

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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

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

CONNECTED TRANSACTIONS Acquisition of Assets and Termination of Call Options

Acquisition of Assets

Pursuant to the Acquisition Agreement dated 28 July 2006, the Group has purchased certain industrial sewing machines and office equipment from Eldex at a consideration of US\$777,000 (approximately HK\$6,022,000), which shall be paid in cash within one month after completion. Eldex is a wholly-owned subsidiary of Justintime, which is in turn a wholly-owned subsidiary of Helmsley, a Substantial Shareholder of the Company. Eldex is therefore a Connected Person of the Company under Rule 14A.11(4) of the Listing Rules. The Acquisition is therefore a Connected Transaction of the Company under Rule 14A.13 of the Listing Rules.

Termination of Call Options

As stated in the Prospectus, Helmsley had carried on Mexican Operations which principally involve the manufacture of woven pants through Tripletrio, Justintime and Newtex (and/or their respective subsidiaries). At the time of Listing, the Mexican Operations were considered by the Directors as being independent of and non-competitive to the Group's business and were hence excluded from the Group. In anticipation of any possibility of change in circumstances, the Call Options were granted to the Group by Helmsley in respect of the entire issued share capital of Tripletrio, Justintime and Newtex respectively. The Call Options are eligible to be exercised if the independent non-executive Directors, after taking into consideration several factors, have resolved that it is both strategic and beneficial to the Group to exercise the Call Options. The Call Options therefore gave the Group a first right to acquire the Mexican Operations should the independent non-executive Directors consider it desirable to do so.

The Group has received written notification from Helmsley on 19 July 2006 that, due to continuing operating losses recorded by the Mexican Operations, the business operations of Eldex and Servicios Textiles (being the operating companies of the Mexican Operations and subsidiaries of Justintime and Tripletrio respectively) have ceased and it is proposed that they should undergo Liquidation. Pursuant to the Termination Deed dated 9 August 2006, the Group has irrevocably consented to the Liquidation and agreed to terminate the Call Options subject to and upon completion of the Liquidation. On the basis of the reasons behind the grant of the Call Options, the circumstances of the Liquidation and hence the unlikelihood of the any exercise of the Call Options by the Group, no cash or other consideration was given in respect of the Termination. This was considered fair and reasonable by the Directors (including the independent non-executive Directors). None of the Call Options have been exercised prior to the Termination.

As Helmsley is a Substantial Shareholder of the Company, it is a Connected Person of the Company under Rule 14A.11(1) of the Listing Rules. The Termination is hence a Connected Transaction of the Company under Rule 14A.68 of the Listing Rules.

Implications under the Listing Rules

The applicable Percentage Ratios for the Acquisition are more than 0.1% but less than 2.5%. The Acquisition is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Save for the asset Percentage Ratio, all other applicable Percentage Ratios for the Termination are more than 0.1% but less than 2.5%. The asset Percentage Ratio for the Termination is more than 2.5% but as the consideration is less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the Termination is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

The terms of the Transactions were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the Transactions and their respective terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

1. Acquisition of Assets

Pursuant to the Acquisition Agreement dated 28 July 2006, the Group through L&T International Group Phils., Inc. (an indirect wholly-owned subsidiary of the Company) has purchased industrial sewing machines and office equipment from Eldex at a consideration of US\$777,000 (approximately HK\$6,022,000) which shall be paid in cash within one month after completion. Such consideration was negotiated at arm's length and determined as being the net book value of such assets as appears in the unaudited management accounts of Eldex for the period ended 30 June 2006.

The Group was given to understand that the continuing losses suffered by Eldex and the consequent cessation of its business were the main reasons behind the disposal of assets by Eldex. The Group was also given to understand that the assets were purchased by Eldex between 1999 and 2004, and the aggregate original acquisition costs of the assets were approximately US\$1,624,000 (approximately HK\$12,586,000).

Eldex is a wholly-owned subsidiary of Justintime, which is in turn a wholly-owned subsidiary of Helmsley, a Substantial Shareholder of the Company. Eldex is therefore an Associate of Helmsley and a Connected Person of the Company under Rule 14A.11(4) of the Listing Rules. The Acquisition is thus a Connected Transaction of the Company under Rule 14A.13 of the Listing Rules.

