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LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CONNECTED TRANSACTION

The Directors are pleased to announce that on 17 February 2009, the Purchaser, a wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Vendor to acquire the entire issued share capital in the Target.

The Target is an investment holding company, and the only major asset it holds is the Subsidiary. In turn, the only major asset of the Subsidiary is the PRC Land, which is for commercial/residential use and with the residual term of land use right ending on 20 January 2053. The PRC Land is adjoining the Converted Land owned by the Group.

Reference is made to the Previous Announcement in which the Company announced that the land use right of the Converted Land has been converted from industrial use to commercial/residential use. Although the Group has not entered into any concrete or legally binding plan or commitment on the development of the Converted Land, the Directors believed that the acquisition of the PRC Land through the acquisition of the Target pursuant to the Sale and Purchase Agreement will further enhance the commercial value of the Converted Land, which is beneficial to the long term real estate development of the Group in the PRC.

The Directors (including the independent non-executive Directors) consider that the Transaction is made on normal commercial terms, that its terms are fair and reasonable, and that the Transaction and its terms are in the interests of the Group and the Company's shareholders as a whole, taking into account the long term real estate development of the Group in the PRC.

The Vendor is an indirect wholly-owned subsidiary of Luen Thai Enterprises Ltd. which is in turn ultimately controlled by Mr. Tan Siu Lin, a director of the Company, and is therefore a Connected Person of the Company under the Listing Rules. The Sale and Purchase Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios exceed 2.5% and the Consideration exceeds HK\$10,000,000, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the Independent Shareholders' approval at the EGM.

A circular containing, among others, details of the Sale and Purchase Agreement and the Transaction, the advice of the Independent Board Committee, the recommendations of the independent financial adviser and the notice of the EGM will be dispatched to the shareholders of the Company as soon as practicable.

A. THE TRANSACTION

The Sale and Purchase Agreement

Date: 17 February 2009

Parties: (1) The Vendor — Luen Thai Land Limited
(2) The Purchaser — Sunny Force Limited (an indirect wholly-owned subsidiary of the Company)

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share in the Target at the Share Consideration and the Debt at the Debt Consideration both payable in cash in one lump sum on Completion.

Conditions Precedent:

Completion is conditional upon the satisfaction of a number of conditions precedents, being:

- (a) due diligence investigations having been conducted on the business and financial positions of the Target and the Subsidiary and the results of such investigations are to the satisfaction of the Purchaser;
- (b) the Purchaser having obtained PRC legal opinions from a PRC law firm acceptable to the Purchaser, in form and substance to the satisfaction of the Purchaser, concerning:
 - (i) the good title and no encumbrance of the PRC Land; and
 - (ii) the due incorporation, valid existence and due capacity of the Subsidiary to carry out its current business and hold the PRC Land;
- (c) approval by the Independent Shareholders at the EGM for the Sale and Purchase Agreement and all transactions contemplated by the Sale and Purchase Agreement; and
- (d) all other necessary approval, permits, consents and authorisations having been obtained for the transactions contemplated under the Sale and Purchase Agreement, whether pursuant to law, regulatory compliance (including but without limitation to the Listing Rules) or otherwise.

If any of the above conditions have not been satisfied (or in respect of conditions (a) and (b) above only, which have not previously been waived by the Purchaser) on or before 5:00 p.m. (Hong Kong time) on the Longstop Date, the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor postpone the Completion Date to a date (being a Business Day) falling not more than 30 Business Days after the Longstop Date or otherwise rescind the Sale and Purchase Agreement.

The Transaction was negotiated on an arm's length basis and the Share Consideration of approximately RMB28,556,000 (equivalent to approximately HK\$32,468,000) was determined by reference to the net liabilities of the Target Group as at 31 December 2008 with the adjusted valuation with reference to the valuation of the PRC Land minus

the PRC land appreciation tax chargeable on the PRC Land. The valuation on the PRC Land was carried out by the Independent Valuer. The valuation performed by the Independent Valuer on 31 December 2008 on the PRC Land by using the direct comparison approach is RMB63,400,000 (equivalent to approximately HK\$72,085,800).

