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LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

REDEVELOPMENT PROJECT MAJOR TRANSACTION — CONSTRUCTION CONTRACT

REDEVELOPMENT PROJECT

The Board wishes to update the shareholders of the Company and the public investors on the recent development of the Project. As disclosed in the Company's announcements dated 10 March 2008, 17 February 2009 and 10 July 2009, the land use right of the Converted Land has been converted from industrial use to commercial/residential use. The Group currently plans to redevelop the site on the Converted Land and the Adjoining Land in phases as residential/commercial development.

MAJOR TRANSACTION — CONSTRUCTION CONTRACT

To implement the Project, QYRE has entered into the Construction Contract with the Contractor for the construction work of the Project. The Contract Sum payable by QYRE to the Contractor pursuant to the Construction Contract is RMB240,700,000 (or approximately HK\$272,977,870), which will be payable by QYRE in instalments, details of which are set out below. The construction work under the Construction Contract is expected to commence in or around 15 August 2009.

To the best knowledge of the Directors and having made reasonable enquiry, the Contractor and its ultimate beneficial owner are third parties independent of the Company and the Connected Persons of the Company. According to the applicable percentage ratios, the Construction Contract constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and is subject to the disclosure and Shareholders' approval requirements under the Listing Rules.

As no Shareholder has a material interest in the Construction Contract and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the entering into of the Construction Contract. Capital Glory, being the controlling shareholder of the Company holding 614,250,000 ordinary shares or approximately 61.89% of the total issued shares of the Company and the Shareholders' voting rights as at the date hereof, has given an irrevocable and unconditional written confirmation dated 14 August 2009 to the Company that it approves the entering into of the Construction Contract by the Company and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Construction Contract and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the requirements under the Listing Rules.

A. REDEVELOPMENT PROJECT

The Board wishes to update the shareholders of the Company and the public investors on the recent development of the Project. As disclosed in the Company's announcements dated 10 March 2008, 17 February 2009 and 10 July 2009, the land use right of the Converted Land has been converted from industrial use to commercial/residential use. The Group currently plans to redevelop the site on the Converted Land and the Adjoining Land in phases as residential/commercial development.

B. MAJOR TRANSACTION — CONSTRUCTION CONTRACT

(1) Principal terms of the Construction Contract

To implement the Project, QYRE has entered into the Construction Contract with the Contractor for the construction work of the Project by the Contractor. The principal terms of the Construction Contract are as follows:

Date: 14 August 2009.

Parties : (a) QYRE, an indirect wholly-owned subsidiary of the Company; and
(b) the Contractor.

Scope of the construction : Phase 1 of the construction work for the Project, including (a) site formation works, (b) foundation works, (c) structural works, external wall finishes works and rough internal finishes works for villas, low-rise apartment towers and associated shops and club house, (d) external landscaping works including swimming pools, lake, entrance gate, fountains, roads, footpaths and soft landscaping works, and (e) external underground electrical and mechanical works.

Tentative timetable : The construction work is expected to be completed within 300 days after its commencement.

Contract Sum : RMB240,700,000 (or approximately HK\$272,977,870), payable by QYRE to the Contractor pursuant to the terms of the Construction Contract.

Payment terms : The Contract Sum will be paid by QYRE in cash by instalments in accordance with the progress of the construction:

(a) 8% of the Contract Sum (i.e. RMB19,256,000 (or approximately HK\$21,838,230)), for the first instalment representing a payment in advance, will be payable within 7 days after signing of the Construction Contract, and will be used as deduction from payment of the sixth (6th) to eleventh (11th) interim progress payments in the manner as described below;

- (b) the interim progress payments will be made on a monthly basis. For the second (2nd) to the eleventh (11th) interim progress payments, an amount representing 85% of the value of the work done for that month will be paid. Each of such interim progress payments will be made when the quantity surveyor for the Project delivers to QYRE a certificate assessing the value of the work completed for the month in issue;
- (c) payment in advance made for the first instalment representing a total of 8% of the Contract Sum will be used as deduction from payment for the sixth (6th) to eleventh (11th) interim progress payments respectively by RMB1,930,000 (or approximately HK\$2,188,813) in respect of the sixth (6th) interim progress payment, RMB3,470,000 (or approximately HK\$3,935,327) each in respect of the seventh (7th) to the tenth (10th) interim progress payments, and RMB3,446,000 (or approximately HK\$3,908,109) in respect of the eleventh (11th) interim progress payments;
- (d) there are five milestones in the construction works. When all the works for each milestone are completed, payment amounting to 90% of the Contract Sum will be made. The five milestones are as follows:

Milestone 1 — structural works of basement including basement top slab and associated electrical and mechanical cast-in conduit and wiring;

Milestone 2 — structural works and brickworks of all buildings including roof slab and associated electrical and mechanical cast-in conduit and wiring;

Milestone 3 — All builder's works and electrical and mechanical works of all buildings;

Milestone 4 — receiving the certificate from the relevant government authority on the satisfaction of the testing and commissioning of the fire service system; and

Milestone 5 — all external works including builder's works and electrical and mechanical works.

