Optional Land are roughly estimated to be approximately RMB176,052,000 (equivalent to approximately HK\$198,939,000) as at the date of this announcement. The aggregate investment in the transactions will be approximately RMB607,280,000 (equivalent to approximately HK\$686,226,000). As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions exceed(s) 5% but is / are less than 25%, this constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition” the acquisition of land use right of the Land through the Land Listing and Auction;

“Announcements”	the announcements of the Company dated 9 February 2015, 30 June 2015 and 18 January 2016 in relation to the Proposed Acquisition;
“Consideration”	RMB32,507,000 (equivalent to approximately HK\$36,733,000), being the consideration for the Acquisition;
“Contract”	State-owned Construction Land Use Right Grant Contract (國有建設用地使用權出讓合同) to be entered into between Kenchart China and the Land and Resources Bureau transferring the land use right of the Land, as required under the laws and regulations of the PRC;
“Kenchart China”	昆山卓建服飾有限公司 (Kenchart (Kunshan) Limited), a wholly foreign-owned enterprise established by Kenchart Development in Kunshan, Jiangsu Province, the PRC with limited liability, and is an indirect wholly-owned subsidiary of the Company;
“Land”	an area of 94,747.6 sq. m. at the Southern part of the piece of land located at 北至三家路, 南至新吳街, 西至現有河道 (the Southern side of San Jia Road, the Northern side of Xin Wu Street and the Eastern side of the existing river course ^{Note 2}) inside the Kunshan German Industrial Park and listed as “張浦鎮新吳街北側 (the Northern side of Xin Wu Street, Zhangpu Town ^{Note 2}) in the Land Bid Award Confirmation Notice.
“Land Bid Award”	the land bid award for the State-owned Construction Land Use Right (國有建設用地使用權網上掛牌出讓成交確認書) to be signed by Kenchart China and the Land and Resources Bureau confirming Kenchart China’s entitlement to acquire the land use right of the Land;
“Land Bid Award Confirmation Notice”	the bid confirmation for the State-owned Construction Land Use Right (國有建設用地使用權網上掛牌出讓成交通知書) dated 27 April 2017 issued to Kenchart China by the Land and Resources Bureau confirming Kenchart China’s successful bidding of the entitlement to acquire the land use right of the Land during the Land Listing and Auction; and

“Land Listing and Auction” the online listing and auction held by the Land and Resources Bureau during the period from 17 to 27 April 2017 in which the land use right of the Land was offered for sale.

Notes:

- 1. RMB is translated to HK\$ at the rate of RMB1 to HK\$1.13 as at the date of this announcement*
- 2. English translation for the Chinese address is provided for identification purpose only*

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 27 April 2017

As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai, Mr. SHAM Kin Wai and Mr. CHAN Wai Kwan as Executive Directors and Mr. Francis GOUTENMACHER, Dr. WONG Tin Yau, Kelvin, JP and Mr. MAK Wing Sum, Alvin as Independent Non-executive Directors.