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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CONNECTED TRANSACTION ACQUISITION OF SHARES IN GLORY SILK INTERNATIONAL LTD., GOLD CHAIN ENTERPRISE LIMITED AND TEXCORP INVESTMENTS LIMITED

On 9 July 2010, Partner Joy, a 95%-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with, among others, Kardon and Linktop as the vendors pursuant to which Partner Joy has conditionally agreed to acquire (i) the Glory Silk Sale Shares; (ii) the Gold Chain Sale Shares; (iii) Texcorp Sale Shares; (iv) the Shareholders' Loans; and (v) the Inter-company Receivables at the total consideration of HK\$13,000,000 plus an amount equals to the Net Working Capital of the Target Group, subject to and upon the terms and conditions contained of the Sale and Purchase Agreement.

Kardon is owned as to 42% by LTDI, a wholly-owned subsidiary of Admirable. In turn, Admirable is indirectly owned by Mr. Tan Siu Lin, a Director. Therefore Kardon is a Connected Person of the Company, and the entering into of the Sale and Purchase Agreement constitutes a connected transaction for the Company. As the applicable Percentage Ratios for the Acquisition under the Sale and Purchase Agreement are more than 0.1% but less than 5%, the Acquisition under the Sale and Purchase Agreement is subject to reporting and announcement requirements but are exempt from independent shareholders' approval requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition, the terms of the Sale and Purchase Agreement, and the respective transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Mr. Tan Siu Lin, by reason of his indirect interest in Kardon, has a material interest in the transactions contemplated under the Sale and Purchase Agreement, and has abstained from voting on the board resolution of the Company approving the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

A. THE SALE AND PURCHASE AGREEMENT

On 9 July 2010, the Sale and Purchase Agreement was entered into among: (i) Kardon; (ii) Linktop; (iii) HKI; (iv) LTDI; (v) Mr. Chan; and (vi) Partner Joy as the purchaser.

The principal terms of the Sale and Purchase Agreement are set out below:

Assets to be acquired

Pursuant to the Sale and Purchase Agreement:

- (a) Kardon has agreed to sell, and the Purchaser has agreed to purchase, the Glory Silk Sale Shares and the Gold Chain Sale Shares;
- (b) Linktop has agreed to sell, and the Purchaser has agreed to purchase, the Texcorp Sale Shares;
- (c) Kardon (on behalf of the Non-Target Group) shall assign all the benefits, interest and rights in the Shareholders' Loans and the Inter-company Receivables to the Purchaser.

Consideration

The total consideration for all the Sale Shares, the Shareholders' Loans and the Inter-company Receivables shall be in the aggregate sum of: (i) Hong Kong Dollars thirteen million (HK\$13,000,000), plus (ii) an amount equals to the Net Working Capital of the Target Group (if such Net Working Capital is higher than zero), which shall be payable in the following manner:

- (a) a sum of HK\$6,500,000 shall be payable by the Purchaser upon Completion; and
- (b) the remaining part comprising the sum of HK\$6,500,000 plus an amount equals to the Net Working Capital of the Target Group shall be payable by the Purchaser within ten (10) Business Days after: (i) the Completion Date or (ii) the date when the Pre-completion Accounts (if the Purchaser elects to require the Warrantors to produce the Pre-completion Accounts) for determining the Net Working Capital are available, whichever is later.

The Purchaser is entitled in its sole discretion (but is not obliged) to adopt the Management Accounts for determining the Net Working Capital, and in such event, the date for effecting the above remaining part of the consideration shall be within ten (10) Business Days after: (i) the Completion Date or (ii) the date when the Management Accounts are available, whichever is later.

The amount representing the Net Working Capital of the Target Group which is payable by the Purchaser (irrespective of whether same is determined based on the Pre-completion Accounts or the Management Accounts) shall not exceed a cap amount of HK\$8,000,000.

The total consideration for the Acquisition was determined after arm's length negotiations based on normal commercial terms and with reference to the unaudited net fixed asset value and the net working capital of the Target Group as at 31 December 2009. The Company intends to finance the Acquisition in full by its internal resources.

As at 31 December 2009, the Inter-company Receivables amounted to approximately HK\$70,078,000.

Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction of the following conditions:

- (a) the Vendors having facilitated the Purchaser to undertake a legal, financial, operational, tax accounting and business due diligence investigation in respect of the Target Group, and the results of which are satisfactory to the Purchaser;
- (b) all applicable law, rules and regulations (including but without limitation to the Listing Rules) for entering into the transaction(s) contemplated under the Sale and Purchase Agreement having been complied with;
- (c) all necessary approvals, including but not limited to any necessary approvals from the shareholders and the board of directors of the Purchaser and the Company respectively in respect of the transaction(s) contemplated under the Sale and Purchase Agreement having been obtained;
- (d) the Sale and Purchase Agreement and the Assignment of Loan and Receivables having been duly executed by the parties thereto;
- (e) the warranties given by the Warrantors under the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respect immediately prior to Completion by reference to the facts and circumstances subsisting immediately prior to Completion; and
- (f) there has been no material adverse change of each member of the Target Group immediately prior to Completion.

The Purchaser may, by written notice to the Warrantors, waive or modify compliance with any of the above conditions precedent (except the conditions precedent set out in paragraphs (b) and (c) above) in whole or in part at any time on or before the Conditions Fulfilment Date.

If one or more of the above conditions precedent remains un-satisfied by the Conditions Fulfilment Date (or such later date as the Vendors and the Purchaser may agree in writing) and has not been waived on or before that date; or becomes impossible to satisfy on or before the Conditions Fulfilment Date (or such later date as the Vendors and the Purchaser may agree in writing) and, if it is a condition which can be waived by the Purchaser, has not been waived within five (5) Business Days of such condition becoming impossible to satisfy, the Sale and Purchase Agreement shall automatically be terminated with immediate effect and each party's rights and obligations under the Sale and Purchase Agreement shall cease immediately on termination.

Warrantors

Pursuant to the terms of the Sale and Purchase Agreement, HKI, LTDI and Mr. Chan together with the Vendors jointly and severally gave representations, warranties and undertakings to the Purchaser concerning the affairs and condition of the Target Group.

Completion

Completion shall take place on the third Business Day after the date on which all the conditions precedent set out above have been fulfilled or waived by the Purchaser in accordance with the terms of the Sale and Purchase Agreement (or on such later date as the parties may agree in writing).

C. INFORMATION ON THE TARGET GROUP

The Target Group Companies are subsidiaries of Kardon.

Glory Silk was incorporated on 6 September 1999 with limited liability in the British Virgin Islands and is a wholly-owned subsidiary of Kardon. Glory Silk is principally engaged in investment holding and directly holds 95%-interest in ESDP, a company incorporated in Indonesia. ESDP is principally engaged in manufacturing of sweaters in Indonesia. The remaining 5% shareholding interest in ESDP is held by an Independent Third Party.

For the financial year ended 31 December 2008, the unaudited consolidated net losses before and after taxation and extraordinary items of Glory Silk and ESDP were approximately HK\$1,497,000 and approximately HK\$3,785,000 respectively.

For the financial year ended 31 December 2009, the unaudited consolidated net losses before and after taxation and extraordinary items of Glory Silk and ESDP were approximately HK\$411,000 and approximately HK\$1,095,000 respectively.

The unaudited consolidated net liability of Glory Silk and ESDP as at 31 December 2009 was approximately HK\$17,089,000.

Gold Chain was incorporated on 24 January 2000 with limited liability in Hong Kong and is a wholly-owned subsidiary of Kardon. Gold Chain is principally engaged in investment holding and directly holds 95%-interest in BIG, a company incorporated in Indonesia. BIG is principally engaged in manufacturing of sweaters in Indonesia. The remaining 5% shareholding interest in BIG is held by an Independent Third Party.

For the financial year ended 31 December 2008, the unaudited consolidated net losses before and after taxation and extraordinary items of Gold Chain and BIG were approximately HK\$1,527,000 and approximately HK\$1,106,000 respectively.

For the financial year ended 31 December 2009, the unaudited consolidated net losses before and after taxation and extraordinary items of Gold Chain and BIG were approximately HK\$5,883,000 and approximately HK\$4,162,000 respectively.

The unaudited consolidated net liability of Gold Chain and BIG as at 31 December 2009 was approximately HK\$7,460,000.

