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 **Luenthai**
LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

DISCLOSEABLE TRANSACTION

The Directors are pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, has entered into and completed a Sale and Purchase Agreement on 3 May 2005, pursuant to which the Purchaser has acquired a 71% interest in the issued and fully paid share capital of the Acquired Company from the Vendor, a third party independent of the Company and its connected persons (as defined in the Listing Rules), for a cash consideration to be determined pending the audited and consolidated financial statements of the Acquired Company for the two years ending on 31 December 2006 subject to a minimum of US\$7,959,100 (equivalent to approximately HK\$62,080,980) and a maximum of US\$20,000,000 (equivalent to approximately HK\$156,000,000). The Consideration shall be funded from the internal resources of the Group and paid by the Purchaser over three instalments.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis and the Directors consider that the Transaction is made on normal commercial terms and in the interests of the Group and the Company's shareholders as a whole.

The Transaction constitutes a discloseable transaction for the Company, and is therefore subject only to the disclosure requirements, under the Listing Rules. A circular containing details of the Transaction will be despatched to the shareholders of the Company within 21 days from the date of publication of this announcement.

I. THE SALE AND PURCHASE AGREEMENT

Date: 3 May 2005

Parties: (1) The Vendor
(2) Warrantor
(3) The Purchaser
(4) Guarantor

Pursuant and subject to the Sale and Purchase Agreement which was dated and completed on 3 May 2005, the Vendor sold, and the Purchaser purchased, 710 Shares in the share capital of the Acquired Company, representing 71% of the entire issued and fully paid share capital of the Acquired Company.

Pursuant to the Sale and Purchase Agreement, the Guarantor (a wholly-owned subsidiary of the Company) has agreed to guarantee the performance of all obligations of the Purchaser, its wholly-owned subsidiary, arising under the Sale and Purchase Agreement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor, the Warrantor, Novelwill and Trumpinvest and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Consideration:

The Consideration, negotiated on an arm's length basis between the parties, shall be determined with reference to:

- (a) the average of the consolidated net profit of the Acquired Company for the 2 years ending on 31 December 2006;
- (b) a price-earnings multiple of 5 (which is within the prevailing industry average of 5-7 times); and
- (c) the agreed valuation of certain machineries as at 31 December 2004 which were held by the Acquired Company as at Completion, being US\$1,410,000 (equivalent to approximately HK\$10,998,000).

The Consideration is further subject to a minimum of US\$7,959,100 (equivalent to approximately HK\$62,080,980) and a maximum of US\$20,000,000 (equivalent to approximately HK\$156,000,000), being the range agreed between the parties after arm's length negotiations. On the basis of a price-earnings multiple that is within the prevailing industry average and the track record profitability and business prospects of the Acquired Company and its subsidiaries, the Directors are of the view that the Consideration and the basis for its calculation are fair and reasonable, and are in the interests of the Group and the Company's shareholders as a whole.

Payment of the Consideration shall be funded by the internal resources of the Group and shall be made in three instalments, the first of which in the sum of US\$7,959,100 (equivalent to approximately HK\$62,080,980) has been paid and the second and third of which pending the completion of the audited and consolidated financial statements of the Acquired Company for each of the two years ending on 31 December 2006.

Completion:

Completion took place on 3 May 2005, simultaneously with the execution of the Sale and Purchase Agreement.

II. INFORMATION ON THE ACQUIRED COMPANY

As at the date of this announcement, the Acquired Company is a private company duly incorporated under the laws of the British Virgin Islands on 8 March 2005 having an authorised share capital of US\$50,000 divided into 50,000 Shares, 1,000 of which have been issued and are fully paid up. Out of the 1,000 issued Shares of the Acquired Company, 710 Shares (representing 71% of the entire issued capital of the Acquired Company) are beneficially owned by the Purchaser. The remaining 290 issued Shares (representing 29% of the entire issued capital of the Acquired Company) are held by the Vendor as to 190 Shares (representing 19% of the entire issued capital of the Acquired Company), by Trumpinvest as to 50 Shares (representing 5% of the entire issued capital of the Acquired Company) and by Novelwill as to 50 Shares (representing 5% of the entire issued capital of the Acquired Company). The Acquired Company, through its three wholly-owned subsidiaries - Tien-Hu Knitters Limited, Tien-Hu Knitting Factory (HK) Limited and Tien-Hu Trading (HK) Limited - is principally engaged in the business of manufacturing and trading of sweaters. These three subsidiaries have been in operation since the 1980s.

