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**LUEN THAI HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 311)**

**NON-EXEMPT CONNECTED TRANSACTIONS**

**Disposal of Assets**

**&**

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**Sub-contracting Services**

**DISPOSAL OF ASSETS**

Pursuant to the Sale and Purchase Agreements dated 28 June 2007 and 3 July 2007, the Group, through Concorde, has disposed the Assets to Tan Holdings and LTFV at an aggregate consideration of US\$209,689 (approximately HK\$1,635,574). Such consideration was negotiated at arm's length and to a large extent, determined by reference to fair market values. Both Tan Holdings and LTFV are members of the Tan Private Group. As disclosed in the Prospectus, members of the Tan Private Group are Associates, and hence Connected Persons, of the Company.

The applicable Percentage Ratios for the acquisition of Assets are more than 0.1% but less than 2.5%. The acquisition is therefore, subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

**SUB-CONTRACTING SERVICES**

Pursuant to the Master Agreements dated 30 June 2007, the Group, through TMS Fashion and Best Uni, has been engaging AMI as its sub-contractor for the provision of garment manufacturing services at prices negotiated on an arm's length basis since 1 January 2007 for a term of three years. AMI is a wholly owned company of Kardon, which in turn is a 42%-owned company of LTDI. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director. AMI is therefore, deemed an Associate, and hence a Connected Person, of the Company.

The Directors expect that the aggregate fees to be paid by the Group to AMI in respect of such services for each of the three financial years ending on 31 December 2009 will not exceed a maximum cap of US\$2,500,000 (approximately HK\$19,500,000), US\$3,500,000 (approximately HK\$27,300,000) and US\$3,800,000 (approximately HK\$29,640,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable Percentage Ratios on an annual basis, such transactions are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **A. DISPOSAL OF ASSETS**

### **1. Background**

Pursuant to the Sale and Purchase Agreements dated 28 June 2007 and 3 July 2007, the Group, through Concorde, has disposed the Assets to Tan Holdings and LTFV at an aggregate consideration of US\$209,689 (approximately HK\$1,635,574), which has been paid in cash in full. Such consideration was negotiated at arm's length and to a large extent, determined by reference to fair market values as at 31 May 2007, which in turn represented the estimated prices at which the Assets would otherwise be sold to independent third parties in the open market. The aggregate net book value of the Assets as at 31 May 2007 was approximately US\$83,150 (approximately HK\$648,570).

Based on the above and the fact that the Assets were disposed at a gain, the Directors (including the independent non-executive Directors) consider that the consideration paid to the Group to be fair and reasonable.

### **2. Connected Persons**

Both Tan Holdings and LTFV are members of the Tan Private Group. As disclosed in the Prospectus, members of the Tan Private Group are Associates, and hence Connected Persons, of the Company. Both Tan Holdings and LTFV are investment holding companies.

### **3. Reasons for entering into the transactions**

Concorde had ceased its garment manufacturing operations in Saipan with effect from 31 December 2006 and was therefore intending to dispose its assets to potential purchaser(s) with a view to maximizing its gain on such disposals. As disclosed in the Company's announcement dated 22 January 2007, the decision to terminate these operations in Saipan was reached after careful consideration taking into account various factors including, without limitation, the elimination of US import quotas and the relatively higher operational costs in Saipan as compared with those of the other jurisdictions. Please refer to the announcement for further details. Given that the Tan Private Group was willing to pay for the assets at favourable prices, which to a large extent, were derived by reference to fair market values, the Sale and Purchase Agreements were entered into by Concorde with each of Tan Holdings and LTFV for the sale and purchase of the Assets.

Based on the above, the Directors (including the independent non-executive Directors) consider that the disposal of the Assets and the terms to be 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**

The aggregate consideration received by the Group for the disposal of the Assets amounts to US\$209,689 (approximately HK\$1,635,574). The aggregate net book values of the Assets as at 31 May 2007 were approximately US\$83,150 (approximately HK\$648,570).

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

### **B. SUB-CONTRACTING SERVICES**

#### **1. Background**

Pursuant to the Master Agreements dated 30 June 2007, the Group, through TMS Fashion and Best Uni, has been engaging AMI as its sub-contractor for the provision of garment manufacturing services at prices negotiated on an arm's length basis since 1 January 2007 for a term of three years.

