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# LUEN THAI HOLDINGS LIMITED

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

## PLACING AND SUBSCRIPTION OF SHARES

Placing Agent

### BNP PARIBAS PEREGRINE

The Directors announce that both the Placing Agreement and the Subscription Agreement were entered into on 24th January, 2005. Pursuant to the Placing Agreement, the Placing Agent has agreed to place (or failing which to itself acquire) 90,200,000 existing Shares owned by Capital Glory Limited to not less than six independent placees at the Placing Price. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to Capital Glory Limited 90,200,000 new Shares at the Placing Price subject to completion of the Placing, as well as the granting of the listing of, and permission to deal in the new Shares by the Listing Committee.

Upon completion of the Placing, the interest of Capital Glory Limited and parties acting in concert with it in the issued share capital of the Company will be reduced from about 74.8% to about 64.8% and such interest will then be increased to about 68.0% after completion of the Placing and the Subscription.

The net proceeds of the Subscription is expected to be not less than HK\$360 million, of which it is expected that no less than HK\$150 million will be used to finance the expansion of the Group's existing product types, such as ladies' intimate wear, knitwear and cotton pants and the remaining balance for general working capital of the Group. The Company is now assessing the feasibility of developing new product types either internally or by way of acquisition, or the combination of both.

#### PLACING AGREEMENT

**Date:** 24th January, 2005  
**Parties:** (1) Capital Glory Limited  
(2) The Company  
(3) The Placing Agent

#### THE PLACING

##### 1. Placing of Existing Shares

90,200,000 Shares, representing about 10.0% of the existing issued share capital of the Company and about 9.1% of the issued share capital of the Company as enlarged by the Subscription.

##### 2. Placing Price

Not less than HK\$4.07 and not more than HK\$4.20 per Share. The Placing Price was arrived at after arm's length negotiation and has been determined at HK\$4.07 per Share.

HK\$4.07 per Share, i.e., being the final Placing Price, represents (i) a discount of approximately 7.0% to the closing price of HK\$4.375 per Share of 24 January, 2005, which is the latest trading day prior to the date of the Placing Agreement; (ii) a discount of about 4.1% to the 5-day average closing price for the period from 18 January, 2005 to 24 January, 2005 of about HK\$4.245 per Share; and (iii) a discount of approximately 0.7% to the 10-day average closing price of the period from 11 January, 2005 to 24 January, 2005 of about HK\$4.10 per Share as quoted on the Stock Exchange.

The Directors consider that based on the market price of the Shares, the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The Directors also consider that the discount of the Placing Price to the closing price of Shares on 24th January, 2005 is fair and reasonable based on the market price of the Shares and with reference to discounts of placing price of recent placing undertaken by other listed issuers.

##### 3. Placees

The Placing Agent has agreed to procure not less than six placees, who will be individual, corporate and/or professional investor. The Placing Agent and the placees are third parties independent of and not connected with Capital Glory Limited or any of the Directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of its and their respective associates (as defined under the Listing Rules).

#### 4. Conditions and completion of the Placing

Completion of the Placing is conditional upon:

- (a) trading in the Shares on the Stock Exchange not having been suspended for any single consecutive period of more than 3 trading days during any time prior to completion of the Placing (save for any temporary suspension for the purpose of clearance of announcement or announcement(s) in respect of the Placing, Subscription or the Placing Agreement by the Stock Exchange); and
- (b) there being no material breach of any warranties and undertakings given by Capital Glory Limited and the Company under the Placing Agreement.

Completion of the Placing is expected to take place on 27th January, 2005 or such other date as Capital Glory Limited, the Company and the Placing Agent may agree.

#### SUBSCRIPTION AGREEMENT

Date: 24th January, 2005

Parties: (1) The Company  
(2) Capital Glory Limited

#### THE SUBSCRIPTION

##### 1. Subscription of New Shares

90,200,000 new Shares, being the same number of Shares under the Placing, representing about 10.0% of the existing issued share capital of the Company and about 9.1% of the issued share capital of the Company as enlarged by the Subscription.

The new Shares will be issued pursuant to the general mandate granted to the Directors pursuant to the written resolution passed by Capital Glory Limited, the sole shareholder of the Company, on 27th June, 2004. The Company has not issued any Shares pursuant to the general mandate.

##### 2. Subscription price

HK\$4.07 per Share, being the same price as the final Placing Price.

##### 3. Ranking of the new Shares

The new Shares, when fully paid, will rank pari passu in all respect with all the existing Shares in issue as at the date of issue of the new Shares.

Application will be made to the Listing Committee of the Stock Exchange seeking approval for the listing of, and permission to deal in the new Shares to be issued under the Subscription Agreement.

##### 4. Conditions and completion of the Subscription

Completion of the Subscription is conditional upon:

- (a) the completion of the Placing; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the new Shares.

Completion of the Subscription will take place upon the fulfillment of all conditions listed above and is expected to take place within 14 days from the date of the Subscription Agreement. Should completion of the Subscription fail to take place within 14 days from the date of the Subscription Agreement, the Subscription will be subject to the relevant requirements as set out in Chapter 14A of the Listing Rules.