The unaudited and consolidated net asset value of the three wholly-owned subsidiaries of the Acquired Company as at 31 December 2004 amounted to approximately HK\$93,797,000. For the year ended 31 December 2003, the unaudited and consolidated net profit before and after taxation of the three wholly-owned subsidiaries of the Acquired Company amounted to approximately HK\$20,042,000 and HK\$16,620,000 respectively. For the year ended 31 December 2004, the unaudited and consolidated net profit before and after taxation of the three wholly-

owned subsidiaries of the Acquired Company amounted to approximately HK\$32,376,000 and HK\$26,484,000 respectively.

III. REASONS FOR THE TRANSACTION

The Directors believe that the Transaction is in line with the Group's multi-product strategy to expand its apparel product categories by way of selective acquisitions and joint ventures. Upon Completion, the Transaction will give a significant presence in the sweater segment and will further consolidate the Group's leading position in the apparel industry. The Group's experience in acquiring and managing GJM (its sleepwear division), Tomwell Limited (the ladies career wear division) shows the Group's proven track record as an industry leader and consolidator.

The 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.

IV. GENERAL

The Company is principally engaged in the manufacture and trading of apparel.

The Transaction constitutes a discloseable transaction for the Company, and is therefore subject only to the disclosure requirements under the Listing Rules.

A circular containing details of the Transaction will be despatched to the shareholders of the Company within 21 days from the date of publication of this announcement.

V. DEFINITIONS

“Acquired Company”	Partner Joy Group Limited, a private company incorporated under the laws of the British Virgin Islands;
“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;
“connected person”	shall have the meaning as ascribed to it under the Listing Rules;
“Consideration”	the consideration to be determined, and paid by the Purchaser, in accordance with the terms of the Sale and Purchase Agreement;
“Directors”	directors of the Company for the time being;
“Group”	the Company and its subsidiaries;
“Guarantor”	Luen Thai Overseas Limited, a company incorporated under the laws of Bahamas which is a wholly-owned subsidiary of the Company and the immediate holding company of the Purchaser;
“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;
“Novelwill”	Novelwill International Limited, a company incorporated in the British Virgin Islands;
“Purchaser”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of each of the Guarantor and the Company;

“Sale and Purchase Agreement”	a sale and purchase agreement dated 3 May 2005 entered into between, inter alia, the Vendor and the Purchaser in relation to the Transaction;
“Share”	a share of US\$1.00 each in the capital of the Acquired Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Transaction”	the acquisition of a 71% interest in the issued capital of the Acquired Company;
“Trumpinvest”	Trumpinvest Holdings Limited, a company incorporated in the British Virgin Islands;
“Vendor”	New Trillion Consultants Limited, a company incorporated under the laws of the British Virgin Islands; and
“Warrantor”	Tien-Hu Enterprise Limited, a company incorporated under the laws of Hong Kong, which together with the Vendor are the warrantors under the Sale and Purchase Agreement.

By order of the Board of Directors

Luen Thai Holdings Limited

Henry Tan

Executive Director & Chief Executive Officer

Hong Kong, 4 May 2005

As at the date of this announcement, the executive directors of the Company are Messrs. Tan Siu Lin (Chairman), Tan Henry, Tan Willie and Tan Cho Lung, Raymond; and the independent non-executive directors are Messrs. Chan Henry, Cheung Siu Kee and Seing Nea Yie.

Please also refer to the published version of this announcement in The Standard.