

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LUEN THAI HOLDINGS LIMITED

聯泰控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 311)

CONNECTED AND MAJOR TRANSACTION

TERMINATION OF OPTIONS

References are made to the announcements of the Company dated 16 March 2006 and 4 April 2007 in relation to, among other things, the acquisition of a 50% interest and a further 10% interest in the issued and fully paid share capital of On Time by Fortune Investment, a wholly-owned subsidiary of the Company, from Mr. Fleischer pursuant to the Sale and Purchase Agreement and the First Option Deed, respectively. Since the completion of the First Option Deed, On Time has been owned as to 60% by Fortune Investment and as to 40% by Mr. Fleischer.

On 10 March 2006, being the date of the execution of the Sale and Purchase Agreement and the First Option Deed, Fortune Investment also entered into the Second Option Deed with Mr. Fleischer in respect of the remaining 40% interest in the issued share capital of On Time. Pursuant to the Second Option Deed, (a) Mr. Fleischer had granted the Call Option to Fortune Investment in respect of Mr. Fleischer's holding of such number of On Time Shares representing 40% of the issued share capital of On Time from time to time; and (b) Fortune Investment had granted the First Put Option and the Second Put Option to Mr. Fleischer each in respect of Mr. Fleischer's holding of such number of On Time Shares representing 20% of the issued share capital of On Time from time to time. As at the date of this announcement, the Call Option, the First Put Option and the Second Put Option under the Second Option Deed have not been exercised.

The Board announces that on 24 May 2010, Fortune Investment entered into the Termination Agreement with Mr. Fleischer to effect the termination of the Second Option Deed on the terms and conditions set out therein, pursuant to which Fortune Investment effectively disposed of the Call Option in consideration of Mr. Fleischer agreeing to terminate the First Put Option and the Second Put Option.

The Directors (including the independent non-executive Directors) consider that the terms of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed) were negotiated on an arm's length basis and made on normal commercial terms, and that the terms of the Termination Agreement are fair and reasonable and in the interests of the Group and the Company's shareholders as a whole.

Mr. Fleischer is a substantial shareholder of On Time, a 60% owned subsidiary of the Company. Therefore, Mr. Fleischer is a Connected Person of the Company, and the entering into of the Termination Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable Percentage Ratios for the transactions contemplated under the Termination Agreement exceeds 2.5%, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The entering into of the Termination Agreement also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. It is therefore also subject to the requirements of announcement, circular and shareholders' approval under Chapter 14 of the Listing Rules.

As no shareholder of the Company is required to abstain from voting at the general meeting for the approval of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), and the Company has obtained an irrevocable and unconditional written approval dated 24 May 2010 from Capital Glory Limited, the controlling shareholder of the Company holding 614,250,000 shares of the Company (representing approximately 61.88% of all shareholders' voting rights) as at the date of this announcement, having the right to attend and vote at the Company's general meeting if the Company were to convene a general meeting to approve the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), the Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules.

A circular containing, among other things, further details of the Termination Agreement and the transactions contemplated thereunder, the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser to the Independent Board Committee and the independent shareholders of the Company will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

A. BACKGROUND

References are made to the announcements of the Company dated 16 March 2006 and 4 April 2007 in relation to, among other things, the acquisition of a 50% interest and a further 10% interest in the issued and fully paid share capital of On Time by Fortune Investment, a wholly-owned subsidiary of the Company, from Mr. Fleischer pursuant to the Sale and Purchase Agreement and the First Option Deed, respectively. Since the completion of the First Option Deed, On Time has been owned as to 60% by Fortune Investment and as to 40% by Mr. Fleischer.

On 10 March 2006, being the date of the execution of the Sale and Purchase Agreement and the First Option Deed, Fortune Investment also entered into the Second Option Deed with Mr. Fleischer in respect of the remaining 40% interest in the issued share capital of On Time. Pursuant to the Second Option Deed, (a) Mr. Fleischer had granted the Call Option to Fortune Investment in respect of Mr. Fleischer's holding of such number of On Time Shares representing 40% of the issued share capital of On Time from time to time; and (b) Fortune Investment had granted the First Put Option and the Second Put Option to Mr. Fleischer each in respect of Mr. Fleischer's holding of such number of On Time Shares representing 20% of the issued share capital of On Time from time to time. As at the date of this announcement, the Call Option, the First Put Option and the Second Put Option under the Second Option Deed have not been exercised.