The terms of the Acquisition were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that the Transactions and their respective terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

2. Termination of Call Options

As stated in the Prospectus, Helmsley had carried on Mexican Operations which principally involve the manufacture of woven pants through Tripletrio, Justintime and Newtex (and/or their respective subsidiaries). At the time of Listing, woven pants were not a product category in which the Group is focused and the Mexican Operations were run by a separate management team to that of the Group. The Mexican Operations were therefore considered by the Directors as being independent of and non-competitive to the Group's business and were hence excluded from the Group during the pre-Listing reorganisation. In anticipation of any possible expansion in the Group's product offerings and any potential future prospects in the Mexican Operations, however, the Call Options were granted to Luen Thai Overseas by Helmsley in respect of the entire issued share capital of Tripletrio, Justintime and Newtex respectively, each at a consideration of HK\$1,000. The Call Options were exercisable by Luen Thai Overseas from time to time, at one or more than one time and within a period of 5 years commencing on the date of Listing. The exercise price of each of the Call Options was a sum equivalent to the fair market value of the shares to be sold and which was to be determined by an internationally reputable firm of accountants or valuers. As a term of the Call Options, the Call Options are only eligible to be exercised if the independent non-executive Directors, after taking into consideration several factors (including, without limitation, the Group's business directors, customer requirements, as well as the financial and business potential of the relevant Mexican Operations), have resolved that it is both strategic and beneficial to the Group to exercise the Call Options. The Call Options therefore gave the Group a first right to acquire the Mexican Operations should the independent non-executive Directors consider it desirable to do so.

The Group has received written notification from Helmsley on 19 July 2006 that, due to continuing operating losses recorded by the Mexican Operations, the business operations of Eldex and Servicios Textiles (being the operating companies of the Mexican Operations and subsidiaries of Justintime and Tripletrio respectively) have ceased and it is proposed that they should undergo Liquidation. Consent for the Liquidation from Luen Thai Overseas was hence sought pursuant to the terms of the Call Options.

Pursuant to the Termination Deed dated 9 August 2006, Luen Thai Overseas has irrevocably consented to the Liquidation and agreed to terminate the Call Options subject to and upon completion of the Liquidation. On the basis of the reasons behind the grant of the Call Options, the reasons behind the Liquidation and hence the unlikelihood of the any exercise of the Call Options by the Group, no cash or other consideration was given in respect of the Termination. This was considered fair and reasonable by the Directors (including the independent non-executive Directors). None of the Call Options have been exercised prior to the Termination.

Prior to the Liquidation, the principal business of Newtex is the sourcing and manufacturing of textile and garment products while each of Justintime and Tripletrio is investment

holding. It is currently expected that none of Justintime, Newtex and Tripletrio will be voluntarily liquidated immediately following the Termination, and that they will either become dormant companies or otherwise engage in businesses other than the Mexican Operations. Each of Justintime, Newtex and Tripletrio is currently expected to remain a subsidiary of Helmsley immediately after the Termination.

As Helmsley is a Substantial Shareholder of the Company, it is a Connected Person of the Company under Rule 14A.11(1) of the Listing Rules. The Termination is hence a Connected Transaction of the Company under Rule 14A.68 of the Listing Rules.

3. Reasons for entering into the Transactions

In view of the financial position and prospects of the Mexican Operations, the Directors (including the independent non-executive Directors) concluded that these are loss-making operations with no real prospect of profit during the term of the Call Options. It is therefore unlikely that the Group would wish to exercise the Call Options prior to their respective expiration. On that basis, the Directors (including the independent non-executive Directors) consider that there are merits to Helmsley's proposed Liquidation and that the Termination is thus a fair and reasonable course to take by the Group.

However, the Directors note that the assets which form the subject of the Acquisition are in relatively good working condition and would complement the Group's operations. Taking into account the higher acquisition costs if the Group were to acquire similar assets in brand new condition, the Directors (including the independent non-executive Directors) consider that the consideration negotiated for such assets was fair and reasonable.

The terms of the Transactions were negotiated on an arm's length basis, and the Directors (including the independent non-executive Directors) consider that these Transactions and their respective terms are fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

4. Implications under the Listing Rules

Acquisition of Assets

For the year ended 31 December 2005, the aggregate revenue attributable to the machineries, which are sold under the Acquisition Agreement, amounted to approximately US\$2,407,000 (approximately HK\$18,654,000). As at 30 June 2006, the total asset value as well as the net asset value of such machineries amounted to approximately US\$777,000 (approximately HK\$6,022,000).