#### EFFECTS OF THE PLACING AND THE SUBSCRIPTION

The effects of the shareholding structure of the Company pursuant to the Placing and the Subscription are as follows:

	Immediately before Placing		After Placing but before Subscription		After Placing and Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Capital Glory Limited (Note 1&2)	614,250,000	68.1	524,050,000	58.1	614,250,000	61.9
Union Bright Limited (Note 1&3)	60,750,000	6.7	60,750,000	6.7	60,750,000	6.1
Sub-total	<u>675,000,000</u>	<u>74.8</u>	<u>584,800,000</u>	<u>64.8</u>	<u>675,000,000</u>	<u>68.0</u>
<i>Public Shareholders</i>						
Yue Yuen Industrials	89,100,000	9.9	89,100,000	9.9	89,100,000	9.0
Other public shareholders	138,200,000	15.3	228,400,000	25.3	228,400,000	23.0
Total	<u>902,300,000</u>	<u>100.0</u>	<u>902,300,000</u>	<u>100.0</u>	<u>992,500,000</u>	<u>100.0</u>

Notes:

1. Parties acting in concert.
2. Capital Glory Limited is a wholly-owned subsidiary of Helmsley Enterprises Limited, which is in turn owned by a number of trusts for the benefits of the Tan family.
3. Union Bright Limited is a wholly-owned subsidiary of Tan Holdings Limited, which is in turn wholly-owned by the Tan Family Trust.

#### REASONS FOR THE PLACING AND SUBSCRIPTION

The Company is one of the largest apparel manufacturers in Asia, with an existing product portfolio consisting of knit, woven and sleep wear. The Group focuses on becoming a supply chain partner with its customers, by providing volume manufacturing, design & research capabilities, sourcing services, inventory management and logistics & distribution functions.

With quota elimination in 2005, it is expected that apparel retailers and branded apparel makers will buy from fewer suppliers to reduce administration and coordination costs spent in sourcing. However, apparel retailers and branded apparel makers generally need to source a wide assortment of different categories of apparel, therefore, manufacturers are increasingly looking to expand their production with the capability to produce a wider assortment of different categories of apparel through organic growth or acquisitions.

In order to capture the business opportunities following quota elimination, the Group intends to expand into new product types in order to attract new customers and/or gain market share. It is the Group's strategy to expand its product portfolio by both developing new product types internally and by way of acquisition. In the past, the Group has expanded its product portfolio to sleep wear and ladies wear through acquisitions. The Directors are considering to expand the product portfolio of the Group to include ladies' intimate wear, knitwear and cotton pants.

The Company is now assessing the feasibility of developing new product types either internally or by way of acquisition, or the combination of both.

The Placing Price and the Subscription Price were determined after arm's length negotiations between the Company, Capital Glory Limited and the Placing Agent and the Directors consider that the terms of the Placing Price and the Subscription Price are fair and reasonable. The existing Shares were listed on the Main Board of the Stock Exchange on 15 July, 2004. Net proceeds of approximately HK\$640 million were raised from the listing. However, none of the proceeds raised at the listing was earmarked for the purposes of financing the expansion of the Group's existing product types, such as ladies' intimate wear, knitwear and cotton pants, and therefore the Directors believe that the Placing and the Subscription are in the best interests of the Company and the Shareholders as a whole. The Directors are of the view that the Placing and Subscription will enlarge the Shareholder base and the capital base of the Company.

#### **USE OF PROCEEDS**

All the commission, cost, and expenses incurred in relation to the Placing and Subscription will be borne by the Company and the interest accrued on the net Placing proceeds from the date of completion of Placing to the date of completion of the Subscription will be for the benefit of the Company.

The net proceeds of the Subscription is expected to be not less than HK\$360 million, of which it is expected that no less than HK\$150 million will be used to finance the expansion of the Group's existing product types, such as ladies' intimate wear, knitwear and cotton pants and the remaining balance for general working capital of the Group.

#### **LOCK UP**

Pursuant to the Placing Agreement, Capital Glory Limited has undertaken to the Placing Agent that it will procure that, prior to the date falling 3 months from the date of Placing Agreement, save with the prior written consent of the Placing Agent, no transfer or disposal of, or grant or creation of any interests or rights of any nature in respect of, any interest in any Shares (other than the Placing Shares but include the Shares acquired under the Subscription) owned by it (legally or beneficially) or any company which is Capital Glory Limited's holding company or subsidiary, or subsidiary of any such holding company, or directly or indirectly controlled by any of them, or in which any such person is interested, at the date of the Placing Agreement.

Pursuant to the Placing Agreement, the Company has undertaken to the Placing Agent, save and except for the Subscription, not to offer, issue, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares or any other securities exercisable or exchangeable for or convertible into, or substantially similar to, the Shares or enter into any transaction with the same economic effect as any of the foregoing for a period of 3 months from the date of the Placing Agreement, without the prior written consent of the Placing Agent.

#### **GENERAL**

The existing Shares were listed on the Main Board of the Stock Exchange on 15th July, 2004. The listing was well received by institutional investors and the public. The over-allotment option was partially exercised on 4th August, 2004. Net proceeds of approximately HK\$640 million were raised from the listing. The detailed breakdown of the actual application of such proceeds during the year ended 31 December 2004 will be included in the annual report of the Company for the year ended 31 December 2004 to be published.

None of the substantial shareholders of the Company have dealt with the Shares since the commencement of the trading of the Shares on the Stock Exchange and prior to the date of this announcement.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	has the meaning ascribed to such term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 90,200,000 existing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agreement”	a placing agreement between the Company, Capital Glory Limited and the Placing Agent dated 24th January, 2005 in relation to the Placing

“Placing Agent”	BNP Paribas Peregrine Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Price”	not less than HK\$4.07 and not more than HK\$4.20 per Share
“Share(s)”	share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for 90,200,000 new Shares, which is equivalent to the same number of Shares under the Placing, by Capital Glory Limited pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement between the Company and Capital Glory Limited dated 24th January, 2005 in relation to the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By order of the Board  
**Henry Tan**  
*Chief Executive Officer and President*

Hong Kong, 24th January, 2005

*As at the date of this announcement, the executive Directors are Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond and the independent non-executive Directors are Mr. Chan Henry and Mr. Cheung Siu Kee.*

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