The exercise price of each of the Call Option, the First Put Option and the Second Put Option, negotiated on an arm's length basis between Fortune Investment and Mr. Fleischer, shall be the multiple of the following, pro-rated for the percentage interest being acquired:

- (a) the average of the consolidated net profit after tax of On Time for the two financial years immediately preceding the exercise of such option; and
- (b) a price-earnings multiple of 5.5 of On Time (which was within the prevailing industry average of 5–7 times at the relevant time).

If the Call Option or both the First Put Option and the Second Put Option were exercised on the date of the Termination Agreement to acquire the remaining 40% interest in the issued share capital of On Time, the consideration for acquisition of such 40% interest in On Time as determined in accordance with the Second Option Deed amounted to approximately US\$42,111,000 (equivalent to approximately HK\$326,360,000).

For further details of the terms of each of the Sale and Purchase Agreement, the First Option Deed and the Second Option Deed, please refer to the announcement of the Company dated 16 March 2006.

B. TERMINATION AGREEMENT

The Board announces that on 24 May 2010, Fortune Investment entered into the Termination Agreement with Mr. Fleischer to effect the termination of the Second Option Deed on the terms and conditions set out therein pursuant to which Fortune Investment effectively disposed of the Call Option in consideration of Mr. Fleischer agreeing to terminate the First Put Option and the Second Put Option.

Details of the Termination Agreement are as follows:

Date

24 May 2010

Parties

- (a) Fortune Investment; and
- (b) Mr. Fleischer

Principal Terms

Pursuant to the Termination Agreement, Fortune Investment and Mr. Fleischer mutually agreed that the Second Option Deed, including without limitation the Call Option, the First Put Option and the Second Put Option granted thereunder be terminated and cancelled with immediate effect from the date of the fulfilment of the condition set out below and shall since that date become null and void and have no effect whatsoever.

Termination of the Second Option Deed is conditional upon the Company, being the indirect holding company of Fortune Investment, fully satisfied all applicable legal and regulatory requirements (including under the Listing Rules) in connection with the consummation of the transactions contemplated thereunder, including the obtaining of the relevant approval(s) from the relevant shareholders of the Company in accordance with the Listing Rules. Fortune Investment has undertaken to procure the fulfilment of such condition by 31 July 2010.

Subject to the Termination Agreement becoming unconditional, Fortune Investment and Mr. Fleischer mutually agreed to release each other from the obligations contained in or in connection with the Second Option Deed and shall have no claims, demands or other rights whatsoever against each other thereunder or relating thereto and in respect of the termination thereof in accordance with the Termination Agreement.

C. INFORMATION ON ON TIME

As at the date of this announcement, On Time is a private company duly incorporated under the laws of the British Virgin Islands on 13 February 2006 having an authorised share capital of US\$50,000 divided into 50,000 On Time Shares, 500 of which have been issued and are fully paid up. Out of the 500 issued On Time Shares, 250 On Time Shares (representing 50% of the entire issued capital of On Time) had been sold by Mr. Fleischer to Fortune Investment pursuant to the Sale and Purchase Agreement and 50 shares (representing 10% of the entire issued capital of On Time) had been sold to Fortune Investment pursuant to the First Option Deed. The remaining 200 issued On Time Shares (representing 40% of the entire issued capital of On Time) are held by Mr. Fleischer. The

On Time Group is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products. The business of the On Time Group, headquartered in Hong Kong with offices in the Asia Pacific region, has been in existence since as early as the 1990s.

The unaudited consolidated net asset value of the On Time Group as at 31 December 2009 amounted to approximately US\$15,923,000 (equivalent to approximately HK\$123,403,000). For the year ended 31 December 2008, the audited consolidated net profit before and after taxation and extraordinary items of the On Time Group amounted to approximately US\$23,998,000 (equivalent to approximately HK\$185,985,000) and US\$20,864,000 (equivalent to approximately HK\$161,696,000), respectively. For the year ended 31 December 2009, the unaudited consolidated net profit before and after taxation and extraordinary items of the On Time Group amounted to approximately US\$16,822,000 (equivalent to approximately HK\$130,371,000) and US\$17,419,000 (equivalent to approximately HK\$134,997,000), respectively.

D. INFORMATION ON MR. FLEISCHER

Mr. Fleischer, introduced to the Company through business acquaintances, has more than 25 years of experience in the wholesale trade and apparel business, and is the founder of the On Time Group. Subsequent to the completion of the Sale and Purchase Agreement, Mr. Fleischer continued to take a key role in the management of the On Time Group as its chief executive officer, and will remain to be so after the termination of the Second Option Deed and the transactions contemplated thereunder.