The Group will pay the Consideration by using its internal resources.

B. INFORMATION ON THE TARGET

As at the date of this announcement, the Target is a company duly incorporated under the laws of Hong Kong on 1 November 2007 having an issued share capital of HK\$1, which has been fully paid up by the Vendor, which represents 100% of the Sale Share in the Target to be sold to the Purchaser under the Sale and Purchase Agreement. The Target acquired the Subsidiary in February 2008 at the original acquisition cost of HK\$16,500,000.

The Target is an investment holding company, and the only major asset it holds is the Subsidiary. In turn, the only major asset of the Subsidiary is the PRC Land, which is for commercial/residential use and with the residual term of land use right ending on 20 January 2053. The PRC Land was acquired by the Subsidiary in 2004 at an original purchase cost of approximately RMB5,593,000. The PRC Land, which has not yet been developed, is adjoining the Converted Land owned by the Group.

In accordance with the PRC generally accepted accounting principles, the net asset value of the Subsidiary as audited by the PRC auditors engaged by the Subsidiary as at 31 December 2007 is approximately RMB17,212,000.

In accordance with the PRC generally accepted accounting principles, according to the audited financial information of the Subsidiary, the Subsidiary has not recorded any profit or loss before and after taxation for the year ended 31 December 2007; and according to the unaudited management accounts of the Subsidiary, the Subsidiary has recorded a loss of approximately RMB8,256,000 before and after taxation for the year ended 31 December 2008. The reason for such loss is mainly due to the costs incurred in connection with the administrative and consultancy expenses. Based on the unaudited management accounts of the Target Group, the Target Group has recorded a loss of approximately RMB8,256,000 for the year ended 31 December 2008. Based on the unaudited management accounts of the Subsidiary, the unaudited net asset value of the Subsidiary amounted to approximately RMB8,955,000 as at 31 December 2008.

According to the unaudited consolidated financial statement of the Target for the year ended 31 December 2008, the net liabilities of the Target Group amounted to approximately RMB8,256,000 as at 31 December 2008.

C. REASONS FOR THE TRANSACTION

Reference is made to the Previous Announcement in which the Company announced that the land use right of the Converted Land has been converted from industrial use to commercial/residential use. Though as at the date of this announcement the principal business of the Group does not include property development, the Directors believe that the acquisition of the PRC Land through the acquisition of the Target pursuant to the

Sale and Purchase Agreement will further enhance the commercial value of the Converted Land, as the Converted Land will benefit from the adjoining PRC Land, which has frontage to the roads.

Although the Company has not entered into any concrete and legally binding commitment on the development of the Converted Land and/or the PRC Land, the Company has commenced some preliminary studies and has considered the development potential of the Converted Land and the PRC Land. The Company currently expects to develop the Converted Land and the PRC Land for residential or residential/commercial purposes, with any necessary adjustment having regard to the then actual circumstances. If such plan or commitment materialises, the Company will fulfill its obligations (if any) in accordance with the applicable Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Transaction is made on normal commercial terms, that its terms are fair and reasonable, and that the Transaction and its terms are in the interests of the Group and the Company's shareholders as a whole, taking into account the long term real estate development of the Group in the PRC.

D. LISTING RULE IMPLICATIONS

The Vendor is an indirect wholly-owned subsidiary of Luen Thai Enterprises Ltd. which is in turn ultimately controlled by Mr. Tan Siu Lin, a director of the Company, and is therefore a Connected Person of the Company under the Listing Rules. The Sale and Purchase Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios exceed 2.5% and the Consideration exceeds HK\$10,000,000, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the Independent Shareholders' approval at the EGM.