#### **2. Connected Persons**

AMI is a wholly owned company of Kardon, which in turn is a 42%-owned company of LTDI. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director. AMI is therefore, deemed an Associate, and hence a Connected Person, of the Company. AMI is principally engaged in the manufacturing of garments in Hong Kong.

#### **3. Reasons for entering into the transactions**

As disclosed in the Company's announcement dated 20 November 2006, On Time became a member of the Group on 10 September 2006. The addition of On Time to the Group has enabled both TMS Fashion and Best Uni to expand their respective networks of suppliers tremendously to include AMI, which offers specialized garment manufacturing techniques required by them. Based on the Group's assessment of AMI's capabilities, the Directors considered that it would be beneficial for the Group as a whole to sub-contract such services to AMI.

Based on the above, the Directors (including the independent non-executive Directors) consider that the engagement of AMI for the provision of such sub-contracting services and the terms to be 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**

The provision of garment manufacturing services by AMI to the Group constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The aggregate amount of fees paid by the Group to AMI during the first five months this year amounted to approximately US\$410,000 (approximately HK\$3,198,000), resulting in the applicable Percentage Ratios becoming more than 0.1% but less than 2.5%. The reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules were triggered at the relevant time, being 31 May 2007 in this case. Moreover, it is expected that there will be a significant increase in the aggregate fees to be paid by the Group to AMI for the three years ending 31 December 2009 due to (i) further strengthening of the relationship between AMI and the On Time Group which will result in the expansion of such relationship beyond Indonesia and into the PRC; and (ii) a high level of synergy being generated between AMI and the Group.

The Directors expect that the aggregate fees to be paid by the Group to AMI in respect of such services for each of the three financial years ending on 31 December 2009 will not exceed a maximum cap of US\$2,500,000 (approximately HK\$19,500,000), US\$3,500,000 (approximately HK\$27,300,000) and US\$3,800,000 (approximately HK\$29,640,000) respectively. As each of these maximum caps is more than 0.1% but less than 2.5% under the applicable Percentage Ratios on an annual basis, such transactions are currently expected to be subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

#### **C. 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.

#### **D. DEFINITIONS**

“AMI”	A. M. International Manufacturing Company Limited, a company incorporated in Hong Kong and a Connected Person of the Company
“Assets”	office equipment, transportation equipment and furniture and fixture sold by the Concorde to members of the Tan Private Group pursuant to the Sale and Purchase Agreements
“Associate”	shall have the meaning as ascribed to it under the Listing Rules
“Best Uni”	Best Uni Limited, a member of the On Time Group incorporated in Hong Kong
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange

“Concorde”	Concorde Garment Manufacturing Corporation, a wholly owned subsidiary of the Company incorporated in the Commonwealth of Northern Mariana Islands
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Kardon”	Kardon International Worldwide Ltd., a company incorporated in the British Virgin Islands and a Connected Person of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LTDI”	Luen Thai Direct Investment Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company
“LTFV”	Luen Thai Fishing Venture Limited, a company incorporated in the British Virgin Islands and a Connected Person of the Company
“Master Agreements”	collectively the master agreement dated 30 June 2007 between AMI and TMS Fashion and the master agreement dated 30 June 2007 between AMI and Best Uni, both in relation to the provision of garment manufacturing services to the Group
“On Time Group”	On Time International Limited (a 60%-owned subsidiary of the Company) and its subsidiaries
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Prospectus”	the Company’s prospectus dated 30 June 2004 and issued in connection with its listing on the Stock Exchange
“Sale and Purchase Agreements”	collectively the sale and purchase agreement dated 28 June 2007 between Concorde and Tan Holdings and the sale and purchase agreement dated 3 July 2007 between Concorde and LTFV, both in relation to the sale of assets by Concorde
“Shares”	shares of US\$0.01 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tan Holdings”	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands and wholly-owned by the Tan Family Trust of 2004, a substantial shareholder of the Company
“Tan Private Group”	Tan Holdings and its Associates and subsidiaries (other than the Group)
“TMS Fashion”	TMS Fashion (HK) Limited, a member of the On Time Group incorporated in Hong Kong
“US”	United States
“US\$”	US dollars, the lawful currency of the United States of America

Dated 5 July 2007

As at the date hereof, the board of directors of the Company comprises the following Directors:

*Executive Directors:*

Tan Siu Lin (*Chairman*)  
Tan Henry  
Tan Cho Lung, Raymond  
Mok Siu Wan, Anne  
Tan Sunny

*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*

Website: [www.luenthai.com](http://www.luenthai.com)