Based on the above, the applicable Percentage Ratios for the Acquisition are more than 0.1% but less than 2.5%. The Acquisition is therefore subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

Termination of Call Options

Pursuant to Rule 14A.70(3), any non-exercise of the Call Options would be treated as if the Call Options were exercised. The exercise price of the Call Options, the aggregate value of the issued share capital of Justintime, Newtex and Tripletrio, and the revenue recorded by the 3 companies should therefore be used when computing the applicable Percentage Ratios insofar as the Termination is concerned.

Pursuant to the terms of the Call Options, the exercise price of each of the Call Options was to be a sum equivalent to the fair market value of the shares to be sold and which was to be determined by an internationally reputable firm of accountants or valuers. Pursuant to a valuation report issued by CB Richard Ellis Limited on 5 August 2006, a professional and qualified valuer of real estates and an Independent Third Party, each of the Call Options and each of Justintime, Newtex and Tripletrio is considered to have no commercial value. Pursuant to the terms of the Call Options and based on such valuation, the exercise price of each of the Call Options would therefore have been nil. For the year ended 31 December 2005, the aggregate revenue recorded by Justintime, Newtex and Tripletrio amounted to approximately US\$10,968,000 (approximately HK\$85,002,000). As at 31 December 2005, the aggregate total asset value of Justintime, Newtex and Tripletrio amounted to approximately US\$11,927,000 (approximately HK\$92,434,000).

Based on the above, save for the asset Percentage Ratio, all other applicable Percentage Ratios for the Termination are more than 0.1% but less than 2.5%. The asset Percentage Ratio for the Termination is more than 2.5% but as the consideration is less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the Termination is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

5. General

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

6. Definitions

“Acquisition”	the acquisition of certain assets pursuant to the Acquisition Agreement
“Acquisition Agreement”	an acquisition agreement entered into between L&T International Phils., Inc. (an indirect wholly-owned subsidiary of the Company) and Eldex on 28 July 2006 in relation to the sale and purchase of certain assets
“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“Call Options”	the call options granted under a call option deed entered into between Luen Thai Overseas and Helmsley on 27 June 2004
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Connected Person”	shall have the meaning as ascribed to it under Chapter 14A of the Listing Rules
“Connected Transaction”	shall have the meaning as ascribed to it under Chapter 14A of the Listing Rules
“Directors”	the directors of the Company
“Eldex”	Eldex del Golfo S.A. de C.V., a direct subsidiary of Justintime and hence a Connected Person of the Company
“Group”	the Company and its subsidiaries
“Helmsley”	Helmsley Enterprises Limited, a company incorporated in the Bahamas and a Substantial Shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its Connected Persons
“Justintime”	Justintime Developments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Helmsley
“Listing”	the commencement of dealings in the shares of the Company on the Stock Exchange on 15 July 2004
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Liquidation”	the proposed voluntary liquidation of Eldex and Servicios Textiles, in respect of which consent was sought by Helmsley from Luen Thai Overseas
“Luen Thai Overseas”	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a wholly-owned subsidiary of the Company
“Mexican Operations”	the apparel manufacturing operation in Mexico undertaken by Justintime, Newtex and Tripletrio (and their respective subsidiaries)
“Newtex”	Newtex International Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Helmsley
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“Prospectus”	the Company’s prospectus issued on 30 June 2004
“Servicios Textiles”	Servicios Textiles Mexicanos S.A., a direct subsidiary of Tripletrio and hence a Connected Person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Termination”	the termination of the Call Options pursuant to the Termination Deed
“Termination Deed”	a deed entered into between Luen Thai Overseas and Helmsley on 9 August 2006 relating to the termination of the Call Options
“Transactions”	the Acquisition and the Termination
“Tripletrio”	Tripletrio International Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Helmsley
“US\$”	United States dollars, the lawful currency of the United States of America

Dated 15 August 2006

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 Director:

Tan Willie

Independent Non-executive Directors:

Chan Henry
 Cheung Siu Kee
 Seing Nea Yie

By order of the Board
Chiu Chi Cheung
Company Secretary