A circular containing, among others, details of the Sale and Purchase Agreement and the Transaction, the advice of the Independent Board Committee, the recommendations of the independent financial adviser and the notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

E. GENERAL

The Group is principally engaged in the manufacture and trading of garment, textile products and laptop bags, and the provision of freight forwarding and logistics service.

The Vendor is an investment holding company.

F. DEFINITIONS

“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Sale and Purchase Agreement in accordance with its terms;
“Completion Date”	the date on which the Completion shall take place at 3:00 p.m. (Hong Kong time) on the second Business Day after the Conditions Fulfilment Date or at such later time or date as the Vendor and the Purchaser may agree, at the principal office of the Company in Hong Kong;
“Conditions Fulfilment Date”	the date on which all conditions precedent to the Sale and Purchase Agreement are fulfilled (or waived) pursuant to the terms of the Sale and Purchase Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Consideration”	the Share Consideration and Debt Consideration, which is in the total sum of HK\$48,968,000;
“Converted Land”	a parcel of land located at Pi Keng, Luen Thai Industrial City, Long Tang Town, Qing Shing District, Qingyuan City, Guangdong Province, the PRC with a site area of approximately 423,814 sq. m., which is currently owned by the Group;
“Debt”	the shareholder’s loans in an aggregate sum of HK\$16.5 million, being the shareholder’s loan currently owing by the Target to the Vendor as at the date of the Sale and Purchase Agreement, which is non-trade in nature, unsecured, interest-free and with no fixed term of repayment;
“Debt Consideration”	the sum of HK\$16.5 million payable by Purchaser to the Vendor on Completion, being the consideration for the acquisition of the Debt;
“Directors”	directors of the Company for the time being;
“Group”	the Company and its subsidiaries;
“EGM”	the extraordinary general meeting of the shareholders of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the Transaction;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee”	the independent board committee of the Company comprising Chan Henry, Cheung Siu Kee and Seing Nea Yie, being all the independent non-executive Directors;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting at the EGM;
“Independent Valuer”	an independent valuer not connected with the Company and its Connected Persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longstop Date”	30 June 2009;
“Previous Announcement”	the announcement made by the Company dated 10 March 2008 concerning the conversion of the land use right of the Converted Land from industrial use to commercial/residential use;
“Purchaser”	Sunny Force Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan);
“PRC Land”	the land owned by the Company and situated in Luen Thai Industrial City, Long Tang Town, Qing Shing District, Qingyuan City, Guangdong Province, the PRC with a site area of approximately 79,703.36 sq. m. and as identified by the Certificate of Land Use Right Number (清市府國用(2004)第00101號);
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 17 February 2009 and entered into between the Vendor and the Purchaser in relation to the Transaction;
“Sale Share”	one ordinary share of the Target, representing 100% of the issued share capital of the Target;
“Share Consideration”	the sum of HK\$32,468,000 for all the Sale Share, being the consideration for the acquisition of the Sale Share;
“sq. m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	Luen Thai (Qingyuan) Real Estate Limited (聯泰(清遠)房地產有限公司), a wholly foreign owned enterprise incorporated in the PRC, which is a wholly owned subsidiary of the Target;

“ Transaction ”	the acquisition by the Purchaser of the entire issued share capital of the Target and the Debt pursuant to the Sale and Purchase Agreement;
“ Target ”	Victory Land Properties Limited (凱龍置業有限公司), a company incorporated under the laws of Hong Kong;
“ Target Group ”	the Target together with the Subsidiary;
“ US\$ ”	United States dollars, the lawful currency of the United States of America;
“ Vendor ”	Luen Thai Land Limited, a company incorporated under the laws of the British Virgin Islands.

Dated 17 February 2009

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

Executive Directors:

Tan Siu Lin (*Chairman*)
Tan Henry
Tan Sunny
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

By order of the Board
Chiu Chi Cheung
Company Secretary

Website: www.luenthai.com

For illustration purpose, in this announcement, amounts in RMB have translated into HK\$ at the exchange rate of RMB1.00 to HK\$1.137. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.