E. REASONS FOR THE TRANSACTION

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

The Board believes that the Group has developed a close and satisfactory working relationship with Mr. Fleischer after years of joint venture cooperation with Mr. Fleischer in the management of On Time. The Directors are of the view that under the current shareholding structure of On Time, Mr. Fleischer will continue to work closely with the Group's management team to ensure and maintain a stable management structure of the On Time Group. On the basis of the foregoing, Fortune Investment and Mr. Fleischer decided to maintain the existing joint venture model of On Time in the long run and thus, entered into the Termination Agreement to terminate and cancel the Second Option Deed, including without limitation the Call Option, the First Put Option and the Second Put Option granted thereunder.

The Directors (including the independent non-executive Directors) consider that the terms of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed) were negotiated on an arm's length basis and made on normal commercial terms, and that the terms of the Termination Agreement are fair and reasonable and in the interests of the Group and the Company's shareholders as a whole.

F. LISTING RULES IMPLICATIONS

Mr. Fleischer is a substantial shareholder of On Time, a 60% owned subsidiary of the Company. Therefore, Mr. Fleischer is a Connected Person of the Company, and the entering into of the Termination Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable Percentage Ratios for the transactions contemplated under the Termination Agreement exceeds 2.5%, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The entering into of the Termination Agreement also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. It is therefore also subject to the requirements of announcement, circular and shareholders' approval under Chapter 14 of the Listing Rules.

As no shareholder of the Company is required to abstain from voting at the general meeting for the approval of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), and the Company has obtained an irrevocable and unconditional written approval dated 24 May 2010 from Capital Glory Limited, the controlling shareholder of the Company holding 614,250,000 shares of the Company (representing approximately 61.88% of all shareholders' voting rights) as at the date of this announcement, having the right to attend and vote at the Company's general meeting if the Company were to convene a general meeting to approve the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), the Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules.

A circular containing, among other things, further details of the Termination Agreement and the transactions contemplated thereunder, the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser to the Independent Board Committee and the independent shareholders of the Company will be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules as soon as practicable.

G. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

- | | |
|--------------------|---|
| “Board” | the board of Directors of the Company; |
| “Call Option” | a call option granted by Mr. Fleischer to Fortune Investment under the Second Option Deed, in respect of the purchase of a 40% interest in On Time; |
| “Company” | Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange; |
| “Connected Person” | shall have the meaning ascribed to it under the Listing Rules; |

“Directors”	directors of the Company for the time being;
“First Option Deed”	an option deed dated 10 March 2006 entered into between Mr. Fleischer and Fortune Investment in relation to an option to purchase a 10% interest in On Time;
“First Put Option”	a put option granted by Fortune Investment to Mr. Fleischer under the Second Option Deed, in respect of the sale of a 20% interest in On Time;
“Fortune Investment”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“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;
“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 Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the independent shareholders of the Company in relation to the Termination Agreement and the transactions contemplated thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Fleischer”	Mr. Frank Fleischer;
“On Time”	On Time International Limited, a private company incorporated under the laws of the British Virgin Islands and a 60% owned subsidiary of the Company;
“On Time Group”	On Time and its subsidiaries;
“On Time Shares”	shares of US\$1.00 each in the capital of On Time;
“Percentage Ratios”	shall have the meaning ascribed to it under Chapter 14 of the Listing Rules;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 10 March 2006 entered into between Mr. Fleischer, Fortune Investment and Luen Thai Overseas Limited (as guarantor);

“Second Option Deed”	an option deed dated 10 March 2006 entered into between Mr. Fleischer and Fortune Investment in relation to the Call Option, the First Put Option and the Second Put Option;
“Second Put Option”	a put option granted by Fortune Investment to Mr. Fleischer under the Second Option Deed, in respect of the sale of a 20% interest in On Time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Termination Agreement”	a termination agreement dated 24 May 2010 entered into between Fortune Investment and Mr. Fleischer in relation to the termination of the Second Option Deed (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed); and
“US\$”	United States dollars, the lawful currency of the United States of America.

Unless otherwise specified, the conversion of US\$ into Hong Kong dollars is based on the exchange rate of US\$1 = HK\$7.75. The conversion is for the purpose of illustration only and does not constitute a representation that the amounts in question have been, could have been or could be converted at the above rates or any rates at all.

By order of the Board
Chiu Chi Cheung
Company Secretary

Dated 24 May 2010

As at the date hereof, the Board comprises of 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