- (e) When the Completion Certificate is received by QYRE, payment amounting to 97% of the Contract Sum shall be made.

- (f) The remaining 3% of the Contract Sum shall be retention money. This retention money (after deducting a sum of RMB500,000 in the manner as described below) will be paid 1 year from the issuance of the Completion Certificate; and
- (g) a sum of RMB500,000 (or approximately HK\$567,050) will be withheld from payment of the said remaining 3% of the Contract Sum as waterproofing guarantee money to cover the costs of rectifying any quality defects. Subject to any deduction for the cost of rectifying any quality defects, the said sum of RMB500,000 will be paid 2 years after the issuance of the Completion Certificate.

The payment of the Contract Sum will be mainly financed by a specific line of banking facilities made available to the Group with the remaining part made out of the Group's own internal resources.

The construction work under the Construction Contract is expected to commence in or around 15 August 2009.

(2) Reason for entering into the Construction Contract

The Contractor was selected by the Group through a tender process, having regard to the quotations submitted, experience of the tenderers and the quality of work demonstrated in other construction projects undertaken by the tenderers. The terms of the Construction Contract were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) considered that the terms and the transactions under the Construction Contract are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

The entering into of the Construction Contract with the Contractor is for implementation of the Project, which will enhance the commercial value of the Converted Land and the Adjoining Land, and will generate a new source of income for the Group, which is to the benefit of the Group.

(3) Implications under the Listing Rules

To the best knowledge of the Directors and having made reasonable enquiry, the Contractor and its ultimate beneficial owner are third parties independent of the Company and the Connected Persons of the Company. According to the applicable percentage ratios, the Construction Contract constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and is subject to the disclosure and Shareholders' approval requirements under the Listing Rules.

As no Shareholder has a material interest in the Construction Contract and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the entering into of the Construction Contract. Capital Glory, being the controlling shareholder of the Company holding 614,250,000 ordinary shares or approximately 61.89% of the total issued shares of the Company and the

Shareholders' voting rights as at the date hereof, has given an irrevocable and unconditional written confirmation dated 14 August 2009 to the Company that it approves the entering into of the Construction Contract by the Company and the transactions contemplated thereunder. Pursuant to Rule 14.44 of the Listing Rules, the Shareholders' approval requirement is deemed to have been fulfilled and hence no separate general meeting will need to be convened for approval of the entering into of the Construction Contract by the Company and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Construction Contract and the transactions contemplated thereunder will be despatched to the Shareholders as soon as practicable in accordance with the requirements under the Listing Rules.

C. GENERAL

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

The Contractor is principally engaged in building construction in the PRC.

QYRE is principally engaged in real estates development in the PRC.

D. DEFINITIONS

“Adjoining Land”	a parcel of land located in Qingyuan City with a site area of approximately 79,703.36 sq. m., which is adjoining the Converted Land and is owned by the Group through the acquisition of Victory Land Properties Limited, as disclosed in the announcement of the Company dated 17 February 2009;
“Capital Glory”	Capital Glory Limited, a company incorporated in the British Virgin Islands;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion Certificate”	the certificate issued by the relevant government authority upon the satisfaction of the practical completion of all the works under the Construction Contract;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Construction Contract”	the construction contract entered into between the Contractor and QYRE on 14 August 2009 for the construction work of the Project;
“Contractor”	廣東中城建設集團有限公司, a company incorporated in the PRC;
“Contract Sum”	the sum of RMB240,700,000 (or approximately HK\$272,977,870);

“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;
“Directors”	directors of the Company for the time being;
“Group”	the Company and its subsidiaries;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan);
“Project”	the project known as “The LUXRIVER” for the redevelopment of the Converted Land and the Adjoining Land into residential/commercial development;
“QYRE”	Luen Thai (Qingyuan) Real Estate Limited (聯泰(清遠)房地產有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“sq. m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

By order of the Board
Chiu Chi Cheung
Company Secretary

Dated 14 August 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 Cho Lung, Raymond
Tan Sunny
Mok Siu Wan, Anne

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

Non-executive Directors:

Tan Willie
Lu Chin Chu

Website: www.luenthai.com

For illustration purpose, in this announcement, amounts in RMB have been translated into HK\$ at the exchange rate of RMB1.00 to HK\$1.1341. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.