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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF THE ENTIRE INTEREST IN LUEN THAI INDUSTRIAL COMPANY LIMITED

The Board announced that on 30 May 2012 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share representing the entire issued share capital of LTIL at a total consideration of RMB88,109,763.

The Vendor is an indirect wholly-owned subsidiary of Helmsley Enterprises Limited. In turn, Helmsley Enterprises Limited is owned as to 70% by Mr. Tan Henry, an executive Director and the chief executive officer of the Company. Therefore the Vendor is a Connected Person of the Company. As the applicable percentage ratios in respect of the Acquisition and the entering into the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition and the entering into the Sale and Purchase Agreement constitute a discloseable and connected transaction for the Company under the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, further information on the Sale and Purchase Agreement, the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Sale and Purchase Agreement and the notice to convene the EGM will be sent to the Shareholders on or before 20 June 2012.

Completion of the Acquisition is subject to the satisfaction and/or waiver of the Conditions Precedent pursuant to the Sale and Purchase Agreement, including but not limited to the Condition Precedent that the approval by the Independent Shareholders at the EGM in respect of all the transactions contemplated under the Sale and Purchase Agreement having been obtained. Shareholders and potential investors of the Company should exercise caution when dealing in the shares or any other securities of the Company.

A. THE SALE AND PURCHASE AGREEMENT

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

Date: 30 May 2012

Parties: (a) Luen Thai Enterprises Limited as the vendor
(b) Luen Thai Overseas Limited (a direct wholly-owned subsidiary of the Company) 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 Share, representing the entire issued share capital of LTIL.

Consideration:

The Consideration shall be in the sum of RMB88,109,763. The Consideration shall be satisfied in cash and paid by the Purchaser to the Vendor within 30 days after the Completion.

The Consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to the following formula, namely, 4.5 x average audited combined net profit after tax of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice for the two years ended 31 December 2011.

Conditions Precedent:

Completion of the Acquisition is conditional upon the following Conditions Precedent 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) the Vendor 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 necessary approvals, whether pursuant to law, regulatory compliance or otherwise (including but not limited to any necessary approvals from the board of directors of the Purchaser and the Company respectively and the approval by the Independent Shareholders at the EGM in respect of all the transactions contemplated under the Sale and Purchase Agreement) having been obtained;
- (c) the warranties given by the Vendor 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 immediately prior to Completion.

The Purchaser may, by written notice to the Vendor, waive or modify compliance with any Condition Precedent 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 Longstop Date.

If any of the Conditions Precedent (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 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 Vendor:

- (i) waive, to such extent as it thinks fit and is legally entitled to do so, the Conditions Precedent 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.

Completion:

Completion shall take place on the second Business Day after the Conditions Fulfilment Date or at such later time or date as the Vendor and Purchaser may agree.

Other term:

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to indemnify the Purchaser from and against all costs, expenses, losses, damages and liabilities in connection with all accounts receivable or debts (if any) owed to the Target Group prior to Completion and which are not recoverable within 12 months after Completion.

B. INFORMATION ON THE TARGET GROUP

LTIL was incorporated in the British Virgin Islands in September 2009 and has an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each, with one (1) share issued and fully paid up and is owned by the Vendor.

The Target Group comprises LTIL, Quanzhou Footwear, Wonderful Choice, Artapower, Hangzhou Lianhong and Macao Footwear. LTIL is an investment holding company which directly holds the entire interest in each of Quanzhou Footwear, Wonderful Choice and Artapower. In turn, Artapower directly holds the entire interest in Macao Footwear.

Quanzhou Footwear is a wholly foreign owned enterprise and is a direct wholly owned subsidiary of LTIL. Quanzhou Footwear is principally engaged in the development and manufacture and sale of footwear. Quanzhou Footwear holds the PRC Property, which is located in Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC.

Hangzhou Lianhong is a company established in the PRC, which is owned as to 50% by Quanzhou Footwear and as to the remaining 50% by an Independent Third Party. Hangzhou Lianhong is principally engaged in the development and manufacture of footwear.

Wonderful Choice was incorporated in the British Virgin Islands in August 1999 and is a direct wholly owned subsidiary of LTIL. Wonderful Choice is principally engaged in the trading of footwear.

Artapower was incorporated in the British Virgin Islands in April 2005 and is a direct wholly owned subsidiary of LTIL. Artapower is an investment holding company and the only major asset it holds is Macao Footwear. Macao Footwear was incorporated in Macao in October 2005 and is a direct wholly owned subsidiary of Artapower. Macao Footwear is principally engaged in the trading of footwear.

LTIL was set up by the Vendor for investment holding purpose.

