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LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF TIEN- HU KNITTING COMPANY (HONG KONG) LIMITED

The Board announced that on 1 February 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares representing the entire issued share capital of the Target Company at a total consideration of HK\$46,500,000.

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% and are less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A. THE SALE AND PURCHASE AGREEMENT

The Board announced that on 1 February 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors. The main terms of the Share and Purchase Agreement are set out below.

Date: 1 February 2012

- Parties:**
- (a) Opelbond Management Limited as the first vendor
 - (b) Ms. So Suk Ling as the second vendor
 - (c) Fortune Investment Overseas Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser
 - (d) Luen Thai Overseas Limited (a direct wholly-owned subsidiary of the Company) as the guarantor

Subject matter:

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, details of which are as follows:

- (a) the First Vendor shall sell, and the Purchaser shall purchase, the Opelbond Sale Shares; and
- (b) the Second Vendor shall sell, and the Purchaser shall purchase, the So Sale Shares.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the First Vendor and the Second Vendor and the ultimate beneficial owners of the First Vendor are Independent Third Parties.

Consideration:

The Consideration shall be in the sum of HK\$46,500,000, which shall be apportioned between the First Vendor and the Second Vendor based on their existing shareholding ratios, i.e. the consideration amounts for the Opelbond Sale Shares and the So Sale Shares are HK\$46,498,043 and HK\$1,957 respectively, and shall be paid in the following manner:

- (a) upon signing of the Sale and Purchase Agreement, the Purchaser shall pay the First Payment in the total sum of HK\$26,500,000 to the First Vendor;
- (b) upon the delivery by the Vendors of the Lost Certificate (in the manner as mentioned in the paragraph headed "Other term" below), the Purchaser shall pay the Second Payment to the First Vendor;
- (c) the Third Payment in the total sum of HK\$10,000,000 shall be paid by the Purchaser to the First Vendor on the day which is one year after the Completion Date, subject to the following provision:

The Vendors undertake and warrant to the Purchaser that the Pension Liability as at Completion shall not exceed RMB3 million. In the event that the Pension Liability as at Completion shall exceed RMB3 million, the Vendors shall bear the excess amount which has been actually incurred by the PRC Subsidiary. The Purchaser is entitled to deduct from the Third Payment an amount equal to such excess amount (if any) before making payment to the Vendors. The amount of the Pension Liability shall be mutually agreed by the Vendors and the Purchaser.

Under the Sale and Purchase Agreement, the Second Vendor declares that the First Vendor is the Second Vendor's agent for the purposes of receiving all moneys paid or payable to the Vendors pursuant to the Sale and Purchase Agreement including the Consideration.

The Consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to: (i) the preliminary valuation made by an independent professional property valuer regarding the market value of the PRC Property on 19 January 2012, which is approximately RMB26,800,000; and (ii) the net asset value of the Target Group as at 31 January 2012.

Conditions precedent:

Completion of the Acquisition is conditional upon the following conditions precedents being satisfied or, to such extent as the Purchaser thinks fit and is legally entitled to do so, waived by the Purchaser, on or before the Longstop Date:

- (a) due diligence investigations having been conducted on the legal, business, tax, accounting and financial positions of the Target Group and the results of such investigations are to the satisfaction of the Purchaser;
- (b) all necessary approvals, whether pursuant to law, regulatory compliance or otherwise having been obtained for the transaction(s) contemplated under the Sale and Purchase Agreement;
- (c) the warranties given by the Vendors 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
- (d) there has been no material adverse change of the Target Group from the date of the Sale and Purchase Agreement and up to Completion.

The Purchaser may, by written notice to the Vendors, waive or modify compliance with any Condition in whole or in part, to such extent as the Purchaser thinks fit and is legally entitled to do so, at any time on or before the Conditions Fulfilment Date.

If any of the Conditions (which have not previously been waived by the Purchaser) have not been satisfied on or before 5:00 p.m. (Hong Kong time) on the Longstop Date, then:

- (a) 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 Vendors:
 - (i) waive, to such extent as it thinks fit and is legally entitled to do so, the Conditions which have not been satisfied;
 - (ii) postpone Completion to a date (being a Business Day) falling not more than 30 Business Days after the Longstop Date; or
 - (iii) rescind the Sale and Purchase Agreement.
- (b) the Vendors may on that date, at their option (but without prejudice to any other right or remedy it may have), by notice to the Purchaser elect to terminate the Sale and Purchase Agreement.

Guarantee:

Luen Thai Overseas shall guarantee to the Vendors the payment obligations of the Purchaser in respect of the Second Payment and the Third Payment for which the Purchaser is or may become liable under the Sale and Purchase Agreement.

Other term:

The Vendors shall apply for and deliver to the Purchaser within 4 months from the date of the Sale and Purchase Agreement original of the replacement land use rights certificate in respect of the Lost Certificate duly re-issued to the PRC Subsidiary by the relevant PRC authority.

Completion:

Completion shall take place at 10:00 a.m. (Hong Kong time) on the second Business Day after the Conditions Fulfilment Date or at such later time or date as the parties may agree.

B. INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong in 1993 and has a total issued and paid up capital of HK\$23,760,000 as at the date of the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Target Company is an investment holding company and the only major asset it holds is the PRC Subsidiary.

The PRC Subsidiary, established in 1990, is a wholly foreign owned enterprise in the PRC and a direct wholly owned subsidiary of the Target Company. The PRC Subsidiary is principally engaged in garment manufacturing. The PRC Property is the major asset held by the PRC Subsidiary.

Set out below are certain unaudited financial information of the Target Group for each of the two financial years ended 31 December 2011:

	For the year ended 31 December 2010	For the year ended 31 December 2011
	<i>HK\$</i>	<i>HK\$</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net profits/(loss) before tax	213,000	(1,036,000)
Net profits/(loss) after tax	166,000	(1,113,000)

The unaudited consolidated net asset value of the Target Group as at 31 January 2012 was approximately HK\$13,791,000.

Upon completion of the Acquisition, the Target Company and the PRC Subsidiary will become indirect subsidiaries of the Company and their results will be consolidated into the Group's financial results.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in garment manufacturing. The Board believes that through the proposed Acquisition, the Group can streamline its operation and better reallocate resources within the Group, thereby increasing the operational efficiency of the Group. The Board considers that the proposed Acquisition 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.

D. LISTING RULE IMPLICATIONS

As certain of the applicable percentage ratios in respect of the Acquisition and the entering into of the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% and are less than 25%, the Acquisition and the entering into of the Sale and Purchase Agreement constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

E. GENERAL

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

The Purchaser is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the First Vendor is principally engaged in investment holding company.

F. DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Sale and Purchase Agreement;
“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;
“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 in accordance with terms of the Sale and Purchase Agreement;
“Completion Date”	the date on which Completion takes place under the Sale and Purchase Agreement;
“Conditions”	conditions precedent to Completion under the Sale and Purchase Agreement;
“Conditions Fulfilment Date”	the date on which all conditions precedent to the Sale and Purchase Agreement are fulfilled 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”	a sum of HK\$46,500,000, being the consideration for the sale of the Sale Shares pursuant to the Sale and Purchase Agreement;
“Director(s)”	director(s) of the Company for the time being;
“First Payment”	HK\$26,500,000, as part payment of the Consideration payable by the Purchaser under the Sale and Purchase Agreement;
“First Vendor”	Opelbond Management Limited, a company incorporated under the laws of the British Virgin Islands;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Parties”	third parties who are independent of the Company and its Connected Persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longstop Date”	31 March 2012;
“Lost Certificate”	one of the land use rights certificates relating to the PRC Property, namely, 東府國用(1996)字第特160號;
“Luen Thai Overseas”	Luen Thai Overseas Limited, a company incorporated under the laws of the Bahamas and a direct wholly-owned subsidiary of the Company;
“Opelbond Sale Shares”	23,759,000 ordinary shares in the share capital of the Target Company held by the First Vendor;
“Pension Liability”	all the legal or contractual obligation or liability of the PRC Subsidiary (whether actual or contingent) to its employees and staff payable or accrued up to Completion relating to or arising out of: (a) severance payment; (b) compensation of annual leave; (c) underpayment of minimum wage as required by any applicable law or regulation; and (d) social security contributions;
“PRC”	the People’s Republic of China, but for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan;
“PRC Property”	the property situated at 中國廣東省東莞市常平鎮木輪工業區, as covered by the land use rights certificates (東府國用(1996)字第特160號and東府國用(1998)字第特186號) and property ownership certificates (粵房地證字第C0733174號, 粵房地證字第C0733175號, 粵房地證字第C0733176號, 粵房地證字第1481476號, 粵房地證字第1481477號and粵房地證字第1481478號), with a total land use right area covered by the land use rights certificates of approximately 18,328 square metres;

“PRC Subsidiary”	東莞天河針織有限公司, a wholly-foreign owned enterprise incorporated under the laws of the PRC and a direct wholly-owned subsidiary of the Target Company;
“Purchaser”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 1 February 2012 and entered into between the Vendors, the Purchaser and Luen Thai Overseas in relation to the sale and purchase of the Sale Shares;
“Sale Shares”	Opelbond Sale Shares and So Sale Shares, representing 100% of the issued share capital of the Target Company;
“Second Payment”	HK\$10,000,000, as part payment of the Consideration to be paid by the Purchaser pursuant to the manner as stipulated in the Sale and Purchase Agreement;
“Second Vendor”	Ms. So Suk Ling (蘇淑玲);
“So Sale Shares”	1,000 ordinary shares in the share capital of the Target Company held by the Second Vendor;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Tien-Hu Knitting Company (Hong Kong) Limited (香港天河針織有限公司), a private company incorporated in Hong Kong;
“Target Group”	the Target Company and the PRC Subsidiary;
“Third Payment”	the remaining balance of the Consideration (after deducting the First Payment and the Second Payment) payable by the Purchaser pursuant to the manner as stipulated in the Sale and Purchase Agreement;
“Vendors”	First Vendor and Second Vendor.

By order of the Board
Chiu Chi Cheung
Company Secretary

Dated 1 February 2012

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

Company's website: www.luenthai.com