Texcorp was incorporated on 23 May 1996 with limited liability in Hong Kong and is a wholly-owned subsidiary of Linktop. In turn, Linktop is a direct wholly-owned subsidiary of Kardon. Texcorp is principally engaged in investment holding. Texcorp directly holds 97.5%-interest in CIB, a company incorporated in Indonesia. CIB is principally engaged in holding the land and factory buildings where ESDP and BIG are located. The remaining 2.5% shareholding interest in CIB is held by an Independent Third Party.

For the financial year ended 31 December 2008, the unaudited consolidated net losses before and after taxation and extraordinary items of Texcorp and CIB were approximately HK\$3,871,000 and approximately HK\$11,425,000 respectively.

For the financial year ended 31 December 2009, the unaudited consolidated net losses before and after taxation and extraordinary items of Texcorp and CIB were approximately HK\$5,270,000 and approximately HK\$5,452,000 respectively.

The unaudited consolidated net liability of Texcorp and CIB as at 31 December 2009 was approximately HK\$30,901,000.

Each of BIG, CIB and ESDP was formed by Kardon through its direct or indirect shareholding in Gold Chain, Texcorp and Glory Silk respectively.

D. REASONS FOR THE TRANSACTIONS

The Target Group specialises in manufacturing of sweaters and possesses the specialised garment manufacturing techniques for production of sweaters. Through the proposed Acquisition, the Group will widen its own production base outside the People's Republic of China and acquire specialised garment manufacturing techniques and factories for manufacturing of sweaters. The Directors considered that the proposed Acquisition, which aims to diversify the production base and better serve the Group's customer needs, would be beneficial to the long term development of the Group and in the commercial interest of the Group as a whole.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

E. LISTING RULE IMPLICATIONS

Kardon is owned as to 42% by LTDI, a wholly-owned subsidiary of Admirable. In turn, Admirable is indirectly owned by Mr. Tan Siu Lin, a Director. Therefore Kardon is a Connected Person of the Company, and the entering into of the Sale and Purchase Agreement constitutes a connected transaction for the Company. As the applicable Percentage Ratios for the Acquisition under the Sale and Purchase Agreement are more than 0.1% but less than 5%, the Acquisition under the Sale and Purchase Agreement is subject to reporting and announcement requirements but are exempt from independent shareholders' approval requirements under the Listing Rules.

Mr. Tan Siu Lin, by reason of his indirect interest in Kardon, has a material interest in the transactions contemplated under the Sale and Purchase Agreement, and has abstained from voting on the board resolution of the Company approving the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder.

F. 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 Purchaser was incorporated on 8 March 2005 with limited liability in the British Virgin Islands and is a 95%-owned subsidiary of the Company. The Purchaser is an investment holding company. The Purchaser, through its subsidiaries, is principally engaged in the manufacture and trading of garment.

Kardon is an investment holding company and, through its subsidiaries, is principally engaged in manufacturing garment. It is owned as to 42% by LTDI (which is a Connected Person of the Company), as to another 42% by HKI and as to the remaining 16% by Mr. Chan. Both HKI and Mr. Chan are Independent Third Parties.

Linktop is an investment holding company and a direct wholly-owned subsidiary of Kardon.

G. DEFINITIONS

“Acquisition”	the acquisition by the Purchaser of the Glory Silk Sale Shares, the Gold Chain Sale Shares, the Texcorp Sale Shares, the Shareholders’ Loans and the Inter-company Receivables pursuant to the terms and provisions of the Sale and Purchase Agreement;
“Admirable”	Admirable Investment Holdings Limited, a company indirectly owned by Mr. Tan Siu Lin, a Director;
“Assignment of Loan and Receivables”	the deed of assignment to be executed among Kardon, the Purchaser, Glory Silk, Gold Chain and Texcorp in respect of the assignment of the Shareholders’ Loans and Inter-company Receivables;
“BIG”	PT. Buana Intisari Gamen, a company incorporated under the laws of Indonesia and a 95%-owned subsidiary of Gold Chain;
“Board”	the board of directors of the Company;
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
“CIB”	PT. Cedrateks Indah Busana, a company incorporated under the laws of Indonesia and a 97.5%-owned subsidiary of Texcorp;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement;
“Completion Date”	the date on which Completion takes place pursuant to the terms of the Sale and Purchase Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Conditions”	the conditions precedent to Completion as set out in the Sale and Purchase Agreement;

“Conditions Fulfillment Date”	31 July 2010 or such later date as may be agreed in writing by the parties to the Sale and Purchase Agreement;
“Director(s)”	director(s) of the Company for the time being;
“ESDP”	PT. Eka Sandang Duta Prima, a company incorporated under the laws of Indonesia and a 95%-owned subsidiary of Glory Silk;
“Glory Silk”	Glory Silk International Ltd., a company incorporated under the laws of the British Virgin Islands;
“Glory Silk Sale Shares”	the 1,000 ordinary shares of par value US\$1.00 each in the capital of Glory Silk, representing 100% of the entire issued share capital of Glory Silk;
“Gold Chain”	Gold Chain Enterprise Limited, a company incorporated under the laws of Hong Kong;
“Gold Chain Sale Shares”	the 1,000 ordinary shares of par value HK\$1.00 each in the capital of Gold Chain, representing 100% of the entire issued share capital of Gold Chain;
“Group”	the Company and its subsidiaries;
“HKI”	H.K.I. Company Limited, a company incorporated under the laws of Hong Kong;
“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 Third Parties”	the third parties which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, are independent of the Company and its Connected Persons;
“Inter-company Receivables”	the net amount of all the inter-company receivables due from the Target Group to the Non-Target Group as at the Completion Date;
“Kardon”	Kardon International Worldwide Ltd., a company incorporated under the laws of the British Virgin Islands;
“Linktop”	Linktop Enterprises Ltd., a company incorporated under the laws of the British Virgin Islands;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LTDI”	Luen Thai Direct Investment Limited, a company incorporated under the laws of the British Virgin Islands;

“Management Accounts”	the unaudited management accounts of each of BIG, CIB and ESDP comprising a balance sheet as at 31 March 2010 and a profit and loss account in respect of the period from 1 January 2010 to 31 March 2010, respectively;
“Net Working Capital”	the net working capital of the Target Group as at 31 March 2010, comprising its total cash plus all current assets that can be realized into cash, including direct materials, prepayment and deposits but excluding tax prepayment and deferred tax assets, minus all debts and payables of the Target Group due or owing to third parties and accrued expenses;
“Non-Target Group”	Kardon and its subsidiaries, other than the Target Group;
“Mr. Chan”	Chan Kwan Yung, one of the shareholders of Kardon;
“Partner Joy” or “Purchaser”	Partner Joy Group Limited, a company incorporated under the laws of the British Virgin Islands and a 95%-owned subsidiary of the Company;
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules;
“Pre-completion Accounts”	the audited accounts of each of BIG, CIB and ESDP comprising a balance sheet as at 31 March 2010 and a profit and loss account in respect of the period from 1 January 2010 to 31 March 2010, respectively;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 July 2010 entered into among: (i) Kardon; (ii) Linktop; (iii) HKI; (iv) LTDI; (v) Mr. Chan; and (vi) Partner Joy in respect of the sale and purchase of the Sale Shares;
“Sale Shares”	the Glory Silk Sale Shares, the Gold Chain Sale Shares and the Texcorp Sale Shares;
“Shareholders’ Loans”	the loans owing by Texcorp to its shareholders, which amount to HK\$24,288,000 as at the date of the Sale and Purchase Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	collectively, Gold Chain, BIG, Glory Silk, ESDP, Texcorp and CIB, all of which are the subsidiaries of Kardon;
“Target Group Company”	any one company of the Target Group, and “Target Group Companies” shall be construed accordingly;
“Texcorp”	Texcorp Investments Limited, a company incorporated under the laws of Hong Kong;

“Texcorp Sale Shares”	the 1,000 ordinary shares of par value HK\$1.00 each in the capital of Texcorp, representing 100% of the entire issued share capital of Texcorp;
“Vendors”	Kardon and Linktop; and
“Warrantors”	HKI, LTDI, Mr. Chan and the Vendors.

By order of the Board
Chiu Chi Cheung
Company Secretary

Dated 9 July 2010

As at the date hereof, the Board comprises 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