Set out below are certain unaudited consolidated 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>RMB</i>	<i>RMB</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Net profits before tax	19,174,000	23,108,000
Net profits after tax	17,755,000	21,345,000

The unaudited consolidated net asset value of the Target Group as at 30 April 2012 was approximately RMB33,648,000.

Upon completion of the Acquisition, the Target Group (which comprises LTIL, Quanzhou Footwear, Wonderful Choice, Artapower and Macao Footwear, but excluding Hangzhou Lianhong) will become indirect subsidiaries of the Company and their results will be consolidated into the Group's financial results, while the results of Hangzhou Lianhong, which is 50% owned by Quanzhou Footwear, will be treated as a jointly-controlled entity and its results will be incorporated into the Group's financial statements using the equity method of accounting.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in the development, manufacture, sale and trading of footwear. The Board believes that the Acquisition can further enrich the Group's product range on consumer products manufacturing and enhance the cross selling opportunities and enlarge its customer base. 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 (except the independent non-executive Directors whose view will be formed after obtaining and considering the advice from the Independent Financial Adviser) 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

The Vendor is an indirect wholly-owned subsidiary of Helmsley Enterprises Limited. In turn, Helmsley Enterprises Limited is owned as to 70% by Mr. Tan Henry, an executive Director and the chief executive officer of the Company. Therefore the Vendor is a Connected Person of the Company. As the applicable percentage ratios in respect of the Acquisition and the entering into the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition and the entering into the Sale and Purchase Agreement constitute a discloseable and connected transaction for the Company under the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the the Sale and Purchase Agreement. Partners Capital International Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this connection as well.

A circular containing, among other things, further information on the Sale and Purchase Agreement, the Acquisition, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Sale and Purchase Agreement and the notice to convene the EGM will be sent to the Shareholders on or before 20 June 2012.

E. GENERAL

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

The Purchaser is principally engaged in investment holding.

The Vendor is principally engaged in investment holding.

F. DEFINITIONS

“Acquisition”	the acquisition of the Sale Share by the Purchaser pursuant to the Sale and Purchase Agreement;
“Artapower”	Artapower Holdings Limited, a company duly incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of LTIL;
“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 Share 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 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;
“Condition(s) Precedent”	condition(s) precedent to Completion under the Sale and Purchase Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Consideration”	a sum of RMB88,109,763, being the consideration for the sale of the Sale Share pursuant to the Sale and Purchase Agreement;
“Director(s)”	director(s) of the Company for the time being;
“EGM”	the extraordinary general meeting of the shareholders of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and all the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“Hangzhou Lianhong”	杭州聯鴻鞋業有限公司 (Hangzhou Lianhong Shoe Co., Ltd. *), a company incorporated in the PRC, which is 50% owned by Quanzhou Footwear;
“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”	Partners Capital International Limited, a licensed corporation to carry out regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), 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 Sale and Purchase Agreement and the transactions thereunder;
“Independent Shareholders”	those shareholders of the Company who are not required to abstain from voting at the EGM;
“Independent Third Party”	third party which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its Connected Person(s);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Longstop Date”	31 October 2012;
“LTIL”	Luen Thai Industrial Company Limited, a company duly incorporated in the British Virgin Islands and is a 100% owned by the Vendor;
“Macao”	the Macao Special Administrative Region of the People’s Republic of China;
“Macao Footwear”	Luen Thai Footwear Macao Commercial Offshore Co. Limited (聯泰鞋業澳門離岸商業服務有限公司), a company duly incorporated in Macao and a direct wholly owned subsidiary of Artapower;
“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 comprises the majority portion of eight buildings which were erected on a site with a land area of approximately 28,980.35 sq. m. in Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC;
“Purchaser”	Luen Thai Overseas Limited, a company incorporated under the laws of the Bahamas and a direct wholly-owned subsidiary of the Company;
“Quanzhou Footwear”	聯泰(泉州) 輕工有限公司 (Luen Thai Footwear Co., Ltd. *), a company incorporated in the PRC as a wholly foreign owned enterprise, which is a direct wholly owned subsidiary of LTIL;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 30 May 2012 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share;
“Sale Share”	one (1) share in the issued share capital of LTIL held by the Vendor, representing 100% of the issued share capital of LTIL;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	LTIL, Quanzhou Footwear, Wonderful Choice, Artapower, Hangzhou Lianhong and Macao Footwear;
“Vendor”	Luen Thai Enterprises Limited, a company incorporated under the laws of the British Virgin Islands;
“Wonderful Choice”	Wonderful Choice Limited, a company duly incorporated in the British Virgin Islands and a direct wholly owned subsidiary of LTIL.

The provision of English translation of company names in Chinese marked with “” is unofficial English translation and for identification purposes only.*

Dated 30 May 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

By order of the Board
Chiu Chi Cheung
Company Secretary

Company's website: www.luenthai.com