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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONNECTED TRANSACTION IN RESPECT OF THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF LUEN THAI GARMENT (CAMBODIA) CO., LTD.

The Board announced that on 30 January 2012 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of LT Cambodia at a consideration of US\$1,670,000. Upon completion of the Disposal, LT Cambodia will cease to be a subsidiary of the Company.

The Purchaser is ultimately controlled by Mr. Tan Siu Lin, an executive Director and the chairman of the Board, and is therefore a Connected Person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the transaction contemplated under the Disposal constitutes a connected transaction exempt from the independent shareholders' approval requirements and is subject to the reporting and announcement requirements under the Listing Rules.

A. THE SALE AND PURCHASE AGREEMENT

The Board announced that on 30 January 2012 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser. The main terms of the Sale and Purchase Agreement are set out below.

Date: 30 January 2012

Parties: (a) Sunny Force Limited (an indirect wholly-owned subsidiary of the Company) as the vendor

(b) Profitable Concepts Limited as the purchaser

Subject matter:

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares in LT Cambodia, representing the entire issued share capital of LT Cambodia.

Consideration:

The Consideration for the Disposal is US\$1,670,000, which shall be payable in lump sum upon Completion.

The Consideration was arrived at after arm's length negotiations between the parties, taking into account the net assets value of LT Cambodia and the valuation on the Property made by an independent valuer.

Conditions precedent:

Completion is conditional upon the satisfaction of the following conditions upon the Longstop Date:

- (a) all necessary approvals, permits, consents and authorisations having been obtained for the transactions contemplated under the Sale and Purchase Agreement, whether pursuant to law, regulatory compliance (including but without limitation to the Listing Rules) or otherwise;
- (b) there has been no material adverse change of LT Cambodia immediately prior to Completion.

If any of the above conditions have not been satisfied on or before 5:00 p.m. (Hong Kong time) on the Longstop Date, the parties may on that date (a) postpone Completion to a date (being a Business Day) falling not more than 30 Business Days after the Longstop Date; or (b) rescind the Sale and Purchase Agreement.

Completion:

Completion shall take place at 3:00 p.m. (Hong Kong time) on the second Business Day after the Conditions Fulfilment Date or at such later time or date as the Vendor and the Purchaser may agree.

B. INFORMATION ON LT CAMBODIA

LT Cambodia is a limited company incorporated under the laws of the Kingdom of Cambodia. It has 100 shares of US\$8,000 each, representing 100% of the issued share capital of LT Cambodia. LT Cambodia previously engaged in garment manufacturing in Cambodia before it ceased operations in October 2004.

The only major asset held by LT Cambodia is the Property, which has been left vacant since LT Cambodia ceased operations. The Property was built by LT Cambodia. The Property comprises a single-storey industrial building partly with mezzanine plus some single-storey outbuildings built on a parcel of land of about 48,831 sq.m. The total gross floor area of the Property is approximately 12,784 sq.m. Pursuant to a previous lease arrangement which has been terminated, the Property was built on the Land ultimately owned by Helmsley which is 70% owned by Mr. Tan Henry, an executive Director and Chief Executive Officer of the Company and therefore a Connected Person of the Company.

According to a valuation report dated 25 January 2011 issued by an independent professional property valuer, the valuation on the Land and the Property as at 31 December 2010 was in the sum of US\$7,530,000. Such valuation was based on the

assumption that the Land and the Property are freely transferable by a single owner and a hypothetical apportionment of the value to the Land and the Property was US\$5,860,000 and US\$1,670,000 respectively. According to a letter dated 18 January 2012 issued by such independent professional property valuer in supplement to the valuation report, the valuer opined that the Property itself has no commercial value to LT Cambodia as LT Cambodia does not possess any rights or interests to the Land.

According to the management accounts of LT Cambodia, the net asset value of LT Cambodia as at 31 December 2011 amounted to approximately US\$1,366,000. For the financial year ended 31 December 2010, the unaudited net loss before and after taxation of LT Cambodia was approximately US\$387,000. For the financial year ended 31 December 2011, the unaudited net loss before and after taxation of LT Cambodia was approximately US\$347,000.

C. REASONS FOR THE TRANSACTION

As mentioned above, LT Cambodia previously engaged in garment manufacturing in Cambodia before it ceased operations in October 2004. The Directors believe that the Disposal enables the Group to streamline its operation, save the maintenance costs of the Property and realise the book value of LT Cambodia.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, which are fair and reasonable, and that the entering into the Sale and Purchase Agreement and the Disposal are in the interests of the Group and the Company's shareholders as a whole.

D. FINANCIAL EFFECT OF THE TRANSACTION

Based on the unaudited financial information of LT Cambodia as at 31 December 2011, the Company is expected to record a gain from the Disposal of approximately US\$304,000, based on the excess of the Consideration over the net asset value of LT Cambodia. Upon completion of the Disposal, LT Cambodia will cease to be subsidiary of the Company.

The Company intends to use the sale proceeds from the Disposal for general working capital of the Group.

E. LISTING RULE IMPLICATIONS

The Purchaser is ultimately controlled by Mr. Tan Siu Lin, an executive Director and the chairman of the Board, and is therefore a Connected Person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the transaction contemplated under the Disposal constitutes a connected transaction exempt from the independent shareholders' approval requirements and is subject to the reporting and announcement requirements under the Listing Rules.

Mr. Tan Siu Lin, together with his sons Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, who are all Directors, have a material interest in the transactions contemplated under the Sale and Purchase Agreement. Accordingly, they

have abstained from voting on the board resolution of the Company approving the entering into the Sale and Purchase Agreement and the transactions contemplated thereunder.

F. 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 an investment holding company.

G. DEFINITIONS

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| “Associate” | shall have the meaning as ascribed to it under the Listing Rules; |
| “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 Agreement in accordance with its terms; |
| “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 US\$1,670,000, 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; |
| “Disposal” | the disposal of the Sale Shares by the Vendor pursuant to the terms of the Sale and Purchase Agreement; |
| “Group” | the Company and its subsidiaries; |
| “Helmsley” | Helmsley Enterprises Limited, a company incorporated in the Commonwealth of the Bahamas; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Land” | the piece of land located in Cambodia and on which the Property was built; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Longstop Date” | 31 March 2012; |

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| “LT Cambodia” | Luen Thai Garment (Cambodia) Co., Ltd., a company incorporated in the Kingdom of Cambodia; |
| “Property” | Industrial Complex located at National Road No. 2, Phum Tuol Rokar, Sangkat Chak Angre, Khan Mean Chey, Phnom Penh, the Kingdom of Cambodia; |
| “Purchaser” | Profitable Concepts Limited, a company incorporated under the laws of the British Virgin Islands; |
| “Sale and Purchase Agreement” | a sale and purchase agreement dated 30 January 2012 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares; |
| “Sale Shares” | 100 shares of LT Cambodia, representing 100% of the issued share capital of LT Cambodia; |
| “sq.m.” | square metre(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “US\$” | United States dollars, the lawful currency of the United States of America; |
| “Vendor” | Sunny Force Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. |

Dated 30 January 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

Non-executive Directors:

Tan Willie
Lu Chin Chu

Independent Non-executive Directors:

Chan Henry
Cheung Siu Kee
Seing Nea Yie

By order of the Board
Chiu Chi Cheung
Company Secretary

Website: www